

# CDSL

## Restoring growth

Central Depository Services India Ltd (CDSL) registered two years of solid growth (>50% YoY in FY21-22, driven by ~4/4x rise in transaction revenue/Demat accounts), which flattened in FY23. The growth in FY23 was impacted by a 17% decline in market-linked revenue (transaction, IPO and KYC (fetch), offset by a 30% YoY growth in the annuity stream (annual issuer charges, e-voting and e-CAS). We expect the company growth to recover in FY24E, supported by (1) recovery in BO account addition, (2) higher transaction revenue driven by growth in delivery volume, and (3) continuity of growth in the annuity revenue stream. CDSL continues to be a market leader in the number of BO accounts, with a 73% market share and 85% incremental share. CDSL is adding ~2mn accounts monthly, which is up 46% YoY but down 36% from the peak. The insurance opportunity remains an option value (regulatory push) and will add ~7% to revenue, assuming a 25% market share. We increase our EPS estimate by ~5/7% for FY24/25E, implying revenue/EBITDA/APAT CAGR of 18/21/20% over FY23-26E. We upgrade our rating to BUY from ADD and assign a TP of INR 1,470, based on 37x June-25E EPS. The stock has traded at an average 3Y/5Y 1-year forward P/E multiple of 42/32x. CDSL has a RoE of 24%, RoIC of 78%, 5Y average cash conversion of >80%, and net cash of INR 10.6bn which is ~9% of the market cap.

**High annuity revenue:** CDSL derives 33% of its revenue from issuer charges, which is a pure annuity income. Apart from this, e-voting and e-CAS revenue is also recurring in nature; thus, the total non-market linked revenue for CDSL is ~48% of revenue. The non-market linked revenue has registered a CAGR of 31% post-covid (FY20-23) vs 17% pre-covid (FY15-20). The annual issuer charges have a high correlation with growth in the number of Demat accounts, and recovery in BO account addition will aid growth. We expect the non-market-linked revenue stream to grow at a CAGR of 19% over FY23-26E, driven by higher BO account growth (~20% CAGR).

**Recovery in market-linked revenue:** CDSL derives ~52% of revenue from market-linked sources (transaction, IPO/corporate action, and KYC). The market-linked revenue was down ~17% in FY23, led by a ~20/17% drop in transaction/IPO revenue. The transaction revenue is cyclical and has a high correlation with growth in delivery trades. The delivery volume has registered 12% YoY growth in Q1FY24 after five quarters of sequential decline and the KYC revenue is also expected to recover. We expect the market-linked revenue to register a CAGR of 17% over FY23-26E, driven by a 17/15/18% CAGR in transaction/IPO/KYC revenue.

**Insurance opportunity:** The compulsory dematerialisation of insurance policies will open up new opportunities for the four IRDA-registered insurance repositories (NDML, CAMS, KARVY, and CIRL). Currently, only 2% of the policies are in demat form, and as per our estimate, the total recurring opportunity for repositories will be ~INR 1.52bn. CDSL can generate additional revenue of INR 0.38bn, assuming a 25% market share, which is ~7% of FY23 revenue.

### Financial Summary\*

YE March (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	3,437	5,513	5,551	6,474	7,682	9,061
EBITDA	2,118	3,669	3,233	3,986	4,764	5,716
APAT	2,003	3,112	2,759	3,345	3,955	4,714
Diluted EPS (INR)	19.2	29.8	26.4	32.0	37.8	45.1
P/E (x)	63.4	40.8	46.1	38.0	32.1	27.0
EV / EBITDA (x)	55.7	31.6	36.0	28.9	23.8	19.5
RoE (%)	25.0	31.6	23.9	26.1	27.7	29.5

Source: Company, HSIE Research, \*Consolidated

## BUY

CMP (as on 12 Jul 2023)	INR 1,216
Target Price	INR 1,470
NIFTY	19,384

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	INR 985	INR 1,470
EPS %	FY24E +5.3	FY25E +7.2

### KEY STOCK DATA

Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (INR bn) / (\$ mn)	127/1,554
6m avg traded value (INR mn)	530
52 Week high / low	INR 1,452/881

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.0	12.7	8.0
Relative (%)	13.7	3.7	(13.4)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	20.00	20.00
FIs & Local MFs	18.46	18.48
FPIs	15.83	14.67
Public & Others	45.71	46.85
Pledged Shares	0.00	0.00

Source : BSE

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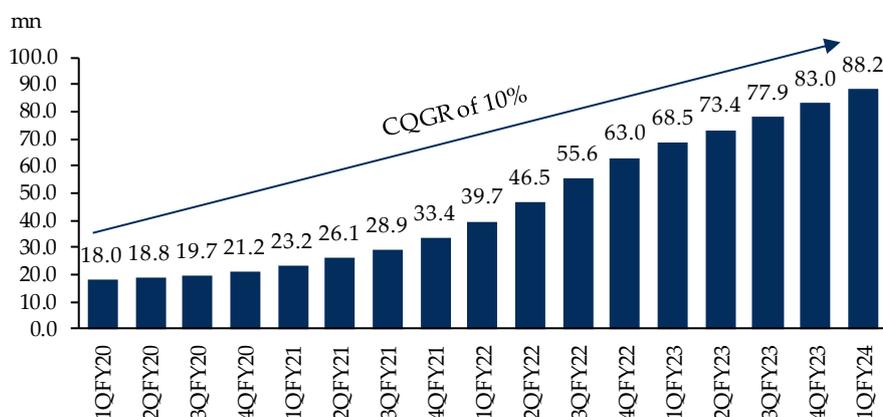
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### Demat account addition rebounding—CDSL, the market leader

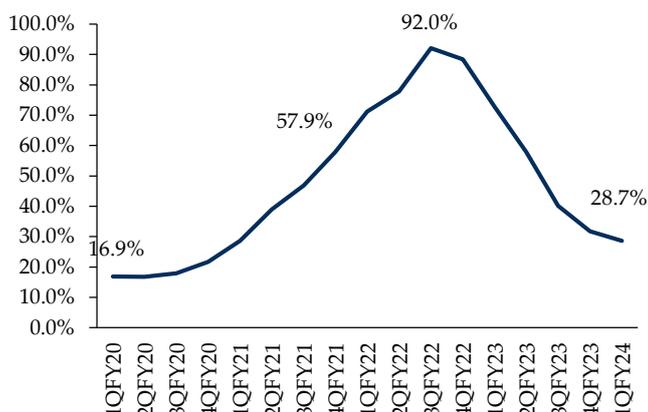
CDSL BO accounts increased ~4x in the last three years (from 21.2mn in FY20 to 83mn in FY23) and market share increased from 52% in FY20 to 73% in FY23, thanks to the rise of discount brokers. However, the BO account addition rate slowed down in FY23 to 31.8% YoY, after registering three years of strong growth (FY20-22 CAGR of 72%). The monthly addition peaked at 3.1mn accounts in Oct-21 and touched the low of 1.4mn in Nov-22. The new account addition has once again picked up, and CDSL has added ~2.1mn accounts in June 2023, which is a 12-month high. CDSL has maintained its incremental market share at >80% in 1QFY24, but the competition is gradually picking up. As per industry reports, the total number of Demat accounts will continue to grow at 12% CAGR and reach ~180mn in the next five years. BO accounts are the building blocks of the depository business and drive growth in all segments of the depository business. Revenue per demat has come down from INR 106 in FY20 to INR 67 in FY23 due to higher growth in demat accounts. We believe the revenue per demat will grow when new investors onboarded in the last two years mature and start transacting/participating in the market.

#### CDSL has registered strong growth in BO account additions



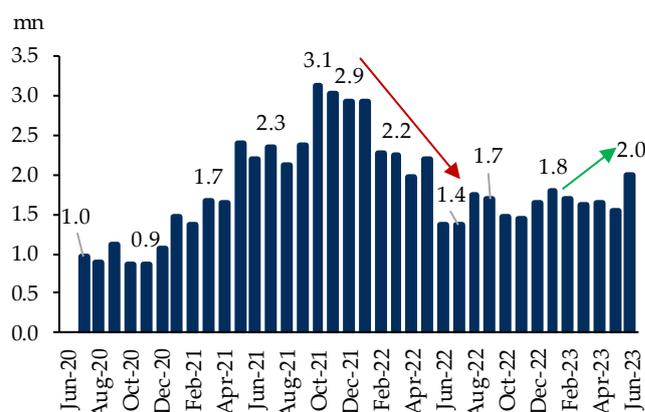
Source: Company annual reports and financial statements, CRISIL MI&A Research, HSIE Research

#### CDSL’s Demat account growth rate has moderated in the last five quarters but is above pre-covid levels



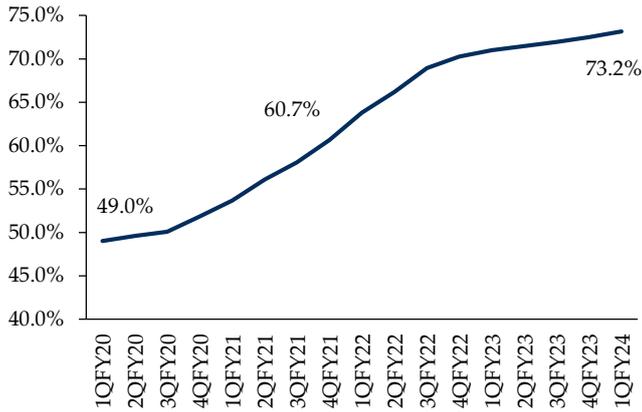
Source: Company, HSIE Research

#### BO account addition rate is rebounding; June-23 has registered the highest account additions in the last 12 months but is still down 36% from the peak of Oct-21



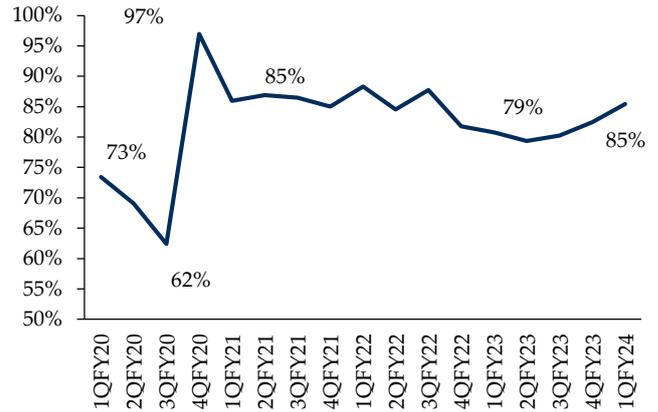
Source: Company, HSIE Research

**CDSL has witnessed consistent improvement in the BO account market share**



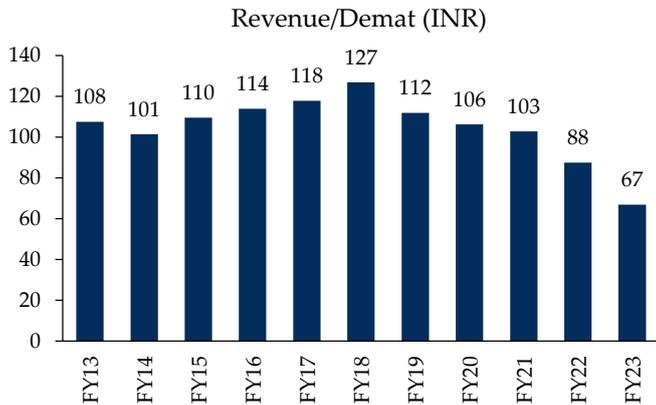
Source: Company, HSIE Research

**CDSL has an incremental market share of 85%, and the three-year average is ~84%**



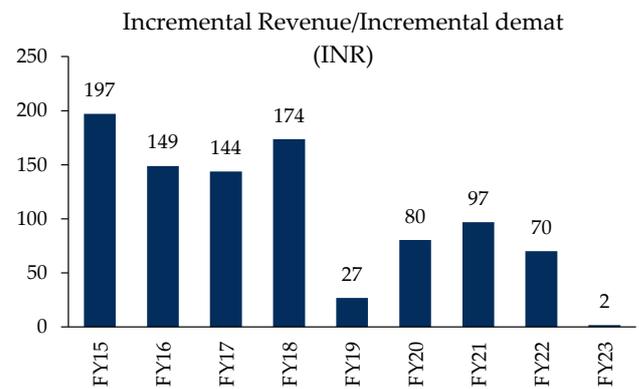
Source: Company, HSIE Research

**Revenue/Demat has come down in the last five years because of base expansion; new Demat accounts have started to contribute gradually to the topline**



Source: Company, HSIE Research

**Revenue from incremental Demat accounts has been the lowest ever for CDSL; the new accounts will start to contribute as they mature**

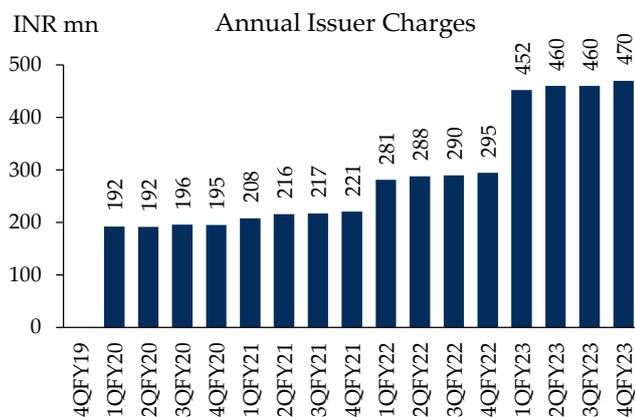


Source: Company, HSIE Research

### High annuity income: linked to Demat account addition

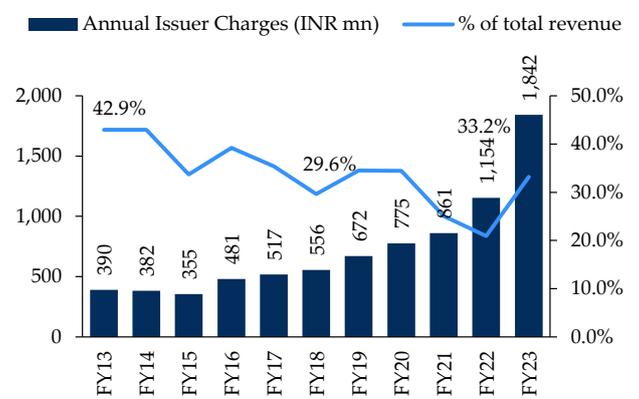
CDSL derives 33% of its revenue from issuer charges, which is a pure annuity income. Apart from this, e-voting and e-CAS revenue is also recurring in nature; thus, the total non-market linked revenue for CDSL is ~47% of revenue. The non-market linked revenue has registered a CAGR of 31% post-covid (FY20-23), vs 17% pre-covid (FY15-20). The annual issuer charges have a high correlation with growth in the number of Demat accounts. The issuers are charged based on the number of folios at the end of the financial year, and with an increase in demat accounts, the folios held by the depository also increase. The annual issuer charges see a major spike in Q1 and remain constant for the rest of the year. We expect issuer charges to register 19% CAGR over FY23-26E, which is slightly higher than the pre-covid growth rate.

**Annual issuer revenue (annuity revenue stream) has witnessed consistent improvement; the folio base is reset in Q1, and it almost constant for the full year**



Source: Company, HSIE Research

**Annual issuer charges have increased at a 5Y CAGR of 27% and account for 33% of total revenue**



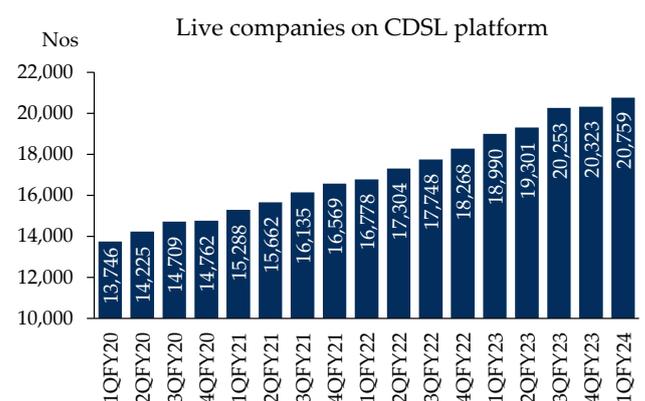
Source: Company, HSIE Research

**Annual issuer revenue is linked to an increase in BO accounts which aids increase in the number of folios**



Source: Company, HSIE Research

**Consistent rise in issuer companies has boosted issuer income**



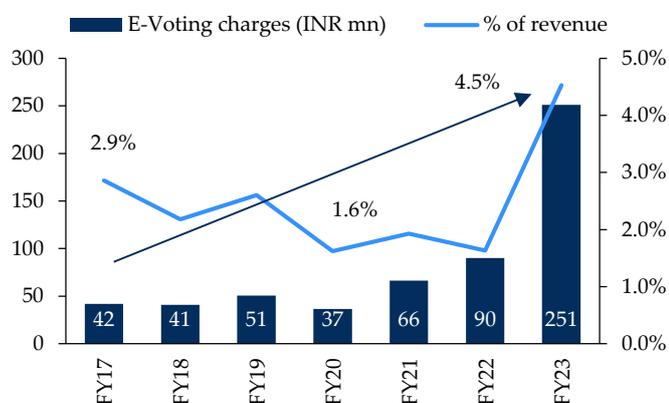
Source: Company, HSIE Research

### E-voting and CAS gaining traction

The rapid increase in the number of Demat accounts (~4x) has led to strong growth in electronic consolidated accounts statements (CAS) and e-voting revenue (5Y CAGR of 24/44%, respectively). CDSL reports e-voting and eCAS under the 'others' segment (~13.5% of revenue), and growth in 'others' revenue is solely driven by growth in e-voting and eCAS revenue, which excluding these 'others' is almost flat over the last three years. CDSL has ~85% market share in incremental Demat account addition, which is reflected in strong e-CAS revenue growth. E-voting and eCAS contribute ~8% of total revenue and ~60% of 'Others' revenue.

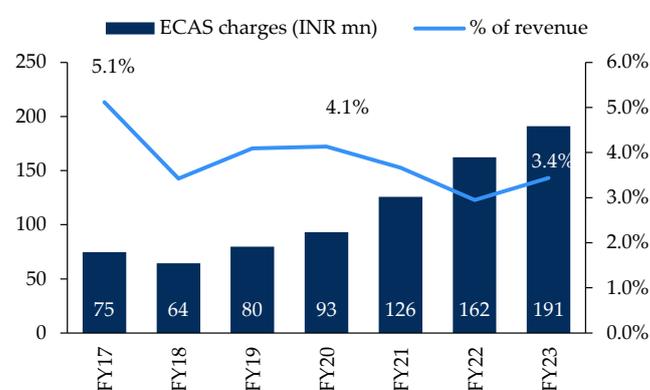
Issuers are now adopting e-voting services for conducting AGMs. E-voting revenue is up ~4x in two years, and revenue per issuer is ~12.3K in FY23 vs ~5K in FY22. We believe e-voting and eCAS growth are linked with BO account growth and market share. CDSL has consistently gained Demat account market share, which will help in driving the eCAS and e-voting revenue.

**E-voting revenue has grown at a 5Y CAGR of 44%, and e-voting revenue/issuer is ~INR 12.3K**



Source: Company, HSIE Research

**CAS revenue has grown at a 5Y CAGR of 24%, and CAS revenue/Demat is INR 2.3**

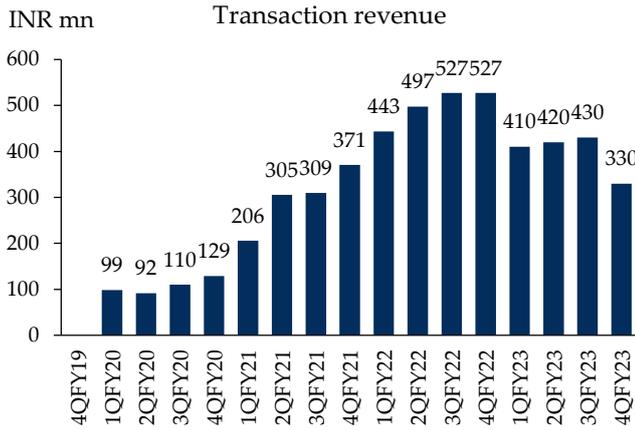


Source: Company, HSIE Research

### Transaction revenue set to recover in FY24E

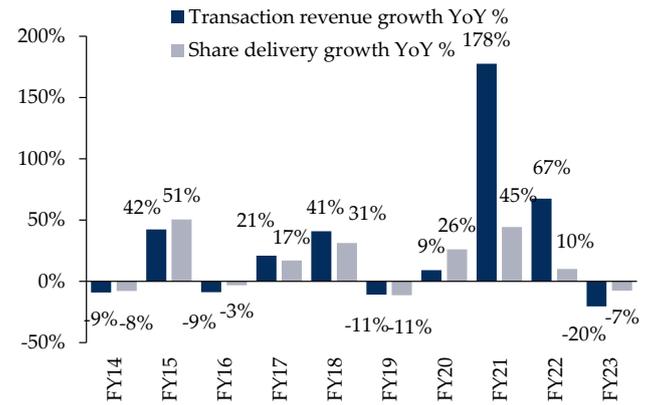
CDSL derives 52.2% of revenue from market-linked sources (transaction, IPO/corporate action and KYC, etc). The market-linked revenue was down ~17% in FY23 due to a ~20/17% drop in transaction/IPO and corporate action revenue. The transaction revenue is cyclical and has a high correlation with the growth in delivery trades. Based on historical data, the correlation between transaction revenue growth and delivery volume growth is 0.7, which is very high. The delivery volume has registered 12% YoY growth in Q1FY24 after five quarters of sequential decline. The share delivery volume has also increased to 24.3% in Q1FY24, which is at a five-year high. Transaction revenue has registered a YoY decline four times in the last 10 years. The indicators are suggesting a recovery in transaction charges in FY24E and we are expecting a 17% CAGR over FY23-26E, which is higher than the pre-covid growth rate of 9% over FY15-20.

Transaction revenue has been under stress over the last four quarters: Recovery is expected based on market activity



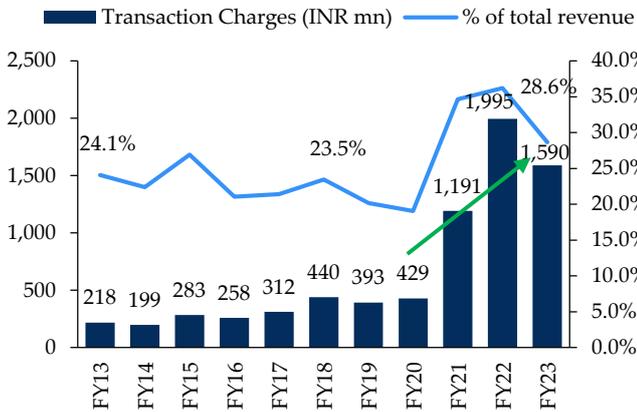
Source: Company, HSIE Research

Transaction revenue has a high correlation (r=0.7) with delivery volume



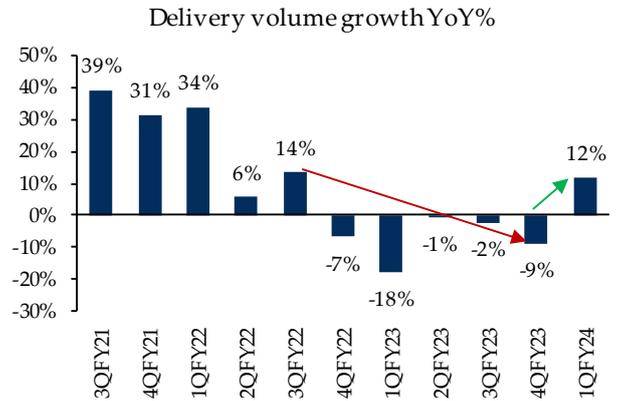
Source: Company, NSE, HSIE Research

Transaction revenue has increased ~4x based on higher market activity



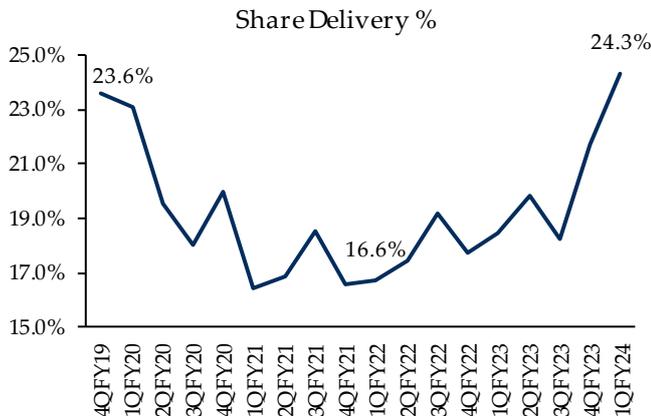
Source: Company, HSIE Research

Delivery volume has increased after five quarters of YoY decline



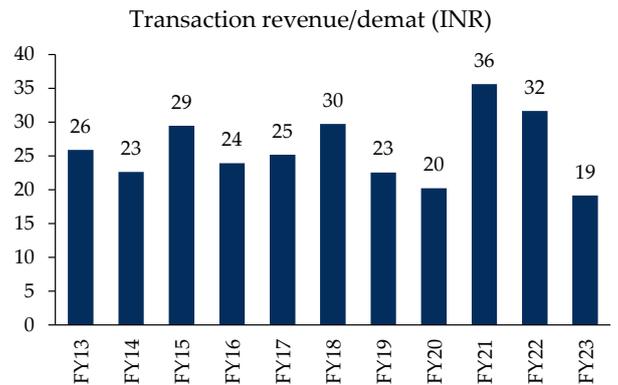
Source: NSE, HSIE Research

The share delivery % is increasing, which will lead to higher transaction income for CDSL



Source: Company, HSIE Research

Transaction revenue per demat is at a multi-year low for CDSL



Source: Company, HSIE Research

## Insurance opportunity – option value

CDSL, through its subsidiary CIRL (CDSL Insurance Repository Ltd), provides insurance dematerialisation services. IRDA has proposed compulsory dematerialisation of all insurance policies, but it's in the development phase. The compulsory dematerialisation of insurance policies will open up immense opportunities for the four IRDA-registered insurance repositories (NDML, CAMS, KARVY and CIRL). As per our estimate, the total recurring opportunity for repositories will be ~INR 1.52bn, considering both life and general insurance policies. CIRL has a tie-up with 22 life insurance and 19 general insurance companies, and assuming a 25% market share, the new opportunity for CIRL comes to ~INR 0.38bn, which is ~7% of CDSL revenue. We have not assumed any incremental revenue from this opportunity, and it remains to be an option value.

As of FY22, ~10mn policies are in electronic form, and the penetration is very low at ~2%. CIRL has ~0.6mn policies in 0.7mn EIA accounts and it has generated a revenue of INR 3.5mn. The current realisation from life/general policies are INR 24/10; we expect this number to come down as volume increases. We have assumed a realisation of INR 10/5 per policy for life/general policies, respectively.

<b>Insurance Opportunity for CDSL</b>	<b>FY22</b>
Total no of Life Insurance policies in India (mn)	332
LIC policies (mn)	274
Non-LIC Policies (mn)	58
<b>New Additions (mn)</b>	
LIC policy additions	22
Non-LIC policy additions	7
<b>Total Life Opportunity (INR mn)</b>	
One-time @ INR 5/policy	1,660
Recurring @ INR 10/policy	291
<b>CDSL Life opportunity (@ 25% market share)</b>	
One-time @ INR 5/policy	415
Recurring @ INR 10/policy	73
<b>General Insurance Policies issued in India/year (mn)</b>	<b>247</b>
Recurring opportunity from demat @ INR 5/policy	1,234
CDSL share @ 25% market share	308
Total recurring opportunity for CDSL (life + general)	381
<b>% of CDSL FY23 revenue</b>	<b>6.9%</b>

Source: IRDA, LIC, Company, HSIE Research

CDSL revenue yearly trends and assumptions

CDSL Revenue (INR mn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR 15-20	CAGR 20-23	CAGR 23-26E
<b>Annual Issuer Charges</b>	382	355	481	517	556	672	775	861	1,154	1,842	2,190	2,636	3,079	17%	33%	19%
Growth %	-1.9%	-7.3%	35.8%	7.4%	7.6%	20.7%	15.4%	11.1%	34.0%	59.6%	18.9%	20.3%	16.8%			
% of Revenue	43.0%	33.7%	39.2%	35.4%	29.6%	34.5%	34.4%	25.1%	20.9%	33.2%	33.8%	34.3%	34.0%			
<b>Transaction Charges</b>	199	283	258	312	440	393	429	1,191	1,995	1,590	1,815	2,214	2,514	9%	55%	17%
Growth %	-9.0%	42.4%	-8.8%	20.9%	40.9%	-10.8%	9.2%	177.6%	67.5%	-20.3%	14.2%	22.0%	13.5%			
% of Revenue	22.4%	26.9%	21.0%	21.4%	23.5%	20.2%	19.1%	34.7%	36.2%	28.6%	28.0%	28.8%	27.7%			
<b>IPO/Corporate action</b>	0	62	107	165	295	199	226	329	606	500	606	666	766	30%	30%	15%
Growth %	NM	NM	72.8%	54.3%	78.5%	-32.6%	13.5%	45.5%	84.4%	-17.4%	21.1%	10.0%	15.0%			
% of Revenue	0.0%	5.9%	8.7%	11.3%	15.7%	10.2%	10.0%	9.6%	11.0%	9.0%	9.4%	8.7%	8.5%			
<b>Online Data Charges</b>	89	147	154	187	292	317	369	560	1,199	870	1,032	1,237	1,447	20%	33%	18%
Growth %	-23.0%	64.1%	4.8%	21.9%	55.8%	8.5%	16.4%	51.8%	114.0%	-27.4%	18.6%	19.9%	17.0%			
% of Revenue	10.0%	13.9%	12.5%	12.8%	15.5%	16.3%	16.4%	16.3%	21.7%	15.7%	15.9%	16.1%	16.0%			
<b>Others</b>	219	206	228	278	294	367	452	496	561	749	831	929	1,255	17%	18%	19%
Growth %	19.4%	-5.6%	10.5%	21.9%	5.7%	24.8%	23.3%	9.8%	12.9%	33.6%	11.0%	11.8%	35.1%			
% of Revenue	24.6%	19.6%	18.6%	19.0%	15.6%	18.8%	20.1%	14.4%	10.2%	13.5%	12.8%	12.1%	13.8%			
<b>Total</b>	889	1,053	1,229	1,460	1,877	1,947	2,251	3,437	5,513	5,551	6,474	7,682	9,061	16%	35%	18%
Growth %	-2.0%	18.4%	16.7%	18.8%	28.6%	3.7%	15.6%	52.7%	60.4%	0.7%	16.6%	18.7%	18.0%			
<b>Market linked</b>	353	522	556	710	1,028	933	1,065	2,048	3,480	2,899	3,352	3,963	4,631	15%	40%	17%
% of Revenue	39.7%	49.6%	45.3%	48.6%	54.8%	47.9%	47.3%	59.6%	63.1%	52.2%	51.8%	51.6%	51.1%			
YoY %	-4.1%	47.8%	6.6%	27.7%	44.7%	-9.2%	14.1%	92.2%	69.9%	-16.7%	15.6%	18.2%	16.9%			
<b>Non-Market Linked</b>	536	531	672	750	849	1,013	1,185	1,389	2,034	2,652	3,122	3,719	4,430	17%	31%	19%
% of Revenue	60.3%	50.4%	54.7%	51.4%	45.2%	52.1%	52.7%	40.4%	36.9%	47.8%	48.2%	48.4%	48.9%			
YoY %	-0.5%	-1.0%	26.6%	11.5%	13.2%	19.3%	17.0%	17.2%	46.4%	30.4%	17.7%	19.1%	19.1%			

Source: Company, HSIE research

CDSL Costing Analysis (INR mn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR 15-20	CAGR 20-23	CAGR 23-26E
<b>Employee Cost</b>	175	192	215	249	303	342	473	413	505	809	824	992	1,158	20%	20%	13%
Growth %	1.8%	10.0%	11.9%	15.7%	22.0%	12.7%	38.3%	-12.6%	22.3%	60.1%	1.9%	20.3%	16.7%			
% of Revenue	19.6%	18.2%	17.5%	17.0%	16.2%	17.6%	21.0%	12.0%	9.2%	14.6%	12.7%	12.9%	12.8%			
% of Total Cost	31.0%	31.9%	36.5%	37.3%	39.2%	39.9%	40.5%	31.3%	27.4%	34.9%	33.1%	34.0%	34.6%			
<b>IT Cost</b>	80	79	79	84	97	116	145	199	264	384	461	553	663	13%	38%	20%
Growth %	21.4%	-1.0%	-0.2%	7.1%	15.2%	19.9%	24.4%	37.5%	32.7%	45.3%	20.0%	20.0%	20.0%			
% of Revenue	9.0%	7.5%	6.4%	5.8%	5.2%	6.0%	6.4%	5.8%	4.8%	6.9%	7.1%	7.2%	7.3%			
% of Total Cost	14.2%	13.1%	13.3%	12.7%	12.5%	13.6%	12.4%	15.1%	14.3%	16.6%	18.5%	18.9%	19.8%			
<b>Other costs</b>	179	207	273	287	332	362	522	624	939	924	943	1,066	1,207	20%	21%	9%
Growth %	-0.8%	15.6%	31.9%	5.2%	15.7%	9.1%	44.2%	19.5%	50.4%	-1.6%	2.1%	13.0%	13.2%			
% of Revenue	20.1%	19.6%	22.2%	19.7%	17.7%	18.6%	23.2%	18.2%	17.0%	16.6%	14.6%	13.9%	13.3%			
% of Total Cost	31.8%	34.4%	46.3%	43.1%	42.9%	42.3%	44.8%	47.3%	50.9%	39.9%	37.9%	36.5%	36.1%			
<b>IP Fund</b>	129	123	23	46	41	37	27	82	136	200	259	307	317	-26%	95%	17%
Growth %	-2.7%	-4.4%	-81.3%	98.8%	-11.2%	-10.0%	-26.7%	205.2%	65.3%	47.0%	29.5%	18.7%	3.2%			
% of Revenue	14.5%	11.7%	1.9%	3.1%	2.2%	1.9%	1.2%	2.4%	2.5%	3.6%	4.0%	4.0%	3.5%			
% of Net Profit	26.6%	22.1%	4.0%	5.4%	4.0%	3.2%	2.1%	4.1%	4.4%	7.2%	7.7%	7.8%	6.7%			
<b>Total Cost</b>	562	601	589	666	773	857	1,167	1,319	1,845	2,317	2,488	2,918	3,345	14%	26%	13%
Growth %	2.2%	6.9%	-2.0%	13.0%	16.1%	10.9%	36.1%	13.0%	39.9%	25.6%	7.3%	17.3%	14.7%			
<b>EBITDA</b>	327	452	639	794	1,104	1,089	1,084	2,118	3,669	3,233	3,986	4,764	5,716	19%	44%	21%
Growth %	-8.4%	38.1%	41.5%	24.3%	39.0%	-1.3%	-0.5%	95.5%	73.2%	-11.9%	23.3%	19.5%	20.0%			
EBITDA Margin %	36.8%	42.9%	52.0%	54.4%	58.8%	56.0%	48.2%	61.6%	66.5%	58.3%	61.6%	62.0%	63.1%	525	1,010	483

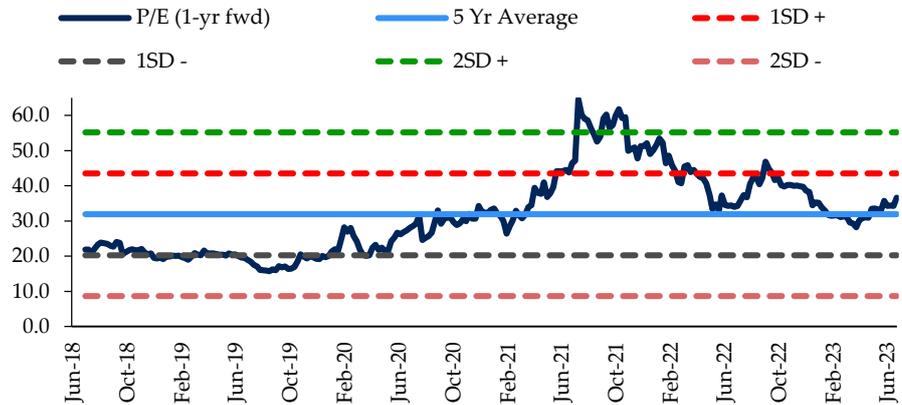
Source: Company, HSIE research

**Change in estimates (consolidated)**

INR Mn	FY24E	FY24E	Change %	FY25E	FY25E	Change %
Revenue	6,198	6,474	4.4	7,170	7,682	7.1
EBITDA	3,767	3,986	5.8	4,452	4,764	7.0
EBITDA margin (%)	60.8	61.6	80bps	62.1	62.0	-7bps
APAT	3,179	3,345	5.2	3,688	3,955	7.2
EPS (INR)	30.4	32.0	5.3	35.3	37.8	7.2

Source: Company, HSIE research

**CDSL - Price Chart- 1-yr fwd P/E**



Source: Bloomberg, HSIE Research

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR% FY23-25E	EPS CAGR% FY23-25E
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E		
MCX	82	1,603	1,700	BUY	32.2	29.3	42.1	75.1	49.8	54.8	38.1	21.3	10.1	10.3	14.3	24.5	14.5	55.4
CDSL	127	1,216	1,470	BUY	29.8	26.4	32.0	37.8	40.8	46.1	38.0	32.1	31.6	23.9	26.1	27.7	17.6	19.7
BSE	102	756	690	ADD	21.4	23.0	25.7	28.6	35.3	32.8	29.4	26.4	10.9	11.5	13.1	14.9	8.6	11.5
<b>Median</b>					<b>29.8</b>	<b>26.4</b>	<b>32.0</b>	<b>37.8</b>	<b>40.8</b>	<b>46.1</b>	<b>38.0</b>	<b>26.4</b>	<b>10.9</b>	<b>11.5</b>	<b>14.3</b>	<b>24.5</b>	<b>14.5</b>	<b>19.7</b>
<b>Average</b>					<b>27.8</b>	<b>26.2</b>	<b>33.3</b>	<b>47.2</b>	<b>42.0</b>	<b>44.5</b>	<b>35.2</b>	<b>26.6</b>	<b>17.5</b>	<b>15.2</b>	<b>17.8</b>	<b>22.4</b>	<b>13.6</b>	<b>28.9</b>

## Financials

### Income Statement (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>2,251</b>	<b>3,437</b>	<b>5,513</b>	<b>5,551</b>	<b>6,474</b>	<b>7,682</b>	<b>9,061</b>
Growth (%)	15.6	52.7	60.4	0.7	16.6	18.7	18.0
Employee Expenses	473	413	505	809	824	992	1,158
Other operating Expenses	694	906	1,339	1,508	1,663	1,926	2,188
<b>EBITDA</b>	<b>1,084</b>	<b>2,118</b>	<b>3,669</b>	<b>3,233</b>	<b>3,986</b>	<b>4,764</b>	<b>5,716</b>
<b>EBITDA Margin (%)</b>	<b>48.2</b>	<b>61.6</b>	<b>66.5</b>	<b>58.3</b>	<b>61.6</b>	<b>62.0</b>	<b>63.1</b>
<b>EBITDA Growth (%)</b>	<b>(0.5)</b>	<b>95.5</b>	<b>73.2</b>	<b>(11.9)</b>	<b>23.3</b>	<b>19.5</b>	<b>20.0</b>
Depreciation	117	92	115	195	286	329	358
<b>EBIT</b>	<b>966</b>	<b>2,026</b>	<b>3,554</b>	<b>3,039</b>	<b>3,700</b>	<b>4,436</b>	<b>5,358</b>
<b>EBIT Margin (%)</b>	<b>42.9</b>	<b>59.0</b>	<b>64.5</b>	<b>54.7</b>	<b>57.2</b>	<b>57.7</b>	<b>59.1</b>
Other Income (Including EO Items)	398	569	546	658	747	815	892
Interest	0	0	0	1	1	1	1
<b>PBT</b>	<b>1,364</b>	<b>2,595</b>	<b>4,100</b>	<b>3,696</b>	<b>4,446</b>	<b>5,249</b>	<b>6,249</b>
Tax (Incl Deferred)	297	583	967	892	1,056	1,249	1,489
Minority Interest	6	9	6	0	0	0	0
Share of profit / (Loss) of associate			-14	-44	-44	-45	-46
<b>RPAT</b>	<b>1,062</b>	<b>2,003</b>	<b>3,112</b>	<b>2,759</b>	<b>3,345</b>	<b>3,955</b>	<b>4,714</b>
EO (Loss) / Profit (Net Of Tax)	-193	0	0	0	0	0	0
<b>APAT</b>	<b>1,255</b>	<b>2,003</b>	<b>3,112</b>	<b>2,759</b>	<b>3,345</b>	<b>3,955</b>	<b>4,714</b>
<b>APAT Growth (%)</b>	<b>10.6</b>	<b>59.6</b>	<b>55.3</b>	<b>(11.3)</b>	<b>21.2</b>	<b>18.2</b>	<b>19.2</b>
<b>Adjusted EPS (INR)</b>	<b>12.0</b>	<b>19.2</b>	<b>29.8</b>	<b>26.4</b>	<b>32.0</b>	<b>37.8</b>	<b>45.1</b>
<b>EPS Growth (%)</b>	<b>10.6</b>	<b>59.6</b>	<b>55.3</b>	<b>(11.3)</b>	<b>21.2</b>	<b>18.2</b>	<b>19.2</b>

Source: Company, HSIE Research

### Balance Sheet (Consolidated)

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>SOURCES OF FUNDS</b>							
Share Capital - Equity	1,045	1,045	1,045	1,045	1,045	1,045	1,045
Reserves	6,195	7,727	9,884	11,092	12,430	14,012	15,898
<b>Total Shareholders' Funds</b>	<b>7,240</b>	<b>8,772</b>	<b>10,929</b>	<b>12,137</b>	<b>13,475</b>	<b>15,057</b>	<b>16,943</b>
Minority Interest	419	428	434	434	434	435	435
Lease Liabilities			1	12	12	12	12
Total Debt	0	0	0	0	0	0	0
Net Deferred Taxes (Net)	10	23	58	46	46	46	46
Long-Term Provisions & Others	39	26	86	110	110	110	110
<b>TOTAL SOURCES OF FUNDS</b>	<b>7,708</b>	<b>9,248</b>	<b>11,509</b>	<b>12,739</b>	<b>14,077</b>	<b>15,660</b>	<b>17,545</b>
<b>APPLICATION OF FUNDS</b>							
Net Block	743	734	1,062	1,246	1,219	1,198	1,203
CWIP	0	228	38	1,743	1,743	1,743	1,743
LT Loans & Advances & Others	309	158	223	342	398	473	558
Total Non-current Assets	1,052	1,120	1,323	3,330	3,360	3,413	3,503
Debtors	260	237	458	377	443	526	621
Other Current Assets	128	311	161	260	303	360	424
Cash & Equivalents	7,183	9,171	11,313	10,602	12,010	13,694	15,663
<b>Total Current Assets</b>	<b>7,571</b>	<b>9,719</b>	<b>11,933</b>	<b>11,239</b>	<b>12,757</b>	<b>14,580</b>	<b>16,708</b>
Creditors	121	127	106	196	213	253	298
Other Current Liabilities & Provns	795	1,464	1,641	1,634	1,827	2,081	2,368
<b>Total Current Liabilities</b>	<b>915</b>	<b>1,591</b>	<b>1,747</b>	<b>1,830</b>	<b>2,040</b>	<b>2,334</b>	<b>2,666</b>
<b>Net Current Assets</b>	<b>6,656</b>	<b>8,128</b>	<b>10,186</b>	<b>9,409</b>	<b>10,717</b>	<b>12,246</b>	<b>14,042</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>7,708</b>	<b>9,248</b>	<b>11,509</b>	<b>12,739</b>	<b>14,077</b>	<b>15,660</b>	<b>17,545</b>

Source: Company, HSIE Research

**Cash Flow (Consolidated)**

YE March (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Reported PBT</b>	<b>1,364</b>	<b>2,595</b>	<b>4,085</b>	<b>3,652</b>	<b>4,402</b>	<b>5,204</b>	<b>6,203</b>
Non-operating & EO items	(433)	(496)	(399)	(470)	(747)	(815)	(892)
Interest expenses	(0)	0	0	1	(1)	(1)	(1)
Depreciation	119	94	116	195	286	329	358
Working Capital Change	11	312	33	43	43	80	88
Tax Paid	(240)	(579)	(1,002)	(932)	(1,056)	(1,249)	(1,489)
<b>OPERATING CASH FLOW ( a )</b>	<b>821</b>	<b>1,926</b>	<b>2,834</b>	<b>2,488</b>	<b>2,926</b>	<b>3,548</b>	<b>4,267</b>
Capex	(93)	(180)	(250)	(2,081)	(259)	(307)	(362)
<i>Free cash flow (FCF)</i>	729	1,745	2,584	407	2,667	3,240	3,904
Investments	-	-	-	-	-	-	-
Non-operating Income	133	122	193	134	747	815	892
<b>INVESTING CASH FLOW ( b )</b>	<b>41</b>	<b>(59)</b>	<b>(57)</b>	<b>(1,947)</b>	<b>488</b>	<b>508</b>	<b>529</b>
Debt Issuance/(Repaid)	(1)	(1)	(1)	19	-	-	-
Interest Expenses	-	-	-	-	1	1	1
<i>FCFE</i>	<b>727</b>	<b>1,744</b>	<b>2,583</b>	<b>427</b>	<b>2,668</b>	<b>3,242</b>	<b>3,906</b>
Share Capital Issuance	-	-	-	-	-	-	-
Dividend	(504)	(470)	(941)	(1,568)	(2,007)	(2,373)	(2,828)
<b>FINANCING CASH FLOW ( c )</b>	<b>(505)</b>	<b>(472)</b>	<b>(942)</b>	<b>(1,548)</b>	<b>(2,006)</b>	<b>(2,372)</b>	<b>(2,827)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>357</b>	<b>1,395</b>	<b>1,835</b>	<b>(1,007)</b>	<b>1,408</b>	<b>1,684</b>	<b>1,969</b>
EO Items, Others	297	593	307	295	-	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>7,183</b>	<b>9,171</b>	<b>11,313</b>	<b>10,602</b>	<b>12,010</b>	<b>13,694</b>	<b>15,663</b>

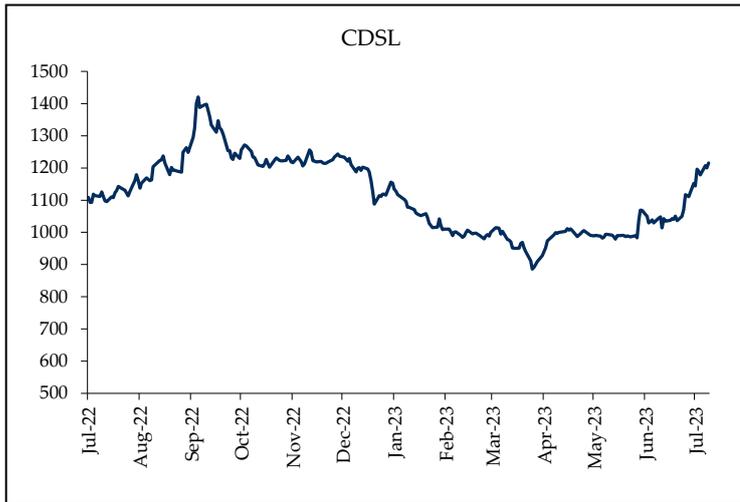
Source: Company, HSIE Research

**Key Ratios**

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>PROFITABILITY (%)</b>							
GPM	79.0	88.0	90.8	85.4	87.3	87.1	87.2
EBITDA Margin	48.2	61.6	66.5	58.3	61.6	62.0	63.1
APAT Margin	55.8	58.3	56.4	49.7	51.7	51.5	52.0
RoE	18.0	25.0	31.6	23.9	26.1	27.7	29.5
RoIC (or Core RoCE)	55.7	101.1	150.4	78.0	69.9	80.4	92.3
RoCE	17.0	23.6	30.0	22.8	25.0	26.6	28.4
<b>EFFICIENCY</b>							
Tax Rate (%)	21.8%	22.4%	23.6%	24.1%	23.8%	23.8%	23.8%
Fixed Asset Turnover (x)	2.1	3.0	3.5	2.8	2.9	3.0	3.1
Inventory (days)	0	0	0	0	0	0	0
Debtors (days)	42	25	30	25	25	25	25
Other Current Assets (days)	21	33	11	17	17	17	17
Payables (days)	20	13	7	13	12	12	12
Other Current Liab & Provns (days)	129	156	109	107	103	99	95
Cash Conversion Cycle (days)	(85)	(111)	(75)	(78)	(73)	(69)	(65)
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(1.0)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)	(0.9)
Interest Coverage (x)	NM						
<b>PER SHARE DATA (INR)</b>							
EPS	12.0	19.2	29.8	26.4	32.0	37.8	45.1
CEPS	13.1	20.1	30.9	28.3	34.7	41.0	48.5
Dividend	4.0	3.7	9.0	15.0	19.2	22.7	27.1
Book Value	69.3	83.9	104.6	116.1	129.0	144.1	162.1
<b>VALUATION</b>							
P/E (x)	101.3	63.4	40.8	46.1	38.0	32.1	27.0
P/BV (x)	17.6	14.5	11.6	10.5	9.4	8.4	7.5
EV/EBITDA (x)	110.6	55.7	31.6	36.0	28.9	23.8	19.5
OCF/EV (%)	0.7	1.6	2.4	2.1	2.5	3.1	3.8
FCF/EV (%)	0.6	1.5	2.2	0.3	2.3	2.9	3.5
FCFE/Mkt Cap (%)	0.6	1.4	2.0	0.3	2.1	2.6	3.1
Dividend Yield (%)	0.3	0.3	0.7	1.2	1.6	1.9	2.2

Source: Company, HSIE Research

**1 Yr Price movement**



**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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