

DEEP DIVE

Central Depository Services



CDSL

Restoring growth

CDSL growth is expected to resume led by a recovery in market-linked revenue (transaction, IPO, and KYC) and a strong annuity stream (annual issuer charges and e-CAS). Incremental revenue from compulsory Demat of new insurance policies (effective April 2024) and unlisted companies (Private Ltd) will provide a growth push in FY25E. The BO account addition is the core building block of the depository business and continued strong additions will support growth. CDSL added ~33mn accounts in FY24 (~0.13mn accounts every day) registering a growth of +39% YoY. It has a 76% BO market share with an 88% incremental share. We expect CDSL growth to be supported by (1) strong BO account additions, (2) traction in market-linked revenue, (3) a stable annuity revenue stream, and (4) contribution from CIRL. The insurance segment will contribute revenue of INR 0.31/0.35bn in FY25/26E assuming a 10/15% market share. We increase our EPS estimate by ~7/9% for FY25/26E, implying revenue/EBITDA/APAT CAGR of 21/24/23% over FY24-26E. We maintain our BUY rating and assign a TP of INR 2,360, based on 40x FY26E EPS. The stock has traded at an average 3Y/5Y 1-year forward P/E multiple of 42/35x. CDSL has a RoE of 32%, RoIC of 82%, 5Y average cash conversion is >80%, and net cash is ~6% of the market cap.

Insurance opportunity: The compulsory dematerialisation of insurance policies from 1st April will open new opportunities for the four IRDA-registered insurance repositories (NDML, CAMS, KARVY and CIRL). The current penetration is very low at 2% and will increase rapidly with the regulatory push. As per our estimate, the total recurring opportunity for repositories will be ~INR 3.13bn assuming only general & health insurance policies and life insurance policies ex of LIC. CIRL has tied up with 22/20 life and general insurers with a 10% market share. We have assumed a net new revenue opportunity of INR 0.31bn, which is ~4% of FY24 revenue.

Recovery in market-linked revenue: CDSL derives ~60% of revenue from market-linked sources (transaction, IPO/corporate action and KYC). The market-linked revenue has recovered strongly in 9MFY24 after a ~21% YoY drop in FY23. The transaction revenue is cyclical and has a high correlation with the growth in delivery trades, which is up 49% YoY in FY24. We expect the market-linked revenue to register a 16% CAGR over FY24-26E, driven by a 10/12/28% CAGRs in transaction/IPO/KYC revenues.

High annuity revenue will drive growth: Annual issuer charges, e-voting and e-CAS are annuity revenue streams and contribute ~40% of revenue. The annuity revenue provides growth stability in a volatile environment. It has registered a 44% CAGR over the last three years and we expect a further boost with the insurance opportunity. The depository business has a high correlation with the growth in the number of Demat accounts, revenue/Demat is lower initially but scales with maturity. We expect the annuity revenue stream to grow at a CAGR of 28% over FY24-26E to reach 45% of revenue in FY26E.

Financial Summary (consolidated)

YE March (INR mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	3,437	5,513	5,551	7,978	9,983	11,705
EBITDA	2,118	3,669	3,233	4,840	6,251	7,501
APAT	2,003	3,112	2,759	4,087	5,194	6,166
Diluted EPS (INR)	19.2	29.8	26.4	39.1	49.7	59.0
P/E (x)	97.4	62.7	70.7	47.7	37.6	31.6
EV / EBITDA (x)	87.7	50.1	57.0	37.8	28.9	23.8
RoE (%)	25.0	31.6	23.9	31.5	35.1	36.1

Source: Company, HSIE Research

BUY

CMP (as on 09 April '24) INR 1,866

Target Price INR 2,360

NIFTY 22,643

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,170	INR 2,360
EPS %	FY25E +7.0	FY26E +8.8

KEY STOCK DATA

Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (INR bn) / (\$ mn)	195/2,385
6m avg traded value (INR mn)	2,879
52 Week high / low	INR 2,067/971

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.4)	42.6	91.7
Relative (%)	(5.0)	28.6	66.8

SHAREHOLDING PATTERN (%)

	Sep -23	Dec-23
Promoters	15.00	15.00
FIs & Local MFs	21.80	21.33
FPIs	15.25	18.16
Public & Others	47.94	45.51
Pledged Shares	0.00	0.00

Source : NSE

Amit Chandra

amit.chandra@hdfcsec.com

+91-22-6171-7345

Insurance opportunity – now a reality

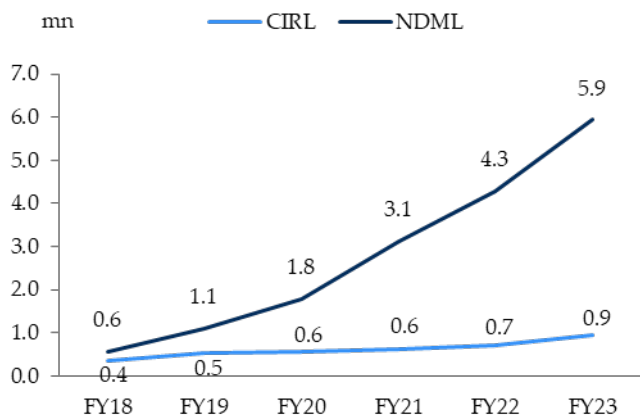
CDSL, through its subsidiary CIRL (CDSL Insurance Repository Ltd), provides insurance dematerialisation services. IRDA in March 2024 issued a notification directing compulsory dematerialisation of all new insurance policies. The compulsory dematerialisation of insurance policies will open new opportunities 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 3.45bn, considering both life and general insurance policies. CIRL has a tie-up with 22 life insurance and 19 general insurance companies. As of FY23, NDML/CAMS is the leader with ~80% market share and CIRL has a market share of ~9%. The new opportunity for CIRL comes to ~INR 0.31bn considering a 10% market share, which is ~4% of CDSL FY24E revenue. CIRL was not aggressive in the insurance space but with the regulatory push, the market size has expanded, and the annuity nature makes it attractive. With an increase in focus, CIRL can gain market share as the company has tie-ups with most of the insurance companies that are also shareholders in CIRL.

As of FY23, ~13mn policies are in electronic form, and the penetration is very low at ~2%. CIRL has ~0.8mn policies in 0.9mn EIA accounts and has generated a revenue of INR 5.9mn. The current realisation from life/general policies is ~INR 24/10. We have assumed a realisation of INR 15/10 per policy for life/general policies, respectively.

Insurance Opportunity	FY23
Total Life Insurance policies in India (mn)	328
LIC policies (mn)	277
Non LIC Policies (mn)	51
New Additions (mn)	
LIC	20
Non LIC	8
Life Opportunity (INR mn)	
Total Life (non-LIC) Recurring @ INR 15/policy	121
CDSL Life (non-LIC) opportunity (@ 10% market share)	12
General Insurance Policies issued in India/year (mn)	302
Recurring opportunity from Demat @ INR 10/policy	3,018
CDSL revenue @ 10% market share	302
CDSL revenue (life + general)	314
% of CDSL FY24 revenue	3.9%
PAT	165
% of FY24E PAT	4.0%

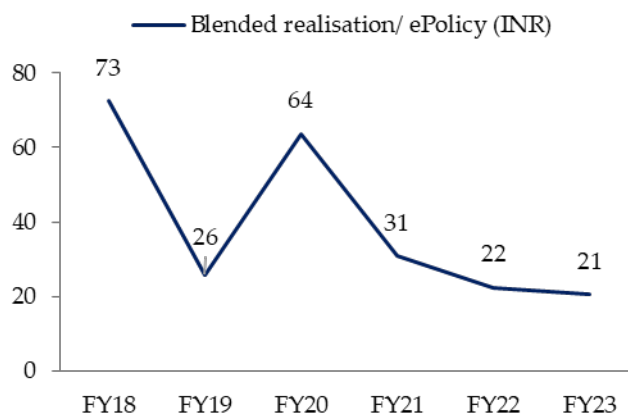
Source: IRDA, LIC, Company, HSIE Research

No of EIA accounts for CIRL and NDML – CIRL has a 9% market share and NDML has ~55% market share



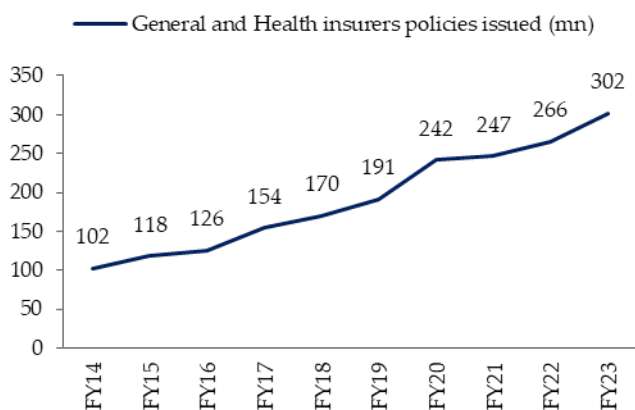
Source: NSDL, CDSL, HSIE Research

CIRL realisation per ePolicy has been sliding down, we have assumed it to stabilise at INR 10/ePolicy



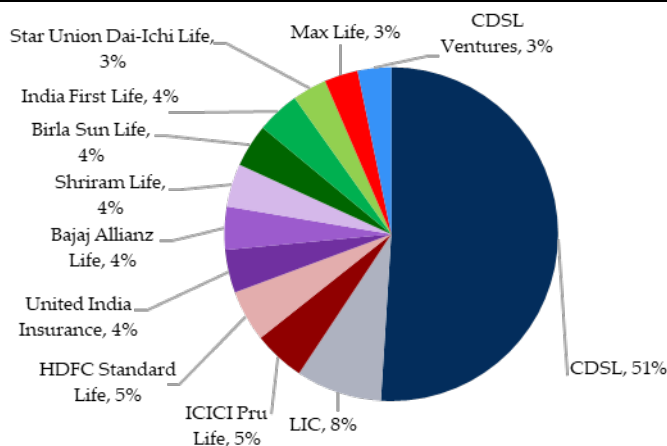
Source: CDSL, HSIE Research

The total number of general and health insurance policies has registered a CAGR of 11% over the last 10 years



Source: NSDL, CDSL, HSIE Research

CIRL shareholding pattern (FY23) - ~49% stake held by leading insurance companies

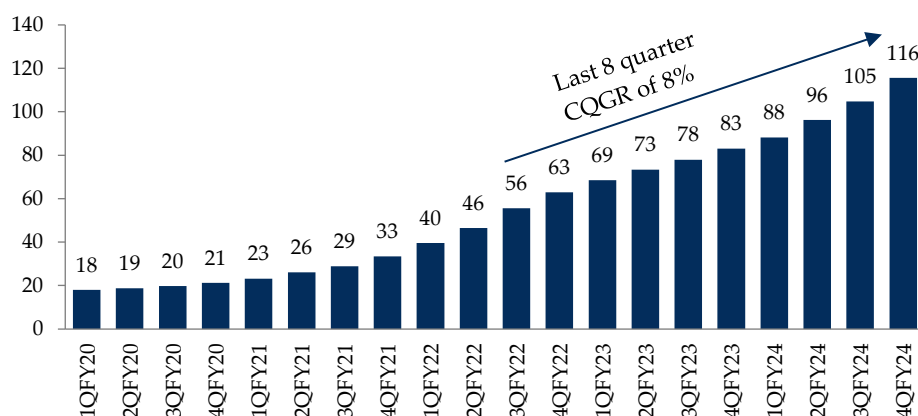


Source: CDSL, HSIE Research

Demat account addition strong—CDSL is the market leader

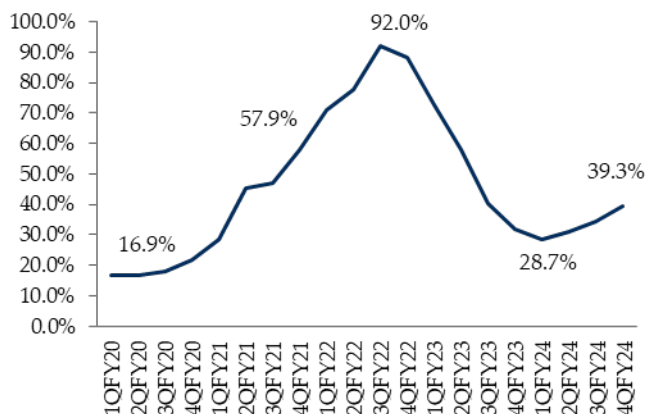
CDSL BO accounts jumped ~7x in the last five years (from 17.4mn in FY19 to 115.6mn in FY24) registering a 46% CAGR. CDSL market share increased from 48.4% in FY19 to 76.4% in FY24, driven by the rise of discount brokers. At the industry level, the total number of BO accounts reached 151mn in FY24 and despite the increase in the base, there is no sign of slowing down. CDSL’s daily account addition for FY24 stood at 130K accounts/day vs 10K accounts/day in FY19. The daily account addition at the COVID peak in Oct-21 was at ~120K accounts/day and the current rate is above the COVID peak. The monthly addition in Jan-24 was at 4.1mn accounts vs the COVID peak of 3.1mn accounts, and the March-24 exit is at 2.8mn which is still strong. CDSL has maintained its incremental market share at 90% in 4QFY24, clearly dominating the competition. BO accounts are the building block 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 69 in FY24 due to higher growth in Demat accounts. We believe the revenue per Demat will grow when the new investors onboarded in the last 2-3 years mature and start transacting/participating in the market.

CDSL has registered strong growth in BO account additions



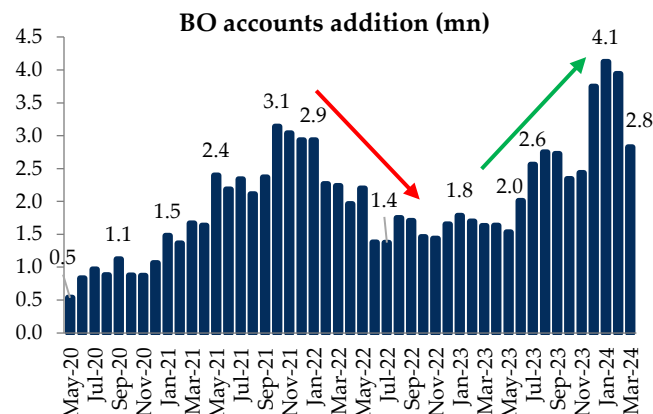
Source: CDSL, HSIE Research

CDSL’s Demat account YoY growth rate has bounced back in the last two quarters



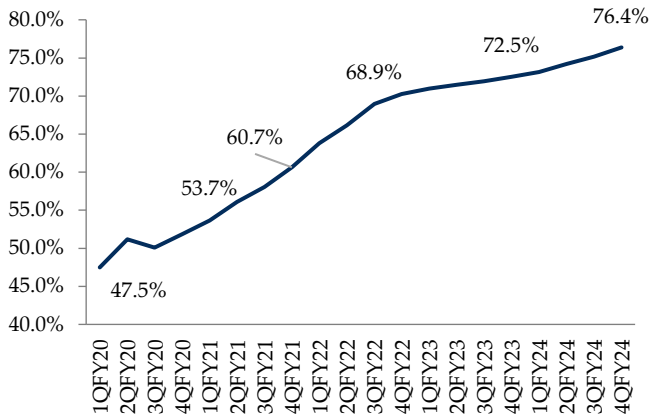
Source: Company, HSIE Research

BO account addition hit the peak in Jan-24, and March-24 exit was lower but in line with the last peak



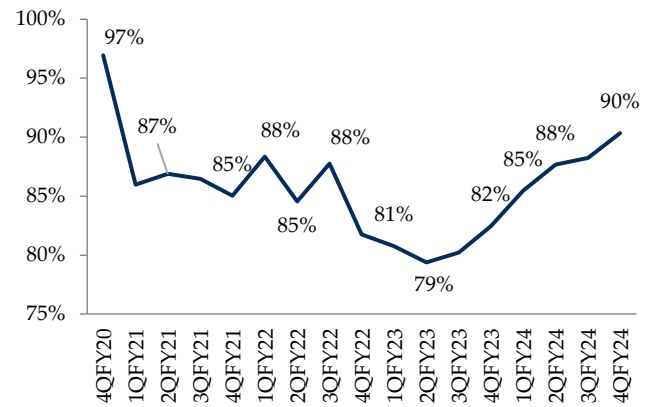
Source: Company, HSIE Research

CDSL has witnessed consistent improvement in the BO account market share



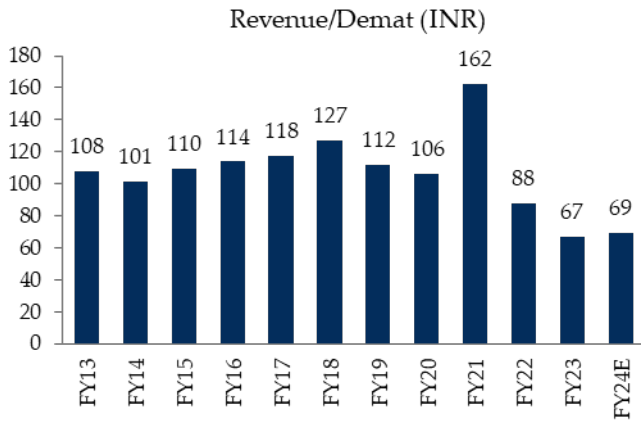
Source: Company, HSIE Research

CDSL has an incremental market share of 88.3% in FY24, and the four-year average is ~85%



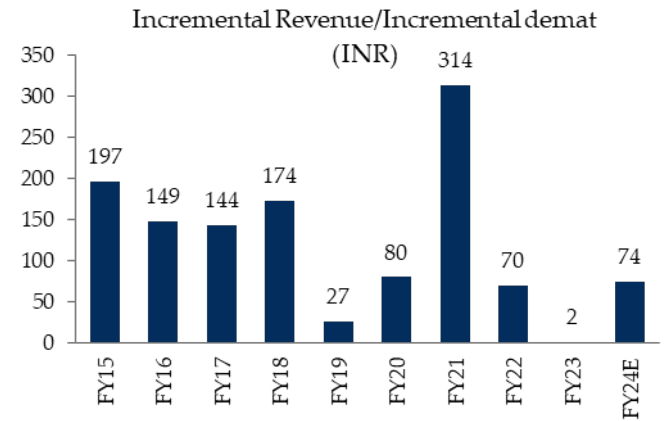
Source: Company, HSIE Research

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

Contribution from incremental demat accounts has improved in FY24; contribution will improve as the accounts mature

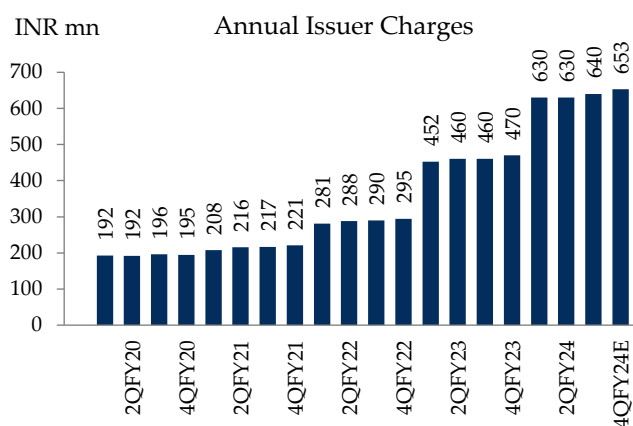


Source: Company, HSIE Research

High annuity income: linked to Demat account addition

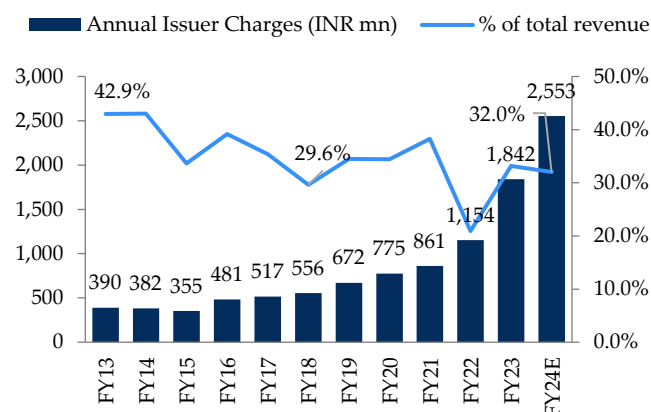
CDSL derives ~32% of its revenue from issuer charges, which is a pure annuity income. Apart from this, e-voting and e-CAS revenue is also recurring in nature; thus, the total non-market linked revenue for CDSL is ~40% of revenue. The non-market linked revenue has registered a CAGR of 37% during COVID-19 (FY20-23) vs 11% pre-COVID (FY15-20). The annual issuer charges have a high correlation with the growth in the number of Demat accounts. The issuers are charged based on the average 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 26% CAGR over FY23-26E, which is 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



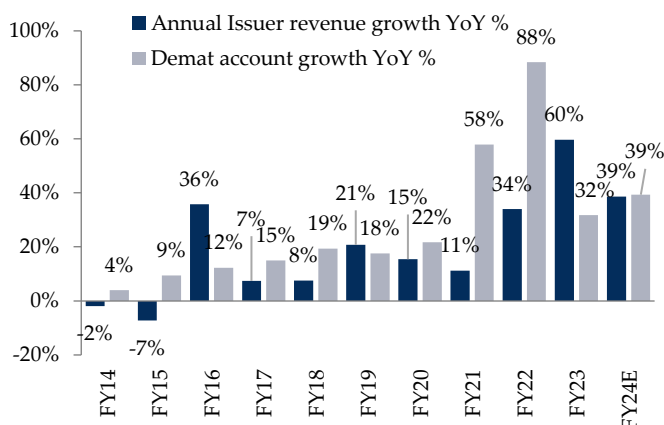
Source: Company, HSIE Research

Annual issuer charges have increased at a 5Y CAGR of 31% and account for 32% of total revenue



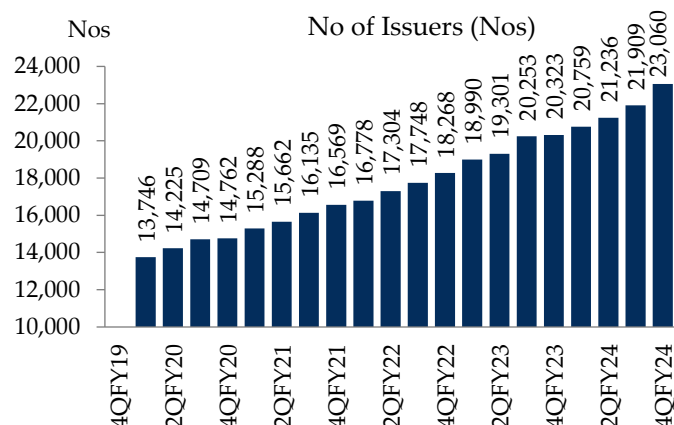
Source: Company, HSIE Research

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



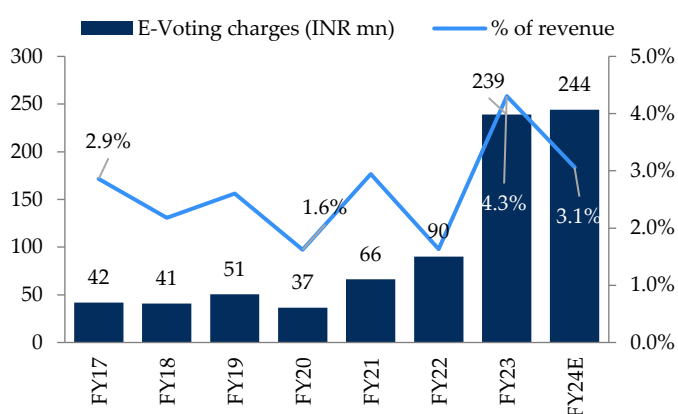
Source: Company, HSIE Research

E-voting and e-CAS traction

The rapid increase in the number of Demat accounts has led to strong growth in electronic consolidated accounts statements (CAS) and e-voting revenue (5Y CAGR of 35/37%, respectively). CDSL reports e-voting and eCAS under the others segment (~11% of revenue), and growth in others revenue is solely driven by growth in e-voting and eCAS revenue, excluding which the others segment growth CAGR is ~2% (over the last five years). The rising number of Demat accounts supports growth in e-CAS revenue. E-voting and eCAS contribute ~7% of total revenue and ~70% of others' revenue.

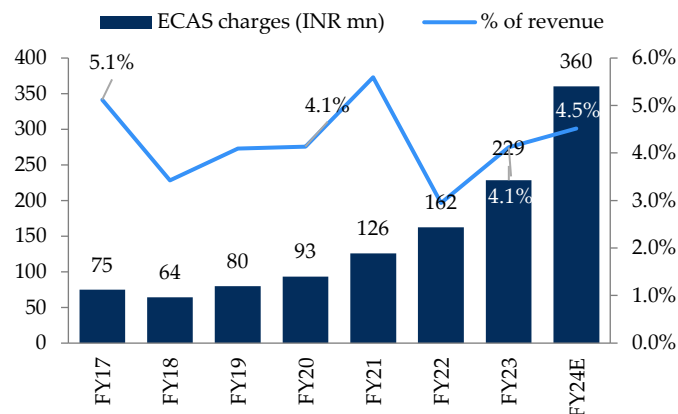
Issuers are now adopting e-voting services for conducting AGMs. E-voting revenue registered a strong jump in FY23 but will normalise in FY24E. The eCAS growth continues to be strong and is linked to the growth in BO account growth and market share gains.

E-voting revenue has grown at a 5Y CAGR of 37%, and e-voting revenue/Issuer is ~INR 10.9K



Source: Company, HSIE Research

CAS revenue has grown at a 5Y CAGR of 35%, and CAS revenue/demat is INR 3.1

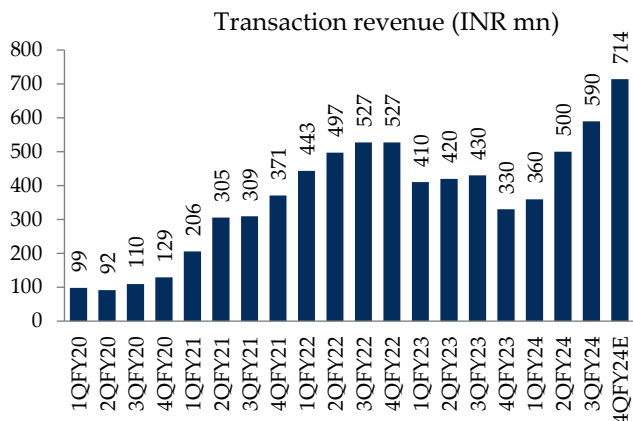


Source: Company, HSIE Research

Recovery in market-linked revenue led by transaction charges.

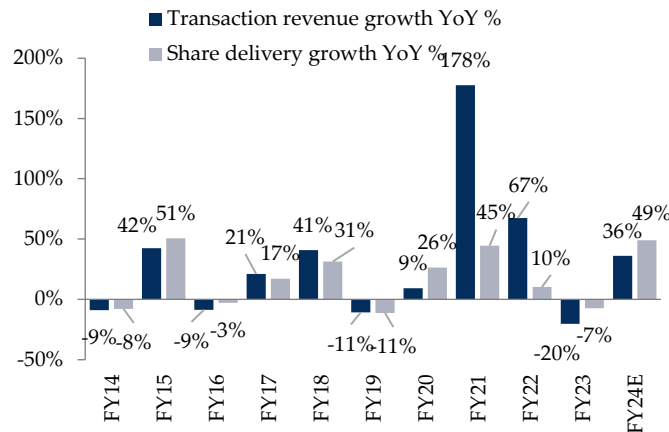
CDSL derives 49% of revenue from market-linked sources (transaction, IPO/corporate action KYC etc). The market-linked has bounced back in FY24E, led by a ~36/76% rise in transaction/IPO and corporate action revenue. The transaction revenue is cyclical and has a high correlation with the growth in delivery trades. Based on historical data, the correlation between transaction revenue growth and delivery volume growth is 0.6, which is very high. The delivery volume registered 49% YoY growth in FY24, the best in the last five years. The share delivery volume has been improving over the last three years and stands at 21% for FY24. Transaction revenue has recovered in FY24E, and the transaction revenue has registered a YoY decline four times in the last ten years. We expect a 10% CAGR over FY24-26E, which is in line with the pre-COVID growth rate of 9% over FY15-20.

Transaction revenue has witnessed a strong recovery in the last four quarters



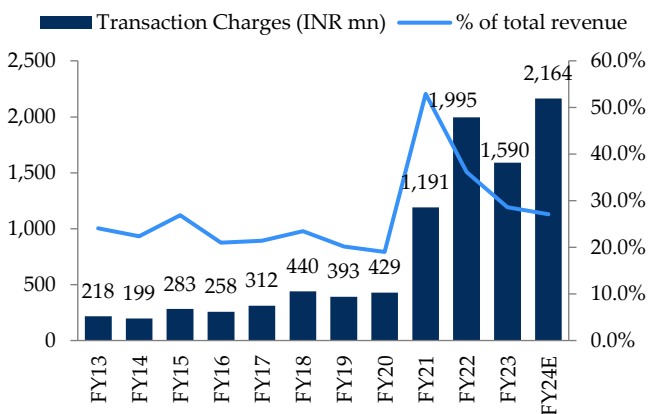
Source: Company, HSIE Research

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



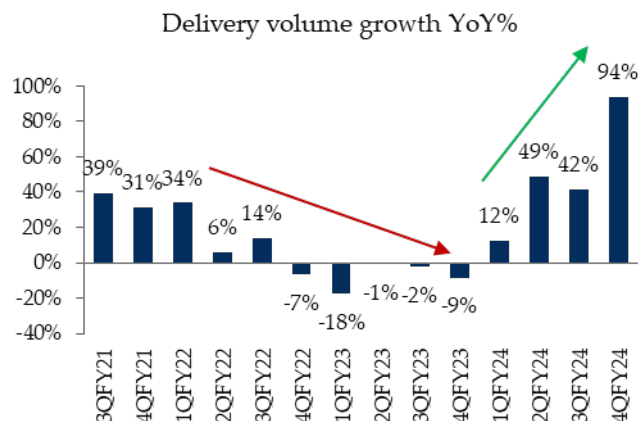
Source: Company, NSE, HSIE Research

Transaction revenue bounced back in FY24E linked to improvement in market activity/sentiment



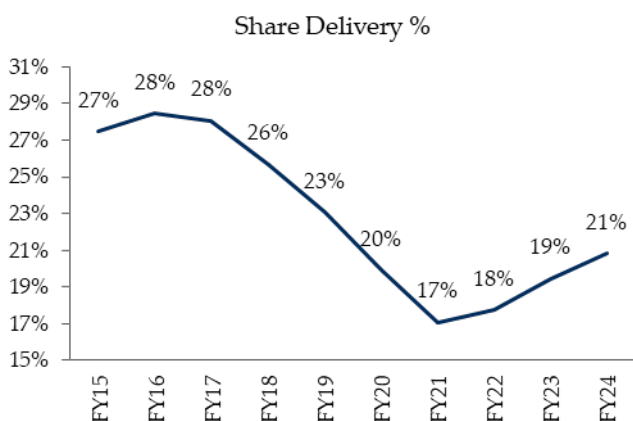
Source: Company, HSIE Research

Delivery volume strong growth reflected in the transaction charges revenue



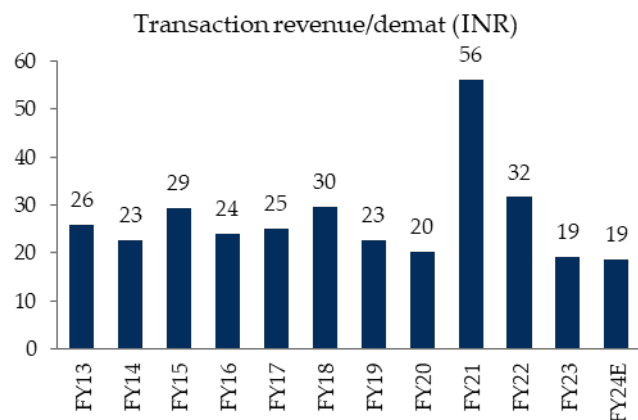
Source: NSE, HSIE Research

The share delivery % has been improving over the last four years



Source: Company, HSIE Research

Transaction revenue per demat has been stable over the last two years, new accounts addition is driving growth



Source: Company, HSIE Research

CDSL revenue yearly trends and assumptions

CDSL Revenue (INR mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR 15-20	CAGR 21-24E	CAGR 24-26E
Annual Issuer Charges	355	481	517	556	672	775	861	1,154	1,842	2,553	3,186	3,719	17%	44%	21%
Growth %	-7.3%	35.8%	7.4%	7.6%	20.7%	15.4%	11.1%	34.0%	59.6%	38.6%	24.8%	16.7%			
% of Revenue	33.7%	39.2%	35.4%	29.6%	34.5%	34.4%	25.1%	20.9%	33.2%	32.0%	31.9%	31.8%			
Transaction Charges	283	258	312	440	393	429	1,191	1,995	1,590	2,164	2,412	2,604	9%	22%	10%
Growth %	42.4%	-8.8%	20.9%	40.9%	-10.8%	9.2%	177.6%	67.5%	-20.3%	36.1%	11.5%	7.9%			
% of Revenue	26.9%	21.0%	21.4%	23.5%	20.2%	19.1%	34.7%	36.2%	28.6%	27.1%	24.2%	22.2%			
IPO/Corporate action	62	107	165	295	199	226	329	606	500	880	968	1,099	30%	39%	12%
Growth %	NM	72.8%	54.3%	78.5%	-32.6%	13.5%	45.5%	84.4%	-17.4%	76.0%	10.0%	13.5%			
% of Revenue	5.9%	8.7%	11.3%	15.7%	10.2%	10.0%	9.6%	11.0%	9.0%	11.0%	9.7%	9.4%			
Online Data Charges	147	154	187	292	317	369	560	1,199	870	1,513	2,148	2,495	20%	39%	28%
Growth %	64.1%	4.8%	21.9%	55.8%	8.5%	16.4%	51.8%	114.0%	-27.4%	73.9%	42.0%	16.1%			
% of Revenue	13.9%	12.5%	12.8%	15.5%	16.3%	16.4%	16.3%	21.7%	15.7%	19.0%	21.5%	21.3%			
eCAS & e-voting	50	68	116	105	130	130	192	252	467	604	767	979	21%	47%	27%
Growth %	NM	37.0%	71.3%	-9.7%	23.8%	-0.5%	48.2%	31.4%	85.2%	29.2%	26.9%	27.7%			
% of Revenue	4.7%	5.5%	8.0%	5.6%	6.7%	5.8%	5.6%	4.6%	8.4%	7.6%	7.7%	8.4%			
Others	157	160	161	188	236	322	304	308	281	264	502	809	16%	-5%	75%
Growth %	-28.3%	2.1%	0.8%	16.7%	25.4%	36.4%	-5.6%	1.2%	-8.8%	-6.1%	90.0%	61.4%			
% of Revenue	14.9%	13.0%	11.1%	10.0%	12.1%	14.3%	8.9%	5.6%	5.1%	3.3%	5.0%	6.9%			
Total	1,053	1,229	1,460	1,877	1,947	2,251	3,437	5,513	5,551	7,978	9,983	11,705	16%	32%	21%
Growth %	18.4%	16.7%	18.8%	28.6%	3.7%	15.6%	52.7%	60.4%	0.7%	43.7%	25.1%	17.3%			
Market linked	497	522	826	1,215	1,145	1,346	2,384	4,107	3,241	4,821	5,712	6,502	22%	26%	16%
% of Revenue	47.2%	42.5%	56.6%	64.8%	58.8%	59.8%	69.4%	74.5%	58.4%	60.4%	57.2%	55.6%			
YoY %	40.8%	5.1%	58.2%	47.1%	-5.8%	17.6%	77.1%	72.3%	-21.1%	48.7%	18.5%	13.8%			
Non-Market Linked	404	549	634	661	802	904	1,053	1,406	2,310	3,157	4,270	5,202	17%	44%	28%
% of Revenue	38.4%	44.7%	43.4%	35.2%	41.2%	40.2%	30.6%	25.5%	41.6%	39.6%	42.8%	44.4%			
YoY %	5.7%	35.9%	15.3%	4.4%	21.2%	12.8%	16.4%	33.5%	64.2%	36.7%	35.3%	21.8%			

Source: Company, HSIE research

CDSL Costing Analysis (INR mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR 15-20	CAGR 21-24E	CAGR 24-26E
Employee Cost	192	215	249	303	342	473	413	505	810	927	1,075	1,196	20%	31%	14%
Growth %	10.0%	11.9%	15.7%	22.0%	12.7%	38.3%	20.9%	22.3%	60.2%	14.4%	16.0%	11.3%			
% of Revenue	18.2%	17.5%	17.0%	16.2%	17.6%	21.0%	12.0%	9.2%	14.6%	11.6%	10.8%	10.2%			
% of Total Cost	31.9%	36.5%	37.3%	39.2%	39.9%	40.5%	31.3%	27.4%	34.9%	29.5%	28.8%	28.5%			
IT Cost	79	79	84	97	116	145	199	264	384	590	708	850	13%	44%	20%
Growth %	-1.0%	-0.2%	7.1%	15.2%	19.9%	24.4%	71.1%	32.7%	45.3%	53.8%	20.0%	20.0%			
% of Revenue	7.5%	6.4%	5.8%	5.2%	6.0%	6.4%	5.8%	4.8%	6.9%	7.4%	7.1%	7.3%			
% of Total Cost	13.1%	13.3%	12.7%	12.5%	13.6%	12.4%	15.1%	14.3%	16.6%	18.8%	19.0%	20.2%			
Other cost	207	238	251	286	306	440	559	852	864	1,241	1,449	1,572	16%	30%	13%
Growth %	15.6%	15.3%	5.3%	14.0%	7.1%	43.5%	82.4%	52.5%	1.4%	43.7%	16.7%	8.5%			
% of Revenue	19.6%	19.4%	17.2%	15.2%	15.7%	19.5%	16.3%	15.5%	15.6%	15.6%	14.5%	13.4%			
% of Total Cost	34.4%	40.4%	37.7%	37.0%	35.7%	37.7%	42.4%	46.2%	37.3%	39.6%	38.8%	37.4%			
Regulatory cost	123	57	82	87	93	110	148	223	260	380	499	585	-2%	37%	24%
Growth %	-4.4%	-53.4%	42.5%	5.8%	6.8%	18.3%	59.5%	51.1%	16.5%	46.2%	31.4%	17.3%			
% of Revenue	11.7%	4.7%	5.6%	4.6%	4.8%	4.9%	4.3%	4.0%	4.7%	4.8%	5.0%	5.0%			
% of Net Profit	22.1%	9.9%	9.5%	8.4%	8.2%	8.7%	7.4%	7.2%	9.4%	9.3%	9.6%	9.5%			
Total Cost	601	589	666	773	857	1,167	1,319	1,845	2,317	3,138	3,732	4,204	14%	34%	16%
Growth %	6.9%	-2.0%	13.0%	16.1%	10.9%	36.1%	53.9%	39.9%	25.6%	35.4%	18.9%	12.6%			
EBITDA	452	639	794	1,104	1,089	1,084	2,118	3,669	3,233	4,840	6,251	7,501	19%	32%	24%
Growth %	38.1%	41.5%	24.3%	39.0%	-1.3%	-0.5%	94.5%	73.2%	-11.9%	49.7%	29.2%	20.0%			
EBITDA Margin %	42.9%	52.0%	54.4%	58.8%	56.0%	48.2%	61.6%	66.5%	58.3%	60.7%	62.6%	64.1%	525	-97	342

Source: Company, HSIE research

Change in estimates (consolidated)

INR Mn	FY24E			FY25E			FY26E		
	Old	Revised	Change %	Old	Revised	Change %	Old	Revised	Change %
Revenue	7,901	7,978	1.0	9,358	9,983	6.7	10,855	11,705	7.8
EBITDA	4,775	4,840	1.3	5,775	6,251	8.3	6,813	7,501	10.1
EBITDA margin (%)	60.4	60.7	22bps	61.7	62.6	91bps	62.8	64.1	133bps
APAT	4,038	4,087	1.2	4,854	5,194	7.0	5,667	6,166	8.8
EPS (INR)	38.6	39.1	1.2	46.4	49.7	7.0	54.2	59.0	8.8

Source: Company, HSIE research

Peer Valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR% FY24-26E	EPS CAGR% FY24-26E
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E		
MCX	190	3,732	4,100	BUY	29.3	21.7	95.6	124.7	127.5	172.0	39.0	29.9	10.3	7.5	31.4	37.0	28.6%	35.3%
CDSL	195	1,866	2,360	BUY	26.4	39.1	49.7	59.0	70.7	47.7	37.6	31.6	23.9	31.5	35.1	36.1	21.1%	22.8%
BSE	371	2,746	3,100	BUY	21.3	41.2	64.9	82.8	128.6	66.6	42.3	33.2	10.8	19.1	27.3	31.7	33.5%	41.8%

Source: Company, HSIE research

Financials

Income Statement (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	1,947	2,251	3,437	5,513	5,551	7,978	9,983	11,705
<i>Growth (%)</i>	3.7	15.6	52.7	60.4	0.7	43.7	25.1	17.3
Employee Expenses	342	473	413	505	810	927	1,075	1,196
Other operating Expenses	515	694	906	1,339	1,508	2,212	2,657	3,007
EBITDA	1,089	1,084	2,118	3,669	3,233	4,840	6,251	7,501
<i>EBITDA Margin (%)</i>	56.0	48.2	61.6	66.5	58.3	60.7	62.6	64.1
<i>EBITDA Growth (%)</i>	(1.3)	(0.5)	95.5	73.2	(11.9)	49.7	29.2	20.0
Depreciation	99	117	92	115	195	262	284	311
EBIT	990	966	2,026	3,554	3,039	4,578	5,967	7,190
<i>EBIT Margin (%)</i>	50.9	42.9	59.0	64.5	54.7	57.4	59.8	61.4
Other Income (Including EO Items)	492	398	569	546	658	899	939	998
Interest	0	0	0	0	1	1	1	1
PBT	1,482	1,364	2,595	4,100	3,696	5,476	6,905	8,188
Tax (Incl Deferred)	334	297	583	967	892	1,349	1,669	1,979
Minority Interest	13	6	9	6	0	0	0	0
Share of profit / (Loss) of associate	0	0	0	-14	-44	-41	-41	-42
RPAT	1,135	1,062	2,003	3,112	2,759	4,087	5,194	6,166
EO (Loss) / Profit (Net Of Tax)	0	-193	0	0	0	0	0	0
APAT	1,135	1,255	2,003	3,112	2,759	4,087	5,194	6,166
<i>APAT Growth (%)</i>	10.0	10.6	59.6	55.3	(11.3)	48.1	27.1	18.7
Adjusted EPS (Rs)	10.9	12.0	19.2	29.8	26.4	39.1	49.7	59.0
<i>EPS Growth (%)</i>	10.0	10.6	59.6	55.3	(11.3)	48.1	27.1	18.7

Balance Sheet (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS								
Share Capital - Equity	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
Reserves	5,636	6,195	7,727	9,884	11,092	12,727	14,804	17,271
Total Shareholders' Funds	6,681	7,240	8,772	10,929	12,137	13,772	15,849	18,316
Settlement guarantee fund								
Minority Interest	413	419	428	434	434	434	435	435
Lease Liabilities		0	0	1	12	12	12	12
Total Debt	0	0	0	0	0	0	0	0
Net Deferred Taxes (Net)	-33	10	23	58	46	46	46	46
Long Term Provisions & Others	10	39	26	86	110	110	110	110
TOTAL SOURCES OF FUNDS	7,071	7,708	9,248	11,509	12,739	14,374	16,452	18,918
APPLICATION OF FUNDS								
Net Block	752	743	734	1,062	1,246	1,304	1,418	1,576
CWIP	0	0	228	38	1,743	1,743	1,743	1,743
LT Loans & Advances & Others	243	309	158	223	342	491	614	720
Total Non-current Assets	995	1,052	1,120	1,323	3,330	3,537	3,776	4,039
Debtors	191	260	237	458	377	429	537	629
Other Current Assets	89	128	311	161	260	374	468	548
Cash & Equivalents	6,530	7,183	9,171	11,313	10,602	12,189	14,197	16,587
Total Current Assets	6,810	7,571	9,719	11,933	11,239	12,992	15,202	17,764
Creditors	36	121	127	106	196	206	258	302
Other Current Liabilities & Provns	698	795	1,464	1,641	1,634	1,949	2,268	2,583
Total Current Liabilities	734	915	1,591	1,747	1,830	2,155	2,526	2,885
Net Current Assets	6,076	6,656	8,128	10,186	9,409	10,837	12,676	14,879
TOTAL APPLICATION OF FUNDS	7,071	7,708	9,248	11,509	12,739	14,374	16,452	18,918

Cash Flow (Consolidated)

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	1,482	1,364	2,595	4,085	3,652	5,436	6,863	8,145
Non-operating & EO items	(415)	(433)	(496)	(399)	(470)	(899)	(939)	(998)
Interest expenses	-	(0)	0	0	1	(1)	(1)	(1)
Depreciation	99	119	94	116	195	262	284	311
Working Capital Change	25	11	312	33	43	10	46	80
Tax Paid	(336)	(240)	(579)	(1,002)	(932)	(1,349)	(1,669)	(1,979)
OPERATING CASH FLOW (a)	854	821	1,926	2,834	2,488	3,458	4,584	5,558
Capex	(112)	(93)	(180)	(250)	(2,081)	(319)	(399)	(468)
Free cash flow (FCF)	742	729	1,745	2,584	407	3,138	4,184	5,090
Investments	-	-	-	-	-	-	-	-
Non-operating Income	359	133	122	193	134	899	939	998
INVESTING CASH FLOW (b)	247	41	(59)	(57)	(1,947)	580	540	530
Debt Issuance/(Repaid)	-	(1)	(1)	(1)	19	-	-	-
Interest Expenses	-	-	-	-	-	1	1	1
FCFE	742	727	1,744	2,583	427	3,140	4,186	5,091
Share Capital Issuance	-	-	-	-	-	-	-	-
Dividend	(441)	(504)	(470)	(941)	(1,568)	(2,452)	(3,116)	(3,700)
FINANCING CASH FLOW (c)	(441)	(505)	(472)	(942)	(1,548)	(2,451)	(3,115)	(3,699)
NET CASH FLOW (a+b+c)	660	357	1,395	1,835	(1,007)	1,587	2,008	2,389
EO Items, Others	239	297	593	307	295	0	0	0
Closing Cash & Equivalents	6,530	7,183	9,171	11,313	10,602	12,189	14,197	16,587

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)								
GPM	82.4	79.0	88.0	90.8	85.4	88.4	89.2	89.8
EBITDA Margin	56.0	48.2	61.6	66.5	58.3	60.7	62.6	64.1
APAT Margin	58.3	55.8	58.3	56.4	49.7	51.2	52.0	52.7
RoE	17.9	18.0	25.0	31.6	23.9	31.5	35.1	36.1
RoIC (or Core RoCE)	60.7	55.7	101.1	150.4	78.0	83.1	99.2	109.1
RoCE	17.2	17.0	23.6	30.0	22.8	30.2	33.7	34.9
EFFICIENCY								
Tax Rate (%)	22.5%	21.8%	22.4%	23.6%	24.1%	24.6%	24.2%	24.2%
Fixed Asset Turnover (x)	2.0	2.1	3.0	3.5	2.9	3.6	3.8	3.8
Inventory (days)	0	0	0	0	0	0	0	0
Debtors (days)	36	42	25	30	25	20	20	20
Other Current Assets (days)	17	21	33	11	17	17	17	17
Payables (days)	7	20	13	7	13	9	9	9
Other Current Liab & Provns (days)	131	129	156	109	107	89	83	81
Cash Conversion Cycle (days)	-85	-85	-111	-75	-78	-62	-56	-53
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(1.0)	(1.0)	(1.0)	(1.0)	(0.9)	(0.9)	(0.9)	(0.9)
Interest Coverage (x)	NM	NM	NM	NM	NM	NM	NM	NM
PER SHARE DATA (Rs)								
EPS	10.9	12.0	19.2	29.8	26.4	39.1	49.7	59.0
CEPS	11.8	13.1	20.1	30.9	28.3	41.6	52.4	62.0
Dividend	3.5	4.8	4.5	9.0	15.0	23.5	29.8	35.4
Book Value	63.9	69.3	83.9	104.6	116.1	131.8	151.7	175.3
VALUATION								
P/E (x)	173.6	157.0	98.4	63.3	71.4	48.2	37.9	32.0
P/BV (x)	29.5	27.2	22.5	18.0	16.2	14.3	12.4	10.8
EV/EBITDA (x)	174.9	175.2	88.7	50.6	57.7	38.2	29.3	24.1
OCF/EV (%)	0.4	0.4	1.0	1.5	1.3	1.9	2.5	3.1
FCF/EV (%)	0.4	0.4	0.9	1.4	0.2	1.7	2.3	2.8
FCFE/Mkt Cap (%)	0.4	0.4	0.9	1.3	0.2	1.6	2.1	2.6
Dividend Yield (%)	0.2	0.3	0.2	0.5	0.8	1.2	1.6	1.9

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

Disclosure:

I, **Amit Chandra, MBA** author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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

Any holding in stock – NO

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

Disclaimer:

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

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

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

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

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

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

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

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

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

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

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

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

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities**Institutional Equities**

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

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com