

Another dull quarter

We maintain NEU on BSE based on unexciting 2QFY20. The core revenue stream remains under pressure while new age platform like StAR MF is doing well. Margin expansion will come with growth. We arrive at a SoTP based TP of Rs 585 by assigning 25x to core Sep-21E PAT (Rs 122/sh), Rs 111/sh for the CDSL stake and adding net cash after 20% discount (Rs 351/sh).

HIGHLIGHTS OF THE QUARTER

- Revenue was down 2.9% QoQ to Rs 1.09bn (vs. est. of Rs 1.08) led by 22.4% fall in transaction revenue offset by growth in services to corporate (+4.9% QoQ).
- StAR MF revenue stood at Rs 118mn (+66.2% YoY adjusted for Rs 30mn provisions) led by higher volumes (+48% YoY). StAR MF is the only initiative of BSE which has started contributing to revenue, currently at ~10%.
- BSE is struggling to hold its cash market share, down 62/193 bps QoQ/YoY to 6.7%. Currency derivative market share is also down to 41.2% (-609bps QoQ).
- BSE posted EBITDA loss even after adjusting for one-offs. Adjusted margin stood at -0.7% (vs. est. -1.2%). Continued investments in new initiatives and drop in revenue led to a steep fall in margins YoY (949bps).
- Sharp fall in exclusive listed volume (-38% QoQ) has impacted transaction revenue. The 20% hike in annual

listing fees for exclusively listed companies will provide some relief.

- INX is currently in investment mode (burning ~Rs 0.34bn annually). INX ADTV stood at USD 2.3bn (+22% QoQ) and no of daily trades was 69K (+59% QoQ). Hopefully, INX will start contributing from FY21E.
- Near-term outlook:** Revenue will grow fueled by StAR MF and higher listing fees. EBITDA margin will recover gradually with growth, cost is mostly fixed.

STANCE: Traditional channel under stress

BSE is witnessing continuous decline in core business metrics. Cash market share has slipped to 6.7% vs ~13/9% in FY18/19 and currency derivative is also under pressure. Continued investments in INX and newer initiatives (commodity & Insurance distribution) have impacted EBITDA margins (2.1% in 1HFY20, down ~10% YoY). We expect revenue growth of 12.8/0.3% in FY21/22E led by rebound in transaction revenue (better market condition, StAR MF and INX contribution). We expect some operating leverage to play out with growth (EBITDA margin of 12.0/16.5% for FY21/22E). BSE has net cash of Rs ~20bn (~82% of MCap) and a dividend yield of ~6%, which limits downside. Risks include a rise in competition, loss of market share and an increase in investments.

Financial Summary

YE March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues	1,089	1,152	(5.4)	1,121	(2.9)	5,072	4,503	4,630	5,220	5,760
EBITDA	-8	101	NM	55	NM	1,302	291	243	627	950
APAT	417	444	(6.1)	451	(7.5)	2,399	2,077	1,762	1,988	2,288
Diluted EPS (Rs)	9.3	9.9	(6.1)	10.0	(7.5)	53.3	46.1	39.1	44.1	50.8
P/E (x)						10.1	11.6	13.7	12.2	10.6
EV / EBITDA (x)						-1.5	-0.6	20.8	8.7	5.6
RoE (%)						7.8	7.1	7.2	8.1	9.5

Source: Company, HDFC sec Inst Research # Consolidated

INDUSTRY	EXCHANGES		
CMP (as on 6 Nov 2019)	Rs 537		
Target Price	Rs 585		
Nifty	11,966		
Sensex	40,470		
KEY STOCK DATA			
Bloomberg	BSE IN		
No. of Shares (mn)	45		
MCap (Rs bn) / (\$ mn)	24/340		
6m avg traded value (Rs mn)	59		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 648/446		
	3M	6M	12M
Absolute (%)	14.8	(15.5)	(11.6)
Relative (%)	5.3	(20.4)	(27.2)
SHAREHOLDING PATTERN (%)			
	Jun-19	Sep-19	
Promoters	0.00	0.00	
FIs & Local MFs	9.90	3.06	
FPIs	19.56	20.49	
Public & Others	70.54	76.45	
Pledged Shares	0.00	0.00	
Source : NSE			

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Revenue was down 2.9/5.4% QoQ/YoY to Rs 1.09bn led by 15.8/9.0% QoQ/YoY fall in revenue from security services

Adjusted EBITDA margin stood at -0.7% (our est. -1.2%). Adjustments include Rs 30mn for StAR MF provisions, Rs 20mn for listing fee provision and Rs 26mn for IL&FS provision

Employee cost was up 14.3% YoY led by investments in new initiatives, growth in total cost will be ~5% YoY

APAT for the quarter stood at Rs 0.42bn down 7.5% QoQ led by lower other income (-8.8% QoQ) offset by lower tax rate

There was a tax write back of Rs 66mn in the quarter; adjusted tax rate was also low due to higher LTCG gains in the quarter

Quarterly Consolidated Financials Snapshot

YE March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Total Revenue	1,089	1,152	(5.4)	1,121	(2.9)
Employee Cost	392	343	14.3	376	4.2
Technology Expenses	289	290	(0.5)	300	(3.7)
Other Operating Expenses	417	418	(0.3)	391	6.5
EBITDA	-8	101	(107.8)	55	(114.4)
Depreciation	125	120	4.6	120	4.6
EBIT	-133	-19	611.2	-65	105.2
Interest Cost	4	3	50.0	5	(18.8)
Other Income	457	452	1.0	501	(8.8)
PBT	320	431	(25.8)	431	(25.8)
Tax	30	101	(70.1)	88	(65.9)
Share of Profit Loss from JV & Associates	73	77	(5.2)	70	4.0
Minority Interest	-4	0	NM	0	NA
RPAT	367	407	(9.9)	413	(11.2)
E/o gains (adj for tax)	50	37	NM	38	33.9
APAT	417	444	(6.1)	451	(7.5)

Source: Company, HDFC sec Inst Research

Margin Analysis

MARGIN ANALYSIS	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)
Employee Cost % of Net Rev	36.0	29.8	620	33.5	245
Technology Expenses % of Net Rev	26.5	25.2	132	26.7	(22)
Other Operating Exp % of Net Rev	38.3	36.3	197	34.9	338
EBITDA Margin (%)	(0.7)	8.8	(949)	4.9	(561)
EBIT Margin (%)	(12.2)	(1.6)	(1059)	(5.8)	(644)
Tax Rate (%)	9.4	23.4	(1395)	20.5	(1104)
APAT Margin (%)	38.3	38.6	(25)	40.2	(189)

Source: Company, HDFC sec Inst Research

Transaction charges were down due to steep fall in cash transaction charges, down 35% QoQ, led by fall in cash volume (both exclusive & non-exclusive)

As of now we are not seeing any positive impact of interoperability of clearing corporations

Listing revenue was down due to compulsory de-listing of companies offset by hike in listing fees

Cash market share is in single digits for the last six quarters

Total Cash ADTV (NSE+BSE) was up 2.9% QoQ to Rs 22.49bn while BSE ADTV was down 5.7% QoQ to Rs 24.47bn (multi quarter low)

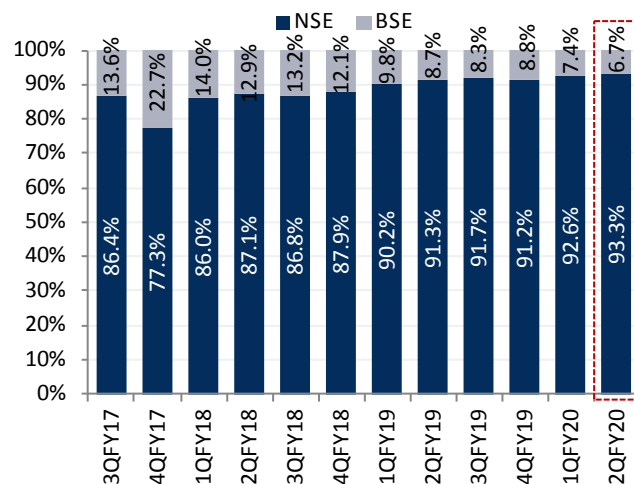
NSE ADTV was up 3.6% QoQ to Rs 338.22bn

Segmental Revenue Analysis

Rs mn	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
Transaction Charges	270	322	(16.1)	348	(22.4)	618	596	3.7
Treasury Income	56	75	(25.3)	74	(24.3)	130	164	(20.7)
Other Income	67	35	91.4	45	48.9	112	117	(4.3)
Total Security Services (A)	393	432	(9.0)	467	(15.8)	860	877	(1.9)
Annual listing	451	472	(4.5)	438	2.9	889	984	(9.7)
Book building	49	46	6.5	43	14.0	92	78	17.9
Other Services	16	26	(38.5)	11	45.5	27	43	(37.2)
Total Services to corporate (B)	516	544	(5.2)	492	4.9	1,008	1,105	(8.8)
Data Feed +Others (C)	180	176	2.6	162	10.8	342	317	8.0
Total Revenue (A+B+C)	1,089	1,152	(5.4)	1,121	(2.9)	2,210	2,299	(3.9)

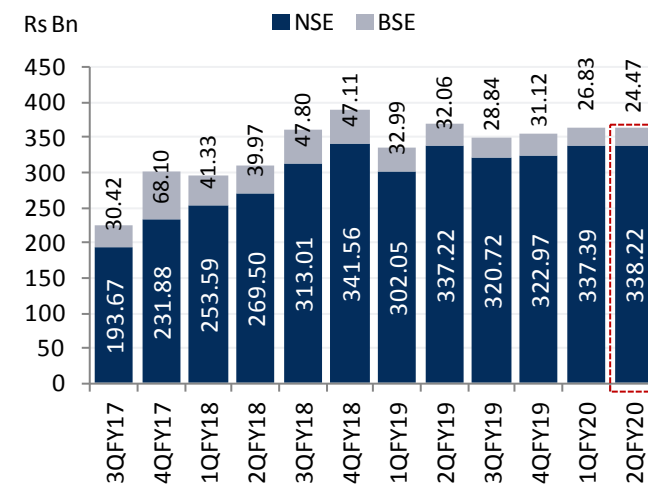
Source: Company, HDFC sec Inst Research

BSE Cash Market Share: Under Stress



Source: BSE, NSE, HDFC sec Inst Research

Cash ADTV: BSE Losing The Ground

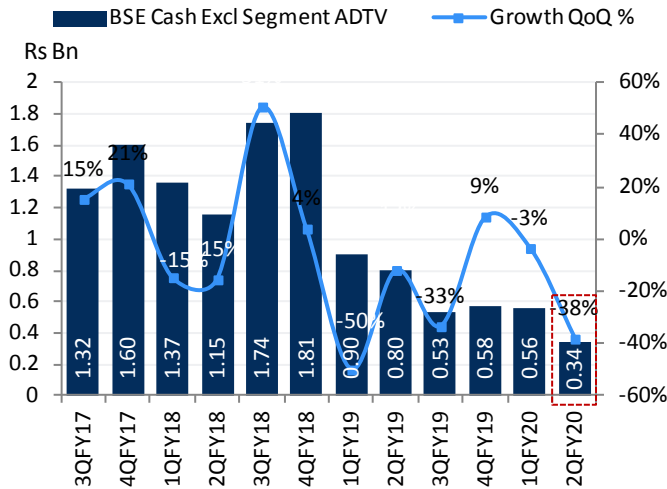


Source: BSE, NSE, HDFC sec Inst Research

Exclusive listed stock volume was down 8% QoQ but fall in non-exclusive was more steep (-38% QoQ)

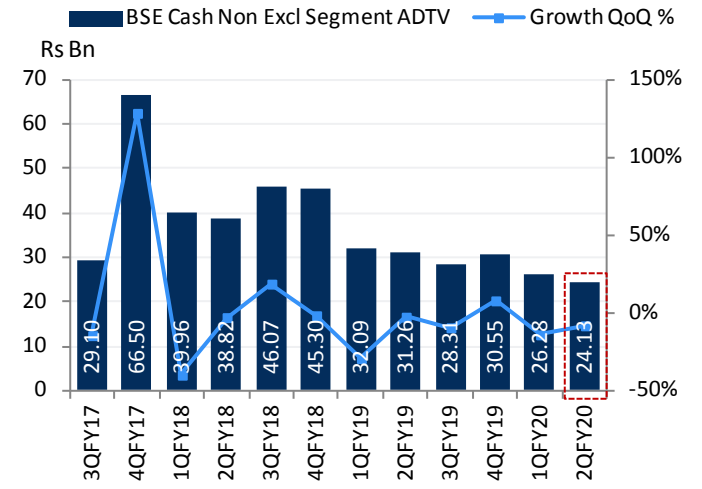
Exclusive segment volume is ~1/5th of peak volume

Exclusive Segment Volume: No Signs of Stability, Hitting New Lows



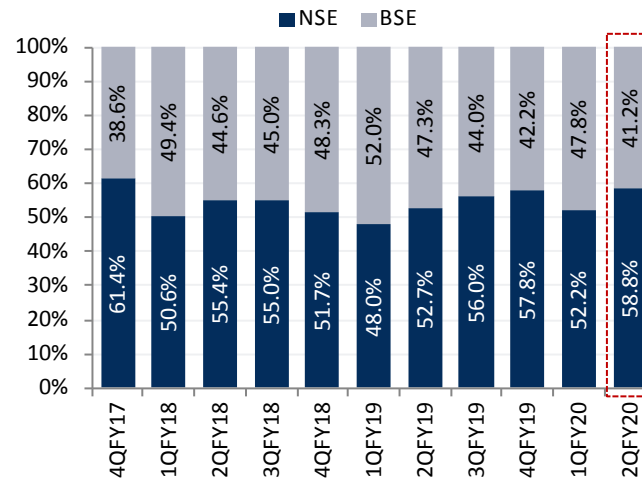
Source: BSE, HDFC sec Inst Research

Non-Exclusive Segment Volume: On Downward Journey



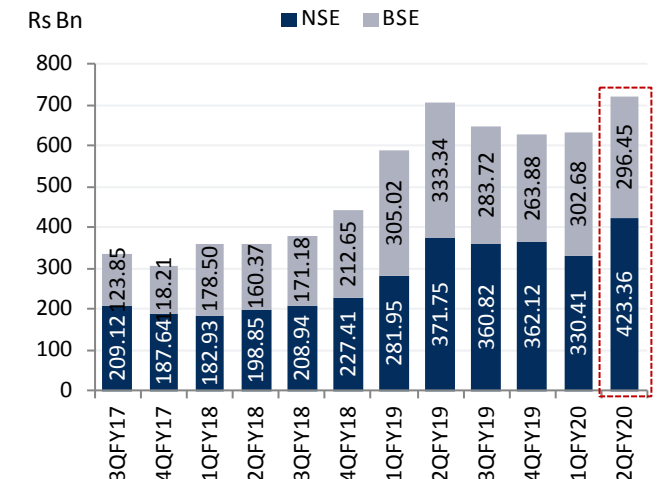
Source: BSE, HDFC sec Inst Research

Currency Derivatives: BSE Losing Ground



Source: NSE, BSE, HDFC sec Inst Research

Currency Derivatives ADTV: BSE Under Stress



Source: NSE, BSE, HDFC sec Inst Research

INX volume is picking up significantly; ADTV for 2Q stood at USD 2.3bn +22% QoQ led by liquidity enhancement scheme (LES). BSE is spending Rs 40mn as LES and this will continue in 2H

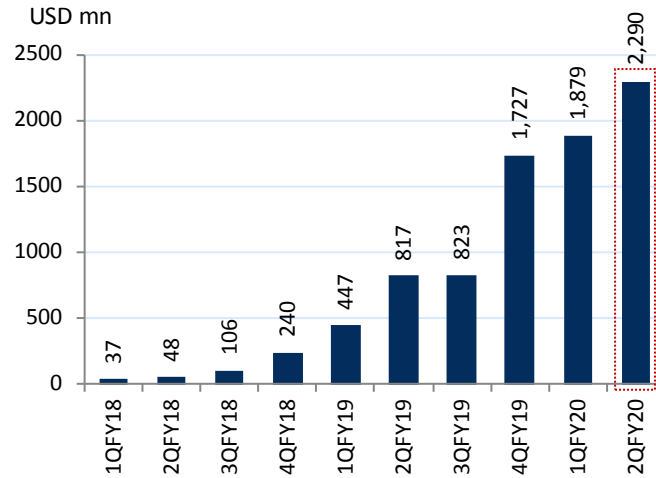
Total no of trades stood at 69,145 trades/day +59% QoQ

BSE is going to charge on per trade basis from of FY21E at ~Rs 15/trade

StAR MF has contributed Rs 118mn in the quarter at Rs 8.8/order

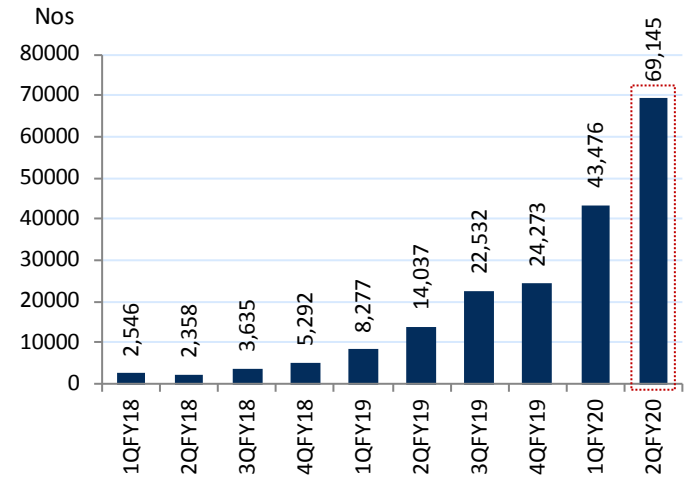
Assuming the current run-rate the total revenue from StAR MF for FY20E will be Rs 518mn (~11% of revenue)

INX ADTV: Strong Growth, Early Days



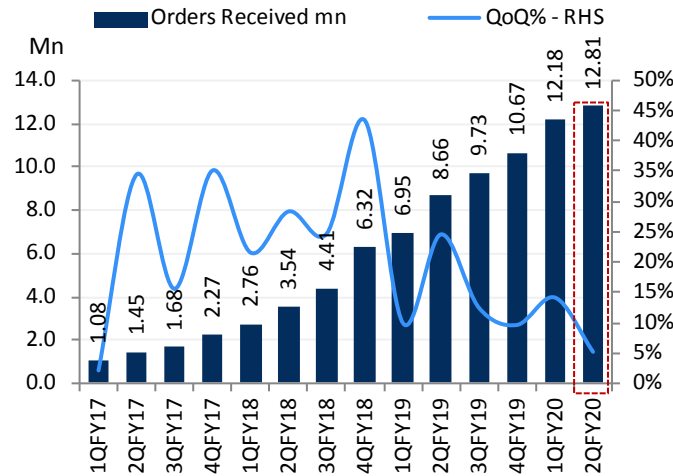
Source: BSE, HDFC sec Inst Research

INX: Daily Trades: Picking Up



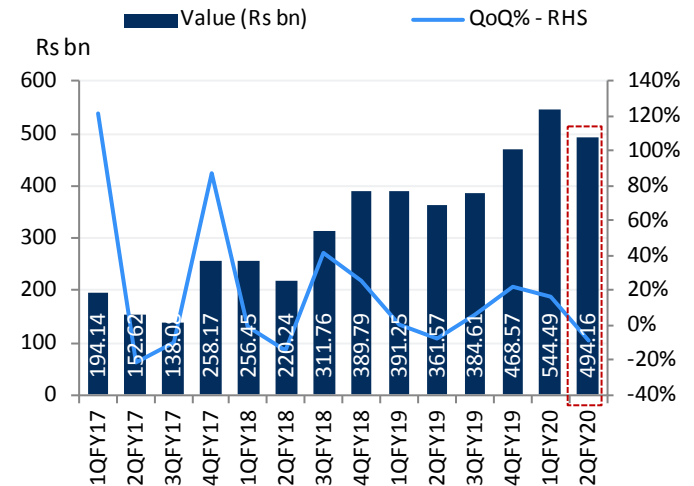
Source: BSE, HDFC sec Inst Research

StAR MF Orders: Growing Steadily



Source: BSE, HDFC sec Inst Research

Star MF Value Of Trades: On The Rise

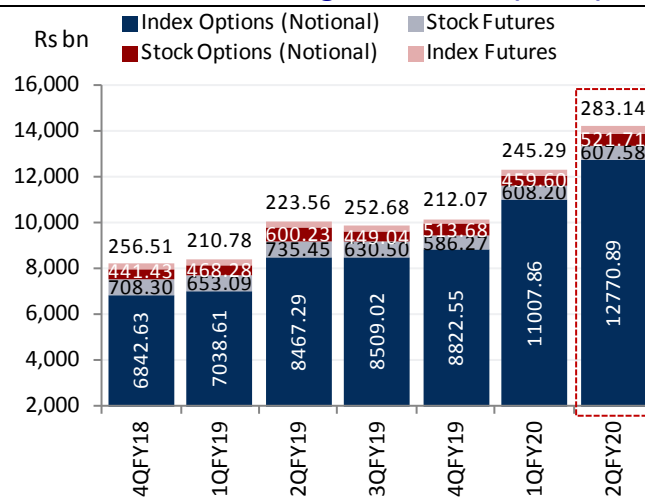


Source: BSE, HDFC sec Inst Research

NSE is a market leader in the Cash and Derivative segments

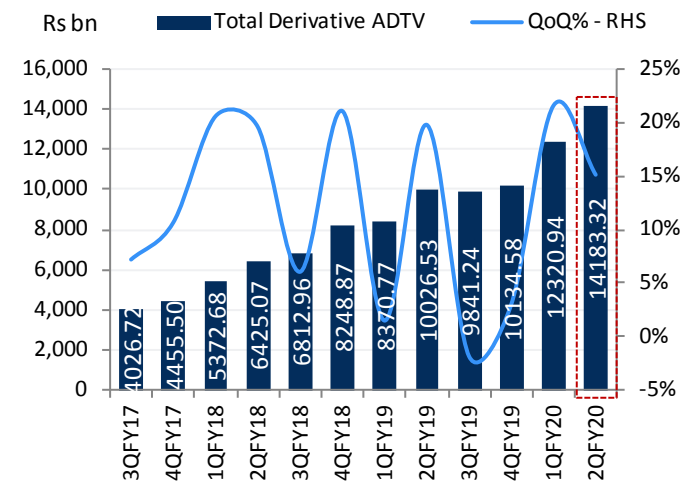
NSE's total derivative turnover was up by 15% QoQ and 41% YoY in 2QFY20 to Rs 14,183.32bn

NSE's Derivatives' Trading Volume Mix (ADTV)



Source: NSE, HDFC sec Inst Research

NSE's Total Derivatives' Volume



Source: NSE, HDFC sec Inst Research

Change in Estimates

Particulars	Earlier estimates	Revised estimates	% change
FY20E			
Revenue (Rs mn)	4,831	4,630	(4.2)
EBITDA (Rs mn)	426	243	(43.0)
EBITDA margin (%)	8.8%	5.2%	-357 bps
APAT (Rs mn)	1,826	1,762	(3.5)
FY21E			
Revenue (Rs mn)	5,340	5,220	(2.2)
EBITDA (Rs mn)	697	627	(10.0)
EBITDA margin (%)	13.0%	12.0%	-104 bps
APAT (Rs mn)	2,050	1,988	(3.0)
FY22E			
Revenue (Rs mn)	5,878	5,760	(2.0)
EBITDA (Rs mn)	965	950	(1.5)
EBITDA margin (%)	16.4%	16.5%	9 bps
APAT (Rs mn)	2,305	2,288	(0.7)

Source: HDFC sec Inst Research

BSE's Revenue Segments & Assumptions

Segments	FY14	FY15	FY16	FY17 [^]	FY18 [^]	FY19 [^]	FY20E	FY21E	FY22E	CAGR FY14-19	CAGR FY16-19	CAGR FY19-22E
Securities services												
Transaction Charges	294	505	550	1,224	1,581	1,139	1,150	1,488	1,754	31.1%	27.5%	15.5%
Income from Depository Services	871	1,046	1,227	0	0	0	0	0	0	NM	NM	NM
Treasury Income on margin deposit	439	532	413	405	408	307	301	295	289	-6.9%	-9.4%	-2.0%
Others	269	254	223	292	311	269	277	291	305	0.0%	6.4%	4.3%
Total (A)	1,872	2,337	2,413	1,921	2,300	1,715	1,728	2,074	2,348	-1.7%	-10.8%	11.0%
<i>Growth YoY %</i>	-3.3%	24.8%	3.3%	-20.4%	19.7%	-25.4%	0.8%	20.0%	13.2%			
Securities services (ex CDSL)												
Transaction Charges	294	505	550	1,224	1,581	1,139	1,150	1,488	1,754	31.1%	27.5%	15.5%
Treasury Income on margin deposit	439	532	413	405	408	307	301	295	289	-6.9%	-9.4%	-2.0%
Others	269	254	223	292	311	269	277	291	305	0.0%	6.4%	4.3%
Total (B)	1,002	1,291	1,186	1,921	2,300	1,715	1,728	2,074	2,348	11.4%	13.1%	11.0%
<i>Growth YoY %</i>	-2.8%	28.9%	-8.1%	62.0%	19.7%	-25.4%	0.8%	20.0%	13.2%			
Services to corporate												
Listing Fees	484	958	1,446	1,382	1,776	1,881	1,924	2,079	2,247	31.2%	9.2%	6.1%
Book Building Software Charges	74	55	112	143	331	149	149	161	174	14.9%	9.9%	5.3%
Others	33	41	53	44	100	102	107	112	118	25.2%	24.5%	5.0%
Total (C)	591	1,054	1,611	1,569	2,207	2,132	2,180	2,352	2,539	29.2%	9.8%	6.0%
<i>Growth YoY %</i>	2.1%	78.2%	52.9%	-2.6%	40.7%	-3.4%	2.3%	7.9%	7.9%			
Data Dissemination (D)												
	204	221	224	447	565	656	722	794	873	26.3%	43.0%	10.0%
<i>Growth YoY %</i>	-8.8%	8.3%	1.4%	99.4%	26.4%	16.1%	10.0%	10.0%	10.0%			
Total revenue from Operations (A+C+D)												
	2,668	3,611	4,248	3,937	5,072	4,503	4,630	5,220	5,760	11.0%	2.0%	8.6%
<i>Growth YoY %</i>	-2.6%	35.4%	17.6%	-7.3%	28.8%	-11.2%	2.8%	12.8%	10.3%			
Total revenue from Operations (ex CDSL) (B+C+D)												
	1,797	2,566	3,021	3,937	5,072	4,503	4,630	5,220	5,760	20.2%	14.2%	8.6%
<i>Growth YoY %</i>	-2.0%	42.8%	17.7%	30.3%	28.8%	-11.2%	2.8%	12.8%	10.3%			

 Source: BSE, HDFC sec Inst Research, [^]excluding CDSL, FY14-16 Including CDSL

BSE's Cost Analysis And EBITDA

Expenses (Including CDSL)	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	CAGR FY14- 19	CAGR FY16- 19	CAGR FY19- 22E
Employee Expenses	854	999	1,074	1,162	1,201	1,392	1,551	1,644	1,743	10.3%	9.0%	7.8%
Technology Expenses	642	704	806	964	1,111	1,134	1,183	1,230	1,279	12.1%	12.0%	4.1%
Other operating Expenses	928	1,492	1,695	1,452	1,458	1,686	1,653	1,720	1,788	12.7%	-0.2%	2.0%
Total Expenses	2,424	3,194	3,576	3,578	3,770	4,212	4,387	4,593	4,810	11.7%	5.6%	4.5%
<i>Growth YoY %</i>	0.1%	31.8%	11.9%	0.1%	5.4%	11.7%	4.2%	4.7%	4.7%			
EDITDA (Including CDSL till FY16)	244	417	673	359	1,302	291	243	627	950	3.6%	-24.3%	48.3%
<i>Margin %</i>	9.2%	11.5%	15.8%	9.1%	25.7%	6.5%	5.2%	12.0%	16.5%			

Expenses (Excluding CDSL)	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	CAGR FY14-19	CAGR FY16-19	CAGR FY19-22E
Employee Expenses	807	859	1,162	1,201	1,392	1,551	1,644	1,743	15.4%	17.5%	7.8%
Technology + Other Operating Expenses	1,787	2,127	2,415	2,569	2,820	2,836	2,949	3,067	19.0%	9.8%	2.8%
Total Expenses (ex CDSL)	2,593	2,986	3,578	3,770	4,212	4,387	4,593	4,810	17.7%	12.1%	4.5%
<i>Growth YoY %</i>	39.3%	15.1%	19.8%	5.4%	11.7%	4.2%	4.7%	4.7%			
EBITDA (ex CDSL)	(35)	33	359	1,302	291	243	627	950		106.2%	48.3%
<i>Margin %</i>	-1.4%	1.1%	9.1%	25.7%	6.5%	5.2%	12.0%	16.5%			

Source: BSE, HDFC sec Inst Research

Valuation and outlook

- We expect BSE's revenue to increase at a CAGR of 8.6% over FY19-22E. The EBITDA margin will expand from 6.5% in FY19 to 12.0% in FY21E due to revenue growth and operating leverage.
- RoE for the business is only 7.1%, owing to high cash levels on the books (Rs 20bn ex-SGF and clearing and settlement cash). The buyback of Rs 4.6bn will boost return ratio by ~100bps for FY20E.
- BSE has been constantly innovating and investing in technology and is building future platforms for growth. BSE has huge net cash of Rs 20bn (~Rs 439/sh, ~82% of MCap) which is excluding SGF, earmarked funds, and the buyback amount. The current dividend yield of ~6% is attractive. BSE currently trades at 13.7/12.2x FY20/21E EPS (steep discount to MCX valuations).
- We have valued BSE on SOTP basis by assigning a TP of Rs 286 to CDSL and 25x to BSE's core earnings (ex-CDSL) and adding back net-cash of Rs 15.8bn (excluding buyback amount and for buyback tax). We maintain NEU on BSE, with a TP of Rs 585 (9% upside from CMP), which includes the core BSE value at Rs 122/sh, Net Cash of Rs 351/sh and CDSL stake value of Rs 111/sh.

BSE's SOTP Valuation

Core PAT FY21 (Rs mn)	220
25X Core PAT (Rs mn)	5,508
Add: Net Cash (Rs mn)	15,814
Mcap (Rs mn)	21,321
Price per Share (Rs)	473
CDSL Value/share (Rs)	111
TP (Rs)	585
Upside (%)	9%

Source: Company, HDFC sec Inst Research

CDSL Valuation

CDSL TP (Rs)	286
CDSL Target Mcap (Rs mn)	29,860
Stake (%)	24%
Value of BSE Stake (Rs mn)	7,167
Taking 30% Discount (Rs mn)	5,017
Value/Share of CDSL (Rs)	111

Source: Company, HDFC sec Inst Research

Peer Set Comparison

Company	M-Cap (Rs bn)	Rating	CMP (Rs)	TP (Rs)	P/E (x)				EV/EBITDA (x)				RoE (%)			
					FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E	FY19	FY20	FY21E	FY22E
MCX	56.8	BUY	1,117	1,175	37.8	25.6	24.4	20.7	1.6	2.3	2.5	2.9	11.4	17.4	17.6	19.9
BSE	24.2	NEU	537	585	11.6	13.7	12.2	10.6	6.5	5.5	6.7	7.7	7.1	7.2	8.1	9.5
CDSL	23.3	BUY	223	286	20.5	20.6	19.2	17.4	1.8	1.8	1.9	2.1	17.0	15.5	15.2	15.3

Source: HDFC sec Inst Research

Key Risks

- Increased competition from other exchanges, market share loss
- Regulatory delays
- Technology risks
- Delay in revenues from new platforms like India INX, Insurance, etc

Income Statement (Consolidated)

YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Revenues (Rs mn)	5,072	4,503	4,630	5,220	5,760
Growth (%)	28.8	(11.2)	2.8	12.8	10.3
Employee Expenses	1,201	1,392	1,551	1,644	1,743
Technology Expenses	1,111	1,134	1,183	1,230	1,279
Other operating Expenses	1,458	1,686	1,653	1,720	1,788
EBITDA	1,302	291	243	627	950
EBITDA Margin (%)	25.7	6.5	5.2	12.0	16.5
EBITDA Growth (%)	262.6	(77.6)	(16.6)	158.0	51.6
Depreciation	455	511	509	522	576
EBIT	848	-220	-266	105	374
Other Income (Including EO Items)	1,891	2,111	1,996	1,984	2,045
Interest	10	9	18	19	19
PBT	2,729	1,883	1,712	2,070	2,400
Tax (Incl Deferred)	555	234	308	373	432
Minority Interest	0	0	0	0	0
Share of profit / (Loss) of associate	199	292	271	291	321
RPAT	2,373	1,942	1,674	1,988	2,288
EO (Loss) / Profit (Net Of Tax)	-26	-135	-88	0	0
APAT	2,399	2,077	1,762	1,988	2,288
APAT Growth (%)	9.2	(13.4)	(15.2)	12.8	15.1
Adjusted EPS (Rs)	53.3	46.1	39.1	44.1	50.8
EPS Growth (%)	9.2	(13.4)	(15.2)	12.8	15.1
Core PAT (ex other income and associate profit)	836	-228	-284	86	355

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital - Equity	107	104	90	90	90
Reserves	30,699	29,253	24,516	24,316	24,098
Total Shareholders' Funds	30,806	29,357	24,606	24,406	24,188
Settlement guarantee fund	3,585	3,945	3,945	3,945	3,945
Minority Interest	0	0	0	0	0
Total Debt	0	0	0	0	0
Net Deferred Taxes (Net)	(880)	(1,025)	(1,025)	(1,025)	(1,025)
Long Term Provisions & Others	95	114	118	133	147
TOTAL SOURCES OF FUNDS	33,606	32,391	27,644	27,460	27,255
APPLICATION OF FUNDS					
Net Block	1,697	1,662	1,662	1,688	1,717
CWIP	70	182	182	182	182
Goodwill	374	374	374	374	374
Investments	3,961	4,302	4,302	4,302	4,302
LT Loans & Advances & Others	1,867	1,724	1,852	2,088	2,304
Total Non-current Assets	7,970	8,244	8,372	8,634	8,879
Inventories	0	0	0	0	0
Debtors	549	490	507	572	631
Other Current Assets	302	304	329	371	409
Cash & Equivalent	40,281	34,976	30,335	30,516	30,641
Total Current Assets (ex Cash)	850	795	836	943	1,040
Trading margin from members	4,940	4,960	4,636	4,821	5,516
Other Current Liabilities & Provns	10,556	6,664	7,263	7,812	7,791
Total Current Liabilities	15,496	11,623	11,899	12,633	13,306
Net Current Assets	(14,645)	(10,829)	(11,063)	(11,691)	(12,266)
TOTAL APPLICATION OF FUNDS	33,606	32,391	27,644	27,460	27,255

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

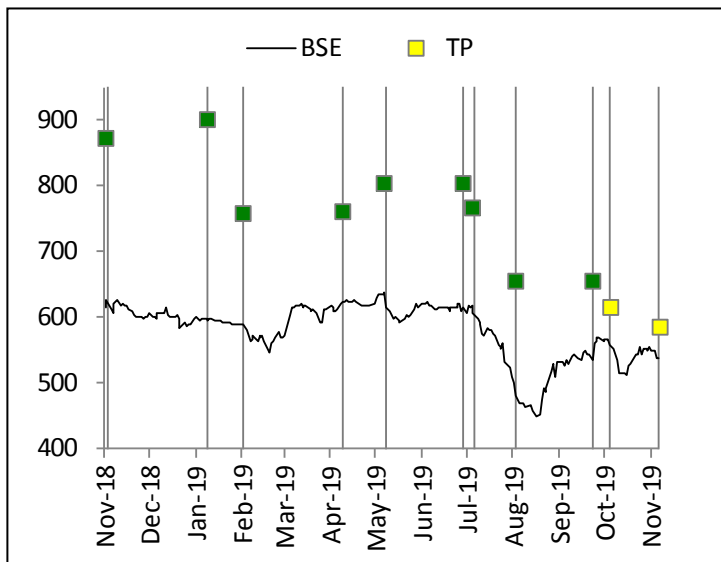
YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	2,729	1,883	1,712	2,070	2,400
Non-operating & EO items	(716)	(1,886)	(2,084)	(1,984)	(2,045)
Interest expenses	10	9	18	19	19
Depreciation	455	511	509	522	576
Working Capital Change	(4,098)	(3,800)	110	407	373
Tax Paid	(1,095)	(234)	(308)	(373)	(432)
OPERATING CASH FLOW (a)	(2,715)	(3,517)	(42)	661	891
Capex	(626)	(475)	(509)	(548)	(605)
<i>Free cash flow (FCF)</i>	<i>(3,341)</i>	<i>(3,992)</i>	<i>(552)</i>	<i>113</i>	<i>286</i>
Investments	(3,282)	(341)	0	0	0
Non-operating Income	1,548	2,246	2,084	1,984	2,045
INVESTING CASH FLOW (b)	(2,360)	1,431	1,575	1,435	1,440
Debt Issuance/(Repaid)	0	0	0	0	0
Interest Expenses	(11)	(9)	(18)	(19)	(19)
<i>FCFE</i>	<i>(3,352)</i>	<i>(4,001)</i>	<i>(570)</i>	<i>94</i>	<i>267</i>
Share Capital Issuance/Buyback	(450)	(3)	(4,600)	0	0
Dividend	(1,839)	(1,844)	(1,554)	(1,897)	(2,187)
FINANCING CASH FLOW (c)	(2,300)	(1,856)	(6,173)	(1,916)	(2,206)
NET CASH FLOW (a+b+c)	(7,375)	(3,942)	(4,640)	181	126
EO Items, Others	3,690	(1,363)	0	0	0
Closing Cash & Equivalents	40,281	34,976	30,335	30,516	30,641

Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY18	FY19	FY20E	FY21E	FY22E
PROFITABILITY (%)					
GPM	76.3	69.1	66.5	68.5	69.7
EBITDA Margin	25.7	6.5	5.2	12.0	16.5
APAT Margin	47.3	46.1	38.1	38.1	39.7
RoE	7.8	7.1	7.2	8.1	9.5
RoIC (or Core RoCE)	15.5	(2.5)	(2.6)	1.0	3.6
RoCE	7.4	6.3	5.9	7.3	8.4
EFFICIENCY					
Tax Rate (%)	20.3%	12.4%	18.0%	18.0%	18.0%
Fixed Asset Turnover (x)	0.9	0.7	0.7	0.7	0.7
<i>Inventory (days)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Debtors (days)</i>	<i>39</i>	<i>40</i>	<i>40</i>	<i>40</i>	<i>40</i>
<i>Other Current Assets (days)</i>	<i>22</i>	<i>25</i>	<i>26</i>	<i>26</i>	<i>26</i>
<i>Payables (days)</i>	<i>355</i>	<i>402</i>	<i>365</i>	<i>337</i>	<i>350</i>
<i>Other Current Liab & Provns (days)</i>	<i>760</i>	<i>540</i>	<i>573</i>	<i>546</i>	<i>494</i>
Cash Conversion Cycle (days)	-1,054	-878	-872	-817	-777
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	-1.3	-1.2	-1.2	-1.3	-1.3
Interest Coverage (x)	82	-25	-15	6	20
PER SHARE DATA (Rs)					
EPS	53.3	46.1	39.1	44.1	50.8
CEPS	63.4	57.5	50.4	55.7	63.6
Dividend	36.0	35.0	29.5	36.0	41.5
Book Value	684.0	651.9	546.4	541.9	537.1
VALUATION					
P/E (x)	10.1	11.6	13.7	12.2	10.6
P/BV (x)	0.78	0.82	0.98	0.99	1.00
EV/EBITDA (x)	(1.5)	(0.6)	20.8	8.7	5.6
OCF/EV (%)	138.6	NM	(0.8)	12.2	16.9
FCF/EV (%)	170.6	NM	(10.9)	2.1	5.4
FCFE/Mkt Cap (%)	(13.9)	(16.5)	(2.4)	0.4	1.1
Dividend Yield (%)	6.7	6.5	5.5	6.7	7.7

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
5-Nov-18	625	BUY	871
8-Jan-19	597	BUY	900
3-Feb-19	588	BUY	758
9-Apr-19	619	BUY	760
8-May-19	637	BUY	802
28-Jun-19	610	BUY	802
5-Jul-19	607	BUY	765
3-Aug-19	481	BUY	655
22-Sep-19	542	BUY	655
4-Oct-19	565	NEU	615
7-Nov-19	537	NEU	585

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

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