

# Motilal Oswal Financial Services

**NEUTRAL**

## Struggle continues

Driven by higher than expected treasury income (Rs 270mn, -20.4% QoQ and capital markets PBT (Rs 653mn, -6.8/+9.6% YoY/QoQ), MOFS (ex-MOHL) reported a PBT of Rs 1.44bn (+7.1% vs. est.). RPAT (ex-MOHL) of Rs 1.54bn was 3.85x/37.2% YoY/QoQ mainly due to tax reversal. We marginally tweak our estimates and retain NEUTRAL with TP of Rs 645.

### HIGHLIGHTS OF THE QUARTER

- AMC (ex. WM):** Revs/EBITDA/PBT was slightly below estimates at Rs 1,619/605/592mn (13.2/-17.1/-18.3% YoY). Net inflows improved to Rs 640mn vs. outflows of Rs 4bn in 1QFY20. Tepid equity markets resulted in PMS/AIF AUM rise only 6.8%/flat YoY and decline of 1.9/7.1% QoQ to Rs 161/26bn. Management clarified that fund performance has improved substantially and that co's share in net inflows remains high.
- Capital Markets (in. WM):** reported Revs/EBITDA/PBT of Rs 3,381/1,116/687mn (+2.1/-1.0/-9.6% YoY). PBT was boosted as a result of higher distribution income of Rs 293mn (-7.9/35.6% YoY/QoQ) and higher interest income of Rs 544mn (12.8/9.9% YoY/QoQ). Despite continued competitive intensity broking market share improved 10bps QoQ to 2.3%; but calculated yields declined 18bps QoQ to 1.61bps.

### FINANCIAL SUMMARY: MOFS (ex-MOHL)

(Rs mn)	2QFY20	2QFY19	YoY(%)	1QFY20	QoQ(%)	FY18	FY19P	FY20E	FY21E	FY22E
Revenue	4,720	3,095	52.5	4,309	9.5	19,837	17,186	17,761	19,037	20,554
EBITDA	1,991	757	163.1	1,643	21.2	7,762	6,131	6,891	7,316	7,828
EBITDA Margin (%)	42.2	24.4	1774bps	38.1	406bps	39.1	35.7	38.8	38.4	38.1
PAT	1,541	400	285.3	1,123	37.2	5,543	4,350	5,335	5,697	6,129
EPS	10.6	2.8	285.3	7.7	37.2	38.3	30.1	36.9	39.4	42.4
P/E (x)						15.1	19.4	15.8	14.8	13.8
ROIC (%)						25.7	15.2	16.8	16.1	15.7

Source: Company, HDFC sec Inst Research estimates

- Treasury PAT** was Rs 450mn (+41.4% QoQ) due to tax adj.
- MOHL:** Loan book declined to Rs 38.5bn as the co sold loans worth Rs 3.45bn (o/s value) to Phoenix ARC for Rs 2.6bn realizing a loss of Rs 0.85bn. GNPA/NNPA declined as a result of the transaction to 2.4/1.8%. Disbursements were low at Rs 0.57bn (-28.8/+72.7%). NII/PBT were in-line at Rs 542mn (-22.6/-6.2% YoY/QoQ) and Rs -175mn (1QFY20: Rs 249mn)

**Near term outlook:** While macros are challenging, cheap valuations will limit downside.

### STANCE

With significant deterioration in macros, we anticipate slowdown in all business verticals. For the AMC business, we are concerned about fund raising, and regulatory clampdown. We remain wary of increased competition in broking. Lastly, despite much of the negatives in MOHL being factored in, the business needs to display scalability. We maintain a NEUTRAL with a TP of 645 i.e. 10/19x Broking/AMC business Sep-21EPS.

**Key Risks:** any sharp turnaround in fund raising and broking market activity, stronger scale up and lower stress in legacy book at MOHL.

INDUSTRY	FINANCIAL SERVICES
<b>CMP (as on 25 Oct 2019)</b>	<b>Rs 601</b>
<b>Target Price</b>	<b>Rs 645</b>

Nifty	11,584
Sensex	39,058

### KEY STOCK DATA

Bloomberg	MOFS IN
No. of Shares (mn)	147
MCap (Rs bn) / (\$ mn)	88/1,245
6m avg traded value (Rs mn)	40

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 856/480		
	3M	6M	12M
Absolute (%)	11.6	(16.7)	6.8
Relative (%)	8.4	(17.6)	(9.2)

### SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	70.1	69.9
FIs & Local MFs	1.6	1.7
FPIs	13.6	13.2
Public & Others	14.6	15.1
Pledged Shares	Nil	Nil

Source : BSE

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**MOFS (ex-MOHL) Results Summary: 2QFY20**

(Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Adj. Revenues	4,720	3,095	52.5	4,297	9.8
Total costs	3,279	2,883	13.7	3,098	5.8
EBITDA	1,991	757	163.1	1,631	22.1
PAT	1,607	470	241.9	1,115	44.1
Less: interco adjustments	(66)	(70)	NM	8	NM
<b>APAT</b>	<b>1,541</b>	<b>400</b>	<b>285.3</b>	<b>1,123</b>	<b>37.2</b>
EPS	10.6	2.8	285.3	7.7	37.2

Source: Company, HDFC sec Inst Research

**PAT Break-up (segment wise)**

Business segment (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Broking	561	478	17.4	392	43.1
Investment banking	10	(16)	NM	(41)	(124.4)
Wealth management	7	59	(88.1)	5	40.0
<b>Total capital market</b>	<b>578</b>	<b>521</b>	<b>10.9</b>	<b>356</b>	<b>62.4</b>
Asset management	478	391	22.3	348	37.4
Private equity	56	79	(29.1)	50	12.0
<b>Total asset management</b>	<b>534</b>	<b>470</b>	<b>13.6</b>	<b>398</b>	<b>34.2</b>
Fund based business	495	(525)	(194.3)	350	41.4
<b>Con. APAT ex. MOHL before interco adj</b>	<b>1,607</b>	<b>466</b>	<b>244.8</b>	<b>1,104</b>	<b>45.6</b>
Less: intercompany adjustments	(66)	(66)	-	19	NM
<b>Con. APAT ex. MOHL</b>	<b>1,541</b>	<b>400</b>	<b>285.3</b>	<b>1,123</b>	<b>37.2</b>
MOHL	(118)	(358)	NM	171	NM
<b>Consolidated APAT</b>	<b>1,423</b>	<b>42</b>	<b>3,288.1</b>	<b>1,294</b>	<b>10.0</b>

Source: Company, HDFC sec Inst Research

*Performance in the AMC businesses was marginally lower than estimates.*

*Broking business performance was better owing to rise in yields of distribution business and higher trading volumes.*

*Major growth driver in earnings was fund based income which came at Rs 495mn against a loss of Rs 525mn in 2QFY19.*

**AUM growth was subdued led by net inflows of only Rs 0.6bn.**

**We believe industry flows are getting more polarized with only select AMCs getting bulk of inflows.**

**Management is confident of improvement in net flows as performance has improved over last 6 months.**

## Segment wise financial highlights

### Asset Management (Includes Private equity)

Particulars (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Revenues	1,619	1,430	13.2	1,683	(3.8)
Total costs	1,014	700	44.9	1,020	(0.6)
EBITDA	605	730	(17.1)	663	(8.7)
PBT	592	725	(18.3)	655	(9.6)
PAT	534	475	12.4	409	30.6

Source: Company, HDFC sec Inst Research

### 5 Quarters at a glance: Asset Management

(Rs bn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ(%)
Total AUM	363	372	388	388	383	5.5	(1.3)
MF AUM	189	191	200	199	199	5.3	-
PMS AUM	148	154	160	161	158	6.8	(1.9)
AIF AUM	26	27	28	28	26	-	(7.1)
Total Net inflows	12.0	8.0	2.0	(4.0)	0.6	(94.7)	NM
Monthly SIP Inflows (Rs bn)	1.7	1.7	1.6	1.4	1.4	(20.5)	(6.2)
SIP market share (%)	2.2	2.1	2.0	1.8	1.6	-59bps	-13bps

Source: Company, HDFC sec Inst Research

**Both broking market share and yields continue to slide downwards.**

**Distribution yields have improved; we suspect this is largely due to booking of upfront commissions on sale of alternate or PMS product.**

**Virendra Somwanshi has joined us as new MD & CEO on the wealth management business.**

**His last stint was with BOB Capital Market as “Head – Wealth Management & Equities”.**

### Capital Markets (Includes Broking, IB, distribution and wealth management)

Particulars (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Revenues	3,381	3,310	2.1	3,002	12.6
Total costs	2,265	2,183	3.8	2,078	9.0
EBITDA	1,116	1,127	(1.0)	924	20.8
PBT	687	760	(9.6)	547	25.6
PAT	578	520	11.2	356	62.4

Source: Company, HDFC sec Inst Research

### 5 Quarters at a glance: Broking

Particulars	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ(%)
Broking revenues (Rs mn)*	2,157	1,883	2,104	2,067	2,182	1.2	5.6
Broking ADTV (Rs bn) (ex prop)	220	141	174	189	222	8.4	9.0
Market share (%) *	3.4	2.1	2.6	2.2	2.3	-110bps	10bps
Blended yield (bps)*	1.6	2.2	2.0	1.8	1.6	0bps	-18bps

#### Distribution

Distribution revs. (Rs mn)*	318.0	251.0	252.0	216.0	293.0	(7.9)	35.6
Distribution AUM (Rs bn)	85.0	89.6	96.0	97.0	99.0	16.5	2.1
Yield (bps)*	151	115	109	90	120	-3184bps	3006bps
Net inflows (Rs bn)	5.8	3.9	2.0	2.0	2.0	(65.5)	-

#### Wealth Management

AUM (Rs bn)	155	164	175	180	181	16.8	0.6
Yield (bps)	82	75	75	62	62	-20bps	0bps

\*Estimated Source: Company, HDFC sec Inst Research

### Treasury (Fund based)

Particulars (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
Revenues	270	(846)	NM	339	(20.4)
PAT	495	(525)	NM	350	41.4

Source: Company, HDFC sec Inst Research

**Loss was primarily due to sale of loans below book value to an ARC.**

**Disbursements continue to remain muted at Rs 0.57bn (-28.8/+72.7% YoY/QoQ)**

**New book continues to see solid asset quality with only 6 out of 4000 cases turning bad.**

## MOHL

Particulars (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)
NII	542	700	(22.6)	578	(6.2)
Other income	23	26	(11.5)	22	4.5
Total income	565	726	(22.2)	600	(5.8)
Expenses	249	259	(3.9)	239	4.2
PPoP	316	467	(32.3)	360	(12.2)
Provisions/write offs	491	1,008	(51.3)	111	342.3
PBT	(175)	(541)	NM	249	NM
PAT	(118)	(371)	NM	170	NM

Source: Company, HDFC sec Inst Research

## 5 Quarters at a glance: MOHL

	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ(%)
Loan Book (Rs Bn)	46.0	44.0	43.6	43.0	38.5	(16.3)	(10.5)
Disbursement (Rs Bn)	0.8	0.6	0.8	0.3	0.6	(28.8)	72.7
GNPL (%)	7.0	8.7	9.3	10.4	2.4	-460bps	-800bps
NNPL (%)	5.6	7.0	7.2	7.8	1.8	-380bps	-600bps
Provision Coverage Ratio (%)	46.0	40.0	43.0	42.0	62.0	1600bps	2000bps

Source: Company, HDFC sec Inst Research

*SIP book size has declined for MOAMC, however Industry SIP inflows have improved leading to decline in market share.*

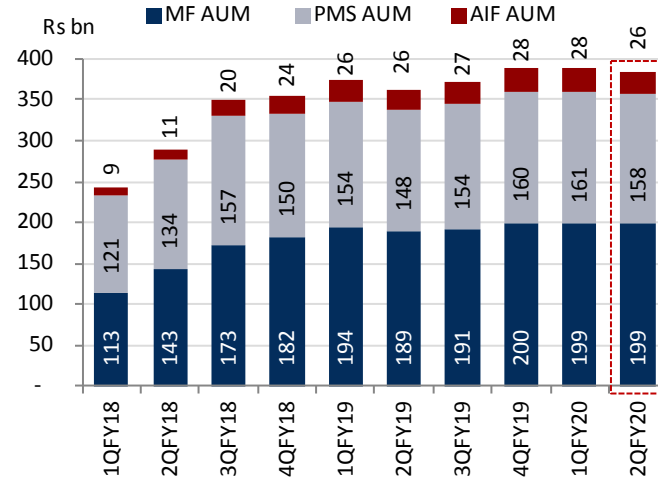
*The company reported marginal (+10bps QoQ) improvement in ADTV market share.*

*Cash/F&O mix at 8/92% as against 3/97% of the industry has helped in arresting broking yield decline.*

*Calculated broking yields declined 0.18bps QoQ to Rs 1.61bps.*

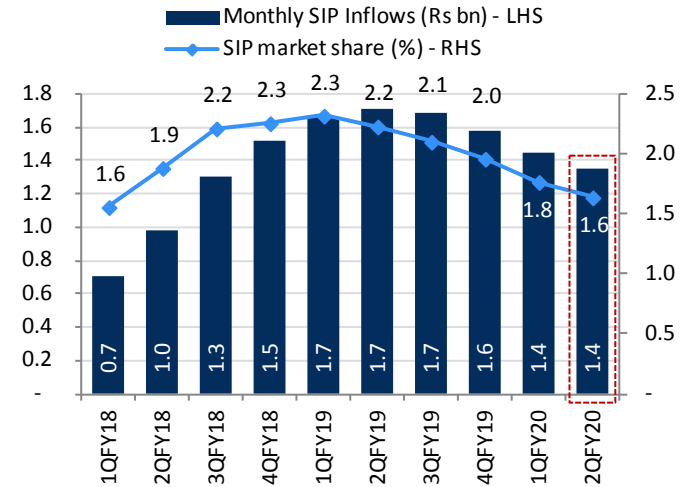
*Yields continue to remain much higher than that of ISEC (2QFY20: 0.49bps)*

**MF/PMS/AIF AUMs grew 5.3/6.8/0% YoY**



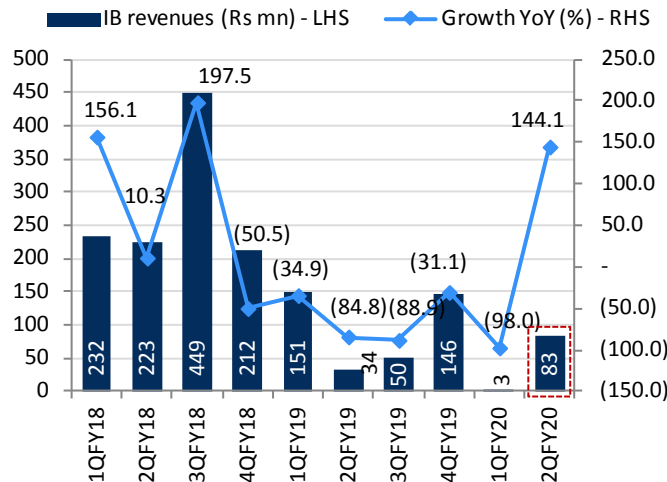
Source: Company, HDFC sec Inst Research

**Falling SIP market share**



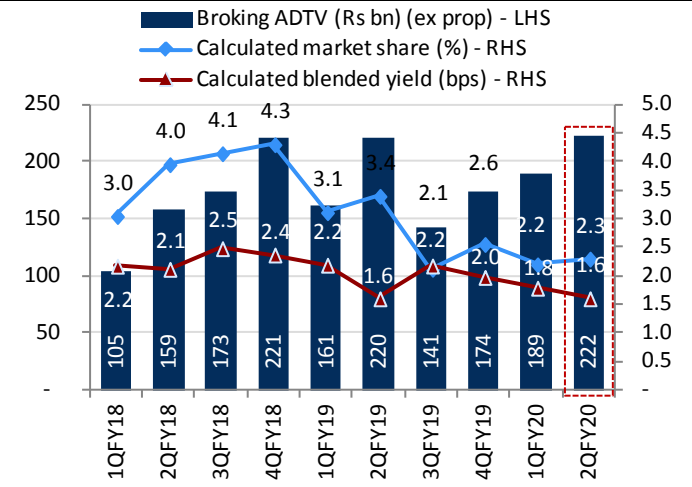
Source: Company, HDFC sec Inst Research

**IB revenues saw a uptick**



Source: Company, HDFC sec Inst Research

**Broking: Yield decline continues**

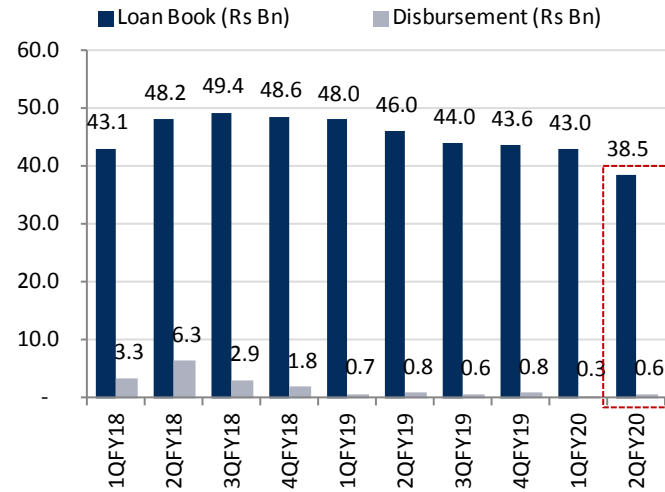


Source: Company, HDFC sec Inst Research

*We remain circumspect of scaling up of housing finance company given target ticket size and current macro environment.*

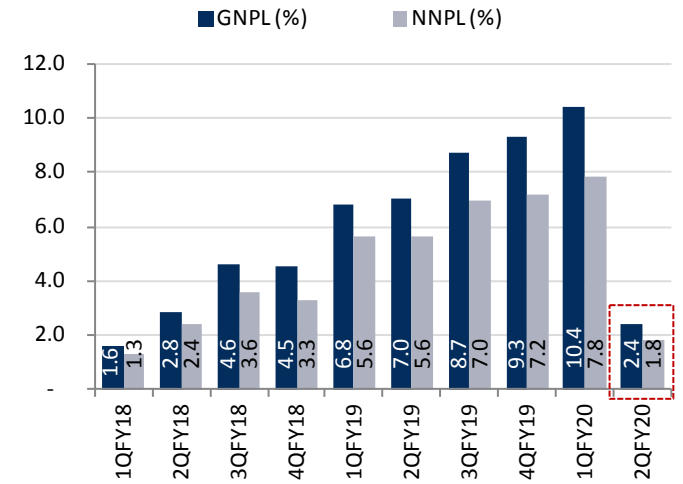
*Management reiterated that the new book has witnessed almost no NPAs.*

**MOHL: Disbursements remain muted**



Source: Company, HDFC sec Inst Research

**MOHL: NNPL declined to 1.8% post sale to ARC**



Source: Company, HDFC sec Inst Research

## Valuation

### Base Case: Sum of the parts valuation

Business segments	Metric	FY20E	FY21E	FY22E	Multiple (x)	Valuation (Rs mn)			Valuation (Rs/share)		
						FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Broking and distribution	PAT	2,073	2,022	2,081	10.0	20,725	20,219	20,806	143	139	143
AMC (Public and private)	PAT	2,122	2,371	2,594	19.0	40,311	45,053	49,288	278	311	340
Investments/Treasury	MTM value	23,928	27,072	30,403	0.8	19,142	21,658	24,322	132	149	168
Housing finance	ABV	6,054	7,204	8,662	0.7	4,238	5,043	6,064	29	35	42
<b>Total</b>						<b>84,417</b>	<b>91,973</b>	<b>100,481</b>	<b>582</b>	<b>634</b>	<b>693</b>
Less: intersegment		-207	-182	-187	14.5	-3,005	-2,639	-2,715	(21)	(18)	(19)
<b>Total</b>						<b>81,411</b>	<b>89,334</b>	<b>97,766</b>	<b>561</b>	<b>616</b>	<b>674</b>

Source: Company, HDFC sec Inst Research

*Unless AMC inflows improve materially, multiple re-rating will be difficult.*



*We believe yields for distribution businesses will bottom out as all regulatory changes have been implemented.*

*We expect broking yields to continue sliding downwards as pricing pressure continues.*

## Assumptions

### Financial summary: Broking, IB and distribution (Includes wealth management)

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
<b>Total revenue</b>	12,218	11,786	11,698	12,060	12,764
EBITDA	3,899	3,144	3,239	3,180	3,269
PAT	2,581	1,874	2,073	2,022	2,081
<b>Broking revenues</b>	<b>8,030</b>	<b>8,354</b>	<b>8,154</b>	<b>8,101</b>	<b>8,081</b>
Growth (%)	57.4	4.0	(2.4)	(0.6)	(0.3)
Broking yields (bps) calculated	2.4	1.9	1.6	1.4	1.4
Broking ADTV (Rs bn)	137	174	212	229	241
Growth (%)	60.4	27.2	22.0	8.0	5.0
<b>Distribution revenues</b>	<b>1,430</b>	<b>1,000</b>	<b>991</b>	<b>1,139</b>	<b>1,331</b>
Growth (%)	47.4	(30.1)	(0.9)	15.0	16.8
Distribution AUM (Rs bn)	75	96	104	119	134
Growth (%)	71.4	27.5	8.0	15.0	12.0
Yield (%)	2.4	1.2	1.0	1.0	1.1
<b>Spread income</b>	<b>612</b>	<b>939</b>	<b>1,155</b>	<b>1,124</b>	<b>1,290</b>
Growth (%)	10.1	53.5	23.1	(2.7)	14.8
Spreads on funding (%)	7.3	2.3	3.5	3.8	4.0
<b>Interest income</b>					
-T+5+LAS+MTF book	1,500	1,396	1,600	1,478	1,618
-Liened investments	40	560	689	656	751
Book Size (T+5+LAS+MTF)	<b>11,500</b>	<b>14,910</b>	<b>11,759</b>	<b>12,880</b>	<b>14,079</b>
Liened investments	9,019	9,660	10,320	11,825	13,533
Yield (%)	4.3	4.2	5.0	4.8	4.9
<b>Wealth Management</b>					
<b>Revenue</b>	<b>992</b>	<b>1,088</b>	<b>1,064</b>	<b>1,341</b>	<b>1,684</b>
Growth (%)	37.6	9.7	(2.2)	26.0	25.6
Wealth AUM (Rs bn)	147	175	208	250	298
Growth (%)	45.7	18.9	19.0	20.0	19.1
Net Sales (Rs bn)	27	24	19	21	23
Yield (%)	0.80	0.68	0.56	0.59	0.62
<b>Investment banking</b>					
<b>Revenue</b>	<b>1,135</b>	<b>381</b>	<b>305</b>	<b>320</b>	<b>336</b>
Growth (%)	30.1	(66.4)	(20.0)	5.0	5.0
Other revenues	20	24	29	35	41

Source: Company, HDFC sec Inst Research

*Given current environment, we believe AUM growth for the near future will remain challenged. We have moderated our AUM growth assumptions.*

*~50% of AUM comprises alternative assets. This has also contributed to higher yields.*

### Financial summary: Asset management & Private equity

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
Total revenue	6,498	6,890	7,108	8,051	8,907
EBITDA	2,420	2,782	2,885	3,223	3,525
PAT	1,650	1,799	2,122	2,371	2,594
<b>1) Asset management (public equities)</b>					
<b>Revenue</b>	<b>5,175</b>	<b>5,786</b>	<b>5,989</b>	<b>6,631</b>	<b>7,599</b>
Growth (%)	52.0	11.8	3.5	10.7	14.6
<b>AUM (Rs bn)</b>					
Mutual fund	182	200	217	248	286
PMS	150	160	175	200	233
AIF	24	28	29	30	32
<b>AUM growth (%)</b>					
MF	95.5	10.1	8.3	14.3	15.5
PMS	42.8	7.0	9.1	14.5	16.6
AIF	347.8	15.8	1.9	3.6	8.1
<b>As % of AAUM (bps)</b>					
Revenues	<b>185</b>	<b>156</b>	<b>148</b>	<b>148</b>	<b>148</b>
Staff expenses	19	15	16	16	15
Brokerage expenses	92	66	61	62	62
Admin and other opex	14	12	12	12	12
Total exp	<b>125</b>	<b>93</b>	<b>89</b>	<b>89</b>	<b>89</b>
EBITDA	61	62	59	59	59
EBIT	60	62	59	59	59
NOPLAT	<b>39</b>	<b>40</b>	<b>44</b>	<b>43</b>	<b>44</b>
PBT	60	62	59	59	59
PAT	<b>39</b>	<b>40</b>	<b>44</b>	<b>43</b>	<b>44</b>
<b>2) Private equity &amp; Real estate funds</b>					
<b>Revenue</b>	<b>1,323</b>	<b>1,104</b>	<b>1,119</b>	<b>1,420</b>	<b>1,308</b>
Growth (%)	10.9	(16.5)	1.4	26.8	(7.8)
Fee income	549	1,016	1,019	1,070	1,108
% of AuM	1.8	1.8	1.6	1.6	1.6
Carry income	1,107	88	100	350	200
AUM (Rs bn)	47	64	68	71	73
Growth (%)	52.7	36.3	5.5	4.4	2.8

Source: Company, HDFC sec Inst Research Note: Post 22<sup>nd</sup> October circular, the company reports MF revenues net of distributor commissions. We have restated FY18 MF revenues to net of distributor commissions. Thus FY18 revenues and cost are not directly comparable.

**Treasury (Fund based)**

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
Revenue	2,270	591	1,378	1,522	1,685
EBITDA	2,048	613	1,358	1,502	1,664
PAT	1,584	612	1,262	1,395	1,547
AUM (Rs bn)	19.8	25.5	23.9	27.1	30.4
Yield (%)	14.4	2.6	5.6	6.0	5.9

Source: Company, HDFC sec Inst Research

**Income statement (ex-MOHL)**

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
<b>Net Revenues</b>	<b>19,837</b>	<b>17,186</b>	<b>17,761</b>	<b>19,037</b>	<b>20,554</b>
<b>Growth (%)</b>	<b>58.0</b>	<b>(13.4)</b>	<b>3.3</b>	<b>7.2</b>	<b>8.0</b>
Employee Benefits Expenses	4,129	4,380	5,169	6,203	7,443
Operating Expenses	7,945	6,675	5,701	5,518	5,283
<b>EBITDA</b>	<b>7,762</b>	<b>6,131</b>	<b>6,891</b>	<b>7,316</b>	<b>7,828</b>
<b>EBITDA Margin (%)</b>	<b>39.1</b>	<b>35.7</b>	<b>38.8</b>	<b>38.4</b>	<b>38.1</b>
<b>EBIDTA Growth (%)</b>	<b>79.5</b>	<b>(21.0)</b>	<b>12.4</b>	<b>6.2</b>	<b>7.0</b>
Depreciation	311	176	211	253	303
<b>EBIT</b>	<b>7,452</b>	<b>5,956</b>	<b>6,680</b>	<b>7,063</b>	<b>7,525</b>
Other Income (includes treasury )	(271)	-	-	-	-
Interest & Financial Charges	-	-	-	-	-
<b>PBT</b>	<b>7,180</b>	<b>5,956</b>	<b>6,680</b>	<b>7,063</b>	<b>7,525</b>
Tax	1,872	1,687	1,432	1,456	1,490
<b>RPAT</b>	<b>5,308</b>	<b>4,268</b>	<b>5,249</b>	<b>5,607</b>	<b>6,034</b>
<b>APAT</b>	<b>5,543</b>	<b>4,350</b>	<b>5,335</b>	<b>5,697</b>	<b>6,129</b>
<b>APAT Growth (%)</b>	<b>85.7</b>	<b>(21.5)</b>	<b>22.6</b>	<b>6.8</b>	<b>7.6</b>
<b>AEPS</b>	<b>37.7</b>	<b>29.3</b>	<b>36.0</b>	<b>38.4</b>	<b>41.3</b>
<b>EPS Growth (%)</b>	<b>83.4</b>	<b>(22.2)</b>	<b>22.6</b>	<b>6.8</b>	<b>7.6</b>

Source: Company, HDFC sec Inst Research

**Balance sheet (ex-MOHL)**

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	145	145	145	145	145
Reserves	26,323	29,409	32,874	36,470	40,311
Minority Interest	354	351	349	347	344
<b>Total Shareholders Funds</b>	<b>26,822</b>	<b>29,905</b>	<b>33,369</b>	<b>36,962</b>	<b>40,800</b>
Long-term Debt	2,000	2,000	2,000	2,000	2,000
Short-term Debt	12,283	13,000	11,000	12,000	13,000
<b>Total Debt</b>	<b>14,282</b>	<b>15,000</b>	<b>13,000</b>	<b>14,000</b>	<b>15,000</b>
Other Financial Liabilities & Provisions	1,749	1,554	1,606	1,721	1,858
Other Non Current Liabilities	17	17	18	19	19
Net Deferred Tax Liability	1,434	1,465	1,496	1,528	1,560
<b>TOTAL SOURCES OF FUNDS</b>	<b>44,304</b>	<b>47,941</b>	<b>49,488</b>	<b>54,230</b>	<b>59,238</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>2,864</b>	<b>2,860</b>	<b>2,827</b>	<b>2,765</b>	<b>2,667</b>
<b>Non current Investments</b>	<b>29,827</b>	<b>31,615</b>	<b>33,520</b>	<b>36,300</b>	<b>39,372</b>
Loans & Deposits	1,342	1,413	1,460	1,565	1,689
Other Non Current Assets	185	185	185	185	185
<b>Total Non-current Assets</b>	<b>34,218</b>	<b>36,073</b>	<b>37,992</b>	<b>40,815</b>	<b>43,914</b>
Current Investments	3,466	3,466	3,674	4,225	4,859
Debtors	10,358	7,063	7,299	7,823	8,447
Inventories	3	3	3	3	3
Cash & Equivalents	3,619	6,289	4,468	5,753	6,978
Loans & Advances	8,772	9,078	9,385	9,902	10,467
Other Current Assets	120	94	49	52	56
<b>Total Current Assets</b>	<b>26,338</b>	<b>25,993</b>	<b>24,877</b>	<b>27,758</b>	<b>30,809</b>
Creditors	13,185	11,771	11,192	11,996	12,952
Other Current Liabilities	3,067	2,354	2,190	2,347	2,534
<b>Total Current Liabilities</b>	<b>16,252</b>	<b>14,125</b>	<b>13,382</b>	<b>14,343</b>	<b>15,486</b>
<b>Net Current Assets</b>	<b>10,086</b>	<b>11,868</b>	<b>11,496</b>	<b>13,415</b>	<b>15,324</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>44,304</b>	<b>47,941</b>	<b>49,488</b>	<b>54,230</b>	<b>59,238</b>

Source: Company, HDFC sec Inst Research

**Cash Flow (ex-MOHL)**

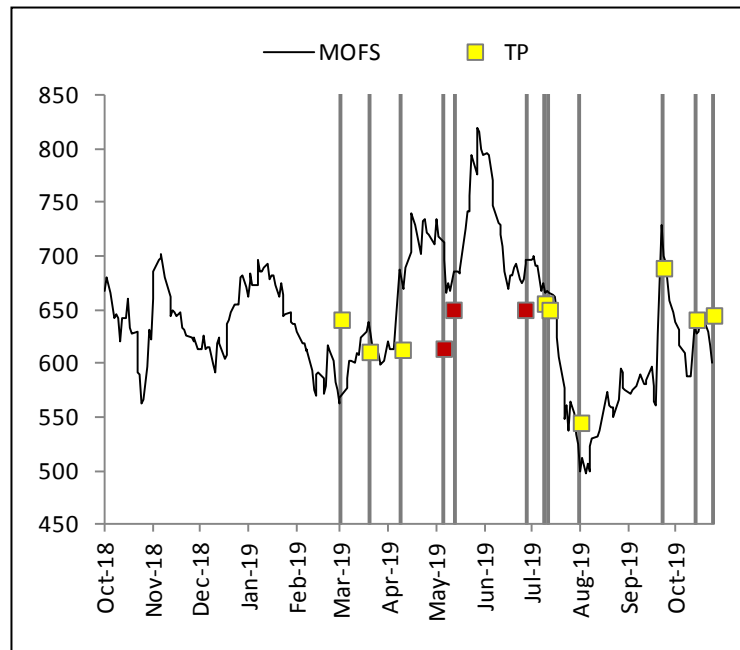
(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
<b>Reported PBT</b>	<b>7,508</b>	<b>5,956</b>	<b>6,680</b>	<b>7,063</b>	<b>7,525</b>
Non-operating & EO Items	(1,002)	-	-	-	-
Interest Expenses	-	-	-	-	-
Depreciation	311	176	211	253	303
Working Capital Change	4,628	1,371	(3,204)	959	996
Tax Paid	(1,872)	(1,687)	(1,432)	(1,456)	(1,490)
<b>OPERATING CASH FLOW ( a )</b>	<b>9,571</b>	<b>5,815</b>	<b>2,255</b>	<b>6,819</b>	<b>7,334</b>
Net Capex	(384)	(172)	(178)	(190)	(206)
(Purchase)/sale of net operating financial assets	(7,067)	(1,708)	(2,029)	(3,243)	(3,614)
<i>Free Cash Flow (FCF)</i>	<i>2,120</i>	<i>3,935</i>	<i>48</i>	<i>3,385</i>	<i>3,514</i>
Investments	-	-	-	-	-
Non-operating Income					
<b>INVESTING CASH FLOW ( b )</b>	<b>(7,451)</b>	<b>(1,880)</b>	<b>(2,207)</b>	<b>(3,433)</b>	<b>(3,820)</b>
Debt Issuance/(Repaid)	(500)	-	-	-	-
Interest Expenses	-	-	-	-	-
<i>FCFE</i>	<i>1,620</i>	<i>3,935</i>	<i>48</i>	<i>3,385</i>	<i>3,514</i>
Proceeds From Issue of Share Capital	208	-	-	-	-
Dividend	(1,190)	(1,062)	(2,088)	(2,347)	(2,564)
Others	-	(203)	219	245	275
<b>FINANCING CASH FLOW ( c )</b>	<b>(1,483)</b>	<b>(1,265)</b>	<b>(1,869)</b>	<b>(2,101)</b>	<b>(2,289)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>637</b>	<b>2,670</b>	<b>(1,821)</b>	<b>1,284</b>	<b>1,226</b>
Opening Cash & Equivalents	2,981	3,619	6,289	4,468	5,753
<b>Closing Cash &amp; Equivalents</b>	<b>3,619</b>	<b>6,289</b>	<b>4,468</b>	<b>5,753</b>	<b>6,978</b>

Source: Company, HDFC sec Inst Research

**Key Ratios (ex-MOHL)**

	FY18	FY19P	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>					
EBITDA Margin	39.1	35.7	38.8	38.4	38.1
EBIT Margin	37.6	34.7	37.6	37.1	36.6
APAT Margin	27.9	25.3	30.0	29.9	29.8
RoE	25.9	15.5	17.1	16.4	15.9
Core RoCE	25.9	15.5	17.1	16.4	15.9
RoCE	25.7	15.2	16.8	16.1	15.7
<b>EFFICIENCY</b>					
Tax Rate (%)	26.1	28.3	21.4	20.6	19.8
Asset Turnover (x)	6.9	6.0	6.3	6.9	7.7
<i>Inventory (days)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Debtors (days)</i>	<i>191</i>	<i>150</i>	<i>150</i>	<i>150</i>	<i>150</i>
<i>Other Current Assets (days)</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Payables (days)</i>	<i>243</i>	<i>250</i>	<i>230</i>	<i>230</i>	<i>230</i>
<i>Other Current Liab &amp; Prov (days)</i>	<i>56</i>	<i>50</i>	<i>45</i>	<i>45</i>	<i>45</i>
Working Capital (days)	(106)	(148)	(124)	(124)	(124)
Debt/EBITDA (x)	1.84	2.45	1.89	1.91	1.92
Net D/E	0.4	0.3	0.3	0.2	0.2
Interest Coverage					
<b>PER SHARE DATA</b>					
AEPS (Rs/sh)	37.7	29.3	36.0	38.4	41.3
CEPS (Rs/sh)	40.4	31.3	38.3	41.1	44.4
DPS (Rs/sh)	8.5	6.1	12.0	13.5	14.7
BV (Rs/sh)	184.9	206.1	230.0	254.8	281.2
<b>VALUATION</b>					
P/E	15.1	19.4	15.8	14.8	13.8
P/BV	3.2	2.9	2.6	2.3	2.1
EV/EBITDA	13.5	12.0	11.3	10.6	0.0
OCF/EV (%)	11.6	7.0	2.7	8.3	8.9
FCF/EV (%)	2.6	4.8	0.1	4.1	4.3
FCFE/MCAP (%)	2.0	4.8	0.1	4.1	4.3
Dividend Yield (%)	1.4	1.0	2.0	2.2	2.5

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
1-Mar-19	568	NEU	641
19-Mar-19	640	NEU	611
9-Apr-19	688	NEU	613
6-May-19	713	SELL	613
13-May-19	685	SELL	650
14-May-19	686	SELL	650
28-Jun-19	692	NEU	650
9-Jul-19	639	NEU	656
13-Jul-19	663	NEU	650
2-Aug-19	499	NEU	545
22-Sep-19	627	NEU	689
14-Oct-19	587	NEU	641
25-Oct-19	601	NEU	645

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

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