

## Investing for the future

We maintain BUY on BSE based on in-line revenue and better margins. Increasing revenue contribution from StAR MF platform and rise in listing fee (exclusively listed) are positives. Buyback of Rs 4.6bn will be completed and tax applicable is only Rs 0.12bn (~3%). We arrive at a SoTP of Rs 655 at 25x core FY21E PAT plus Rs 134/share for stake in CDSL plus net-cash (ex-buyback and with 20% discount).

### HIGHLIGHTS OF THE QUARTER

- Revenue is down 3.1% QoQ to Rs 1.12bn (vs. est. of Rs 1.15) led by 7.7% fall in services to corporate offset by 21.3% QoQ rise in transaction revenue.
- StAR MF revenue stood at Rs 119mn (+43.4% QoQ) led by price hike (+25%, Rs 9.8/transaction) and higher volumes (+14.1% QoQ). BSE's investment in StAR MF platform is yielding results. There is pricing power and it operates at a higher margin (~50%).
- BSE is struggling to maintain its equity cash market share, down 114/248 bps QoQ/YoY to 7.4%. However, interoperability of clearing corporations (effective July-19) might help in gaining some share (still a hope).
- EBITDA margin improved to 4.9% (est. 1.2%) vs. 2.1% last quarter, led by growth in higher-margin StAR MF. Investments in new initiatives and a drop in revenue led to steep fall in margins YoY (1060bps).

### Financial Summary

YE March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues	1,121	1,148	(2.3)	1,157	(3.1)	3,937	5,072	4,503	5,003	5,596
EBITDA	55	178	(69.2)	24	126.4	359	1,302	291	573	884
APAT	451	543	(17.0)	557	(19.1)	2,197	2,399	2,077	1,956	2,237
Diluted EPS (Rs)	10.0	12.1	(17.0)	12.4	(19.1)	48.8	53.3	46.1	43.4	49.7
P/E (x)						9.9	9.0	10.4	11.1	9.7
EV / EBITDA (x)						-23.9	-3.4	-9.3	3.9	2.9
RoE (%)						8.3	7.8	7.1	7.9	9.2

Source: Company, HDFC sec Inst Research # Consolidated

- BSE has taken ~20% hike in annual listing fees for exclusively listed companies which will boost the annuity revenue stream (~40% of rev).
- INX is currently in investment mode (burning ~Rs 0.32bn annually). INX ADTV stood at USD 1.9bn (+9% QoQ) and number of daily trades was 44K (+79% QoQ). Revenue from INX will start contributing from FY21E.
- Near-term outlook:** Transaction revenue will grow fueled by StAR MF. EBITDA margin will recover gradually with growth and cost control.

### STANCE: Traditional channel under stress, value emerging

BSE has been investing in future growth drivers like INX, Insurance distribution, SME and StAR MF. Out of these only StAR MF has started generating revenue while the rest would need more time. Incremental revenue from StAR MF, volume revival and higher listing fee should lead to revenue growth of 11.1/11.8% in FY20/21E. We expect some operating leverage to play out with growth (EBITDA margin of 11.4/15.8% for FY20/21E).

The stock is down 23% in the last 3M due to stress in the tradition revenue stream, continued investments despite slowdown and buyback tax. Value is emerging with net cash of Rs 20bn (~80% of MCap) and a dividend yield of ~7%. Risks include a rise in competition, loss of market share and an increase in investments.

INDUSTRY	EXCHANGES
<b>CMP (as on 2 Aug 2019)</b>	<b>Rs 481</b>
<b>Target Price</b>	<b>Rs 655</b>
Nifty	10,997
Sensex	37,118
<b>KEY STOCK DATA</b>	
Bloomberg	BSE IN
No. of Shares (mn)	52
MCap (Rs bn) / (\$ mn)	25/358
6m avg traded value (Rs mn)	68
<b>STOCK PERFORMANCE (%)</b>	
<b>52 Week high / low</b>	<b>Rs 826/475</b>
	3M 6M 12M
Absolute (%)	(23.6) (18.2) (40.1)
Relative (%)	(18.8) (20.0) (40.0)
<b>SHAREHOLDING PATTERN (%)</b>	
	Mar-19 June-19
Promoters	0.00 0.00
FIs & Local MFs	10.29 9.90
FPIs	19.07 19.56
Public & Others	70.64 70.54
Pledged Shares	0.00 0.00

Source : BSE

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Revenue was down 3.1/2.1% QoQ/YoY to Rs 1.12bn led by fall in services to corporate revenue (-7.7% QoQ) and higher security services (+2.2% QoQ)

EBITDA margin stood at 4.9% +279bps QoQ due to fall in other operating expenses (provisions of Rs 0.2mn vs. Rs 25mn last quarter)

Employee cost was up 11.4% YoY led by investments in new initiatives, growth in total cost will be 5-6% YoY

Total exposure to IL&FS group is Rs 0.17bn out of which provisions of Rs 0.12bn have been provided

APAT for the quarter stood at Rs 0.45bn down 19.1% QoQ led by lower other income (-16.5% QoQ) and associate profit (CDSL -19.7% QoQ)

Other income for 4QFY19 includes Rs 66mn tax refunds, adjusted other income is down only 6% QoQ

### Quarterly Consolidated Financials Snapshot

YE March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
<b>Total Revenue</b>	<b>1,121</b>	<b>1,148</b>	<b>(2.3)</b>	<b>1,157</b>	<b>(3.1)</b>
Employee Cost	376	337	11.4	355	5.9
Technology Expenses	300	281	6.8	277	8.0
Other Operating Expenses	391	352	11.0	500	(21.8)
<b>EBITDA</b>	<b>55</b>	<b>178</b>	<b>(69.2)</b>	<b>24</b>	<b>126.4</b>
Depreciation	120	115	4.0	147	(18.6)
<b>EBIT</b>	<b>-65</b>	<b>63</b>	<b>(203.3)</b>	<b>-123</b>	<b>(47.2)</b>
Interest Cost	5	2	166.7	2	152.6
Other Income	501	466	7.4	600	(16.5)
<b>PBT</b>	<b>431</b>	<b>527</b>	<b>(18.2)</b>	<b>475</b>	<b>(9.3)</b>
Tax	88	70	25.8	44	99.5
Share of Profit Loss from JV & Associates	70	58	20.8	87	(19.7)
Minority Interest	0	0	NM	0	NA
<b>RPAT</b>	<b>413</b>	<b>515</b>	<b>(19.8)</b>	<b>519</b>	<b>(20.3)</b>
E/o gains (adj for tax)	38	28	NM	39	(3.4)
<b>APAT</b>	<b>451</b>	<b>543</b>	<b>(17.0)</b>	<b>557</b>	<b>(19.1)</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)
Employee Cost % of Net Rev	33.5	29.4	413	30.7	284
Technology Expenses % of Net Rev	26.7	24.4	228	24.0	275
Other Operating Exp % of Net Rev	34.9	30.7	419	43.3	(838)
EBITDA Margin (%)	4.9	15.5	(1060)	2.1	279
EBIT Margin (%)	(5.8)	5.5	(1124)	(10.6)	484
Tax Rate (%)	20.5	13.3	715	9.3	1116
APAT Margin (%)	40.2	47.3	(713)	48.2	(799)

Source: Company, HDFC sec Inst Research

**Transaction charges were up 21.3% QoQ boosted by StAR MF (+43.4% QoQ)**

**Interoperability of clearing corporation will help BSE gain some market share in the cash segment**

**Listing revenue was down due to compulsory de-listing of companies**

**Cash market share is in single digit for the last five quarters**

**Total cash ADTV was up 2.9% QoQ to Rs 364.22bn while BSE ADTV was down 13.8% QoQ to Rs 26.83bn (lowest in the last four years)**

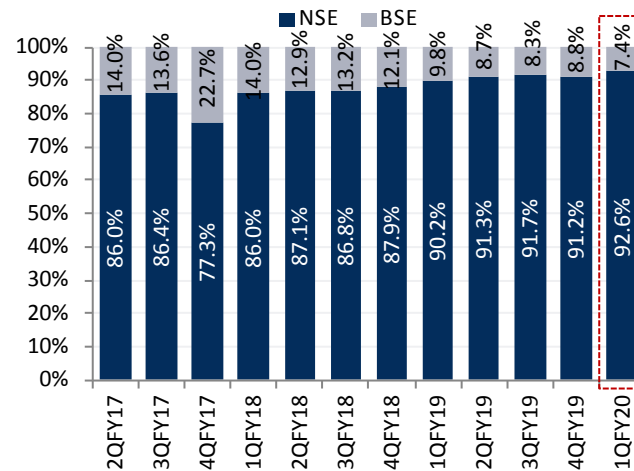
**NSE ADTV was also up 4.5% QoQ to Rs 337.39bn**

### Segmental Revenue Analysis

Rs mn	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY19	FY18	YoY (%)
Transaction Charges	348	274	27.0	287	21.3	1,139	1,581	(28.0)
Treasury Income	74	89	(16.9)	72	2.8	307	408	(24.8)
Other Income	45	82	(45.1)	98	(54.1)	269	311	(13.5)
<b>Total Security Services (A)</b>	<b>467</b>	<b>445</b>	<b>4.9</b>	<b>457</b>	<b>2.2</b>	<b>1,715</b>	<b>2,300</b>	<b>(25.4)</b>
Annual listing	438	512	(14.5)	443	(1.1)	1,881	1,776	5.9
Book building	43	32	34.4	48	(10.4)	149	331	(55.0)
Other Services	11	17	(35.3)	42	(73.7)	102	100	2.0
<b>Total Services to corporate (B)</b>	<b>492</b>	<b>561</b>	<b>(12.3)</b>	<b>533</b>	<b>(7.7)</b>	<b>2,132</b>	<b>2,207</b>	<b>(3.4)</b>
Data Feed +Others (C)	162	142	14.5	167	(2.8)	656	565	16.1
<b>Total Revenue (A+B+C)</b>	<b>1,121</b>	<b>1,148</b>	<b>(2.3)</b>	<b>1,157</b>	<b>(3.1)</b>	<b>4,503</b>	<b>5,072</b>	<b>(11.2)</b>

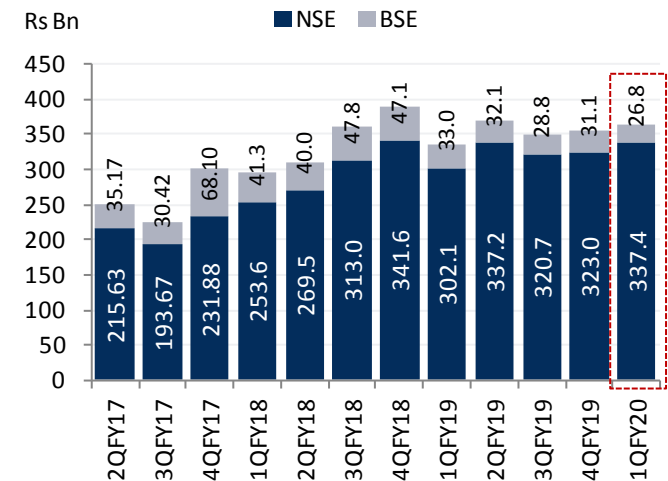
Source: Company, HDFC sec Inst Research

### 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

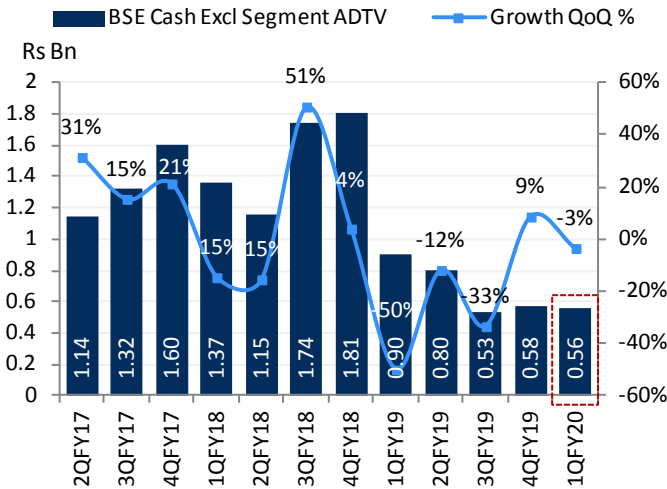
**Exclusive listed stock volume was down 3% QoQ but fall in non-exclusive was more steep (-14% QoQ)**

**BSE has been able to grab currency market share, gained 566bps in the quarter to touch 47.8%**

**Revenue from currency stood at Rs 16mn down 11.1% QoQ despite higher volume**

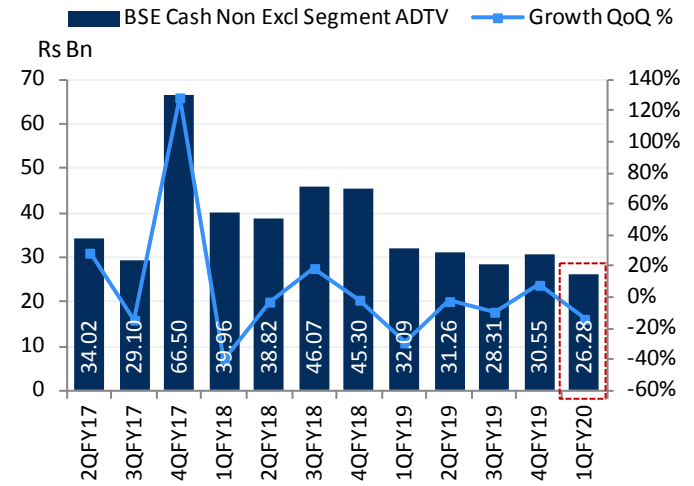
**Total currency ADTV was up 1.1% QoQ while BSE ADTV was up 14.7% QoQ**

**Exclusive Segment Volume: Stable For Three Quarters**



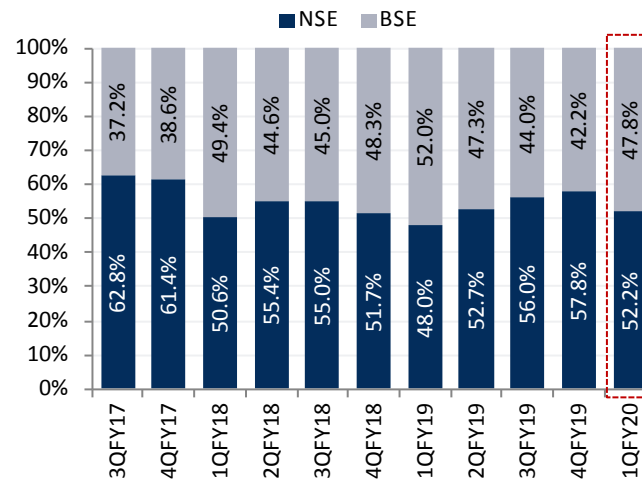
Source: BSE, HDFC sec Inst Research

**Non-Exclusive Segment Volume: On Downward Trend**



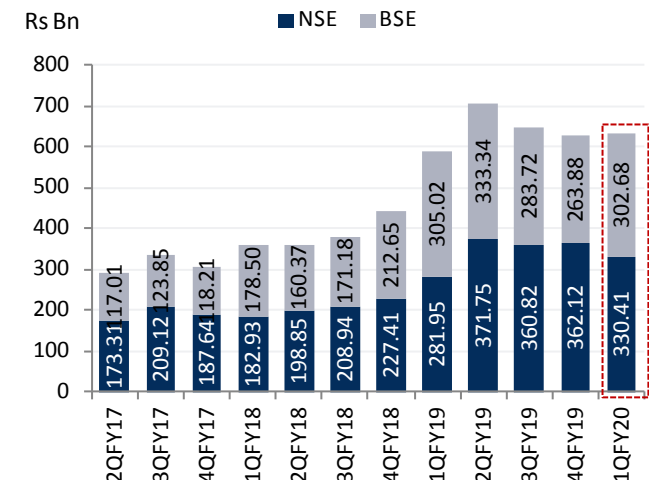
Source: BSE, HDFC sec Inst Research

**Currency Derivatives: BSE Gained Share**



Source: NSE, BSE, HDFC sec Inst Research

**Currency Derivatives ADTV: BSE On Strong Footing**



Source: NSE, BSE, HDFC sec Inst Research

**INX volume is picking up significantly; ADTV for 1Q stood at USD 1.9bn +9% QoQ led by liquidity enhancement scheme (LES). BSE is spending Rs 38mn as LES**

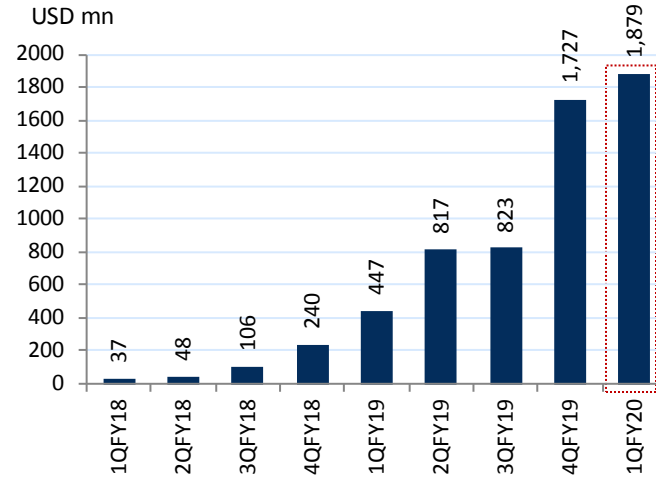
**Total no of trades stood at 43,476 trades/day +79% QoQ**

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

**StAR MF has contributed Rs 119mn in the quarter at Rs 9.8/order**

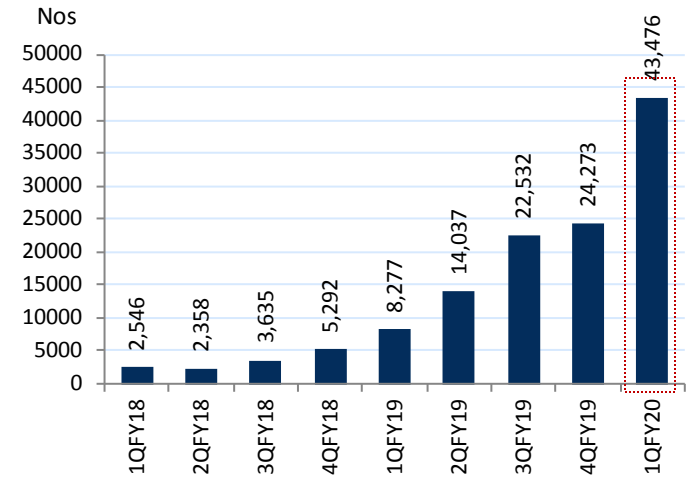
**Assuming the current run-rate the total revenue for FY20E will be Rs 554mn (~11% of revenue)**

**INX ADTV: Strong Growth, Early Days**



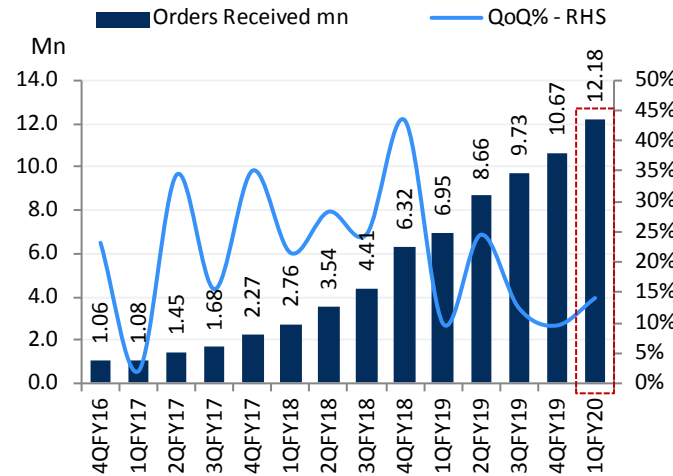
Source: BSE, HDFC sec Inst Research

**INX: Daily Trades: Picking Up**



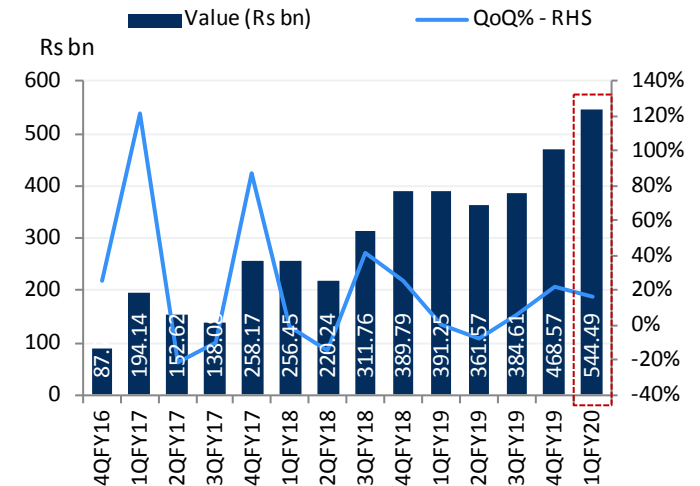
Source: BSE, HDFC sec Inst Research

**StAR MF Orders: Growing Steadily**



Source: BSE, HDFC sec Inst Research

**Star MF Value Of Trades: On The Rise**

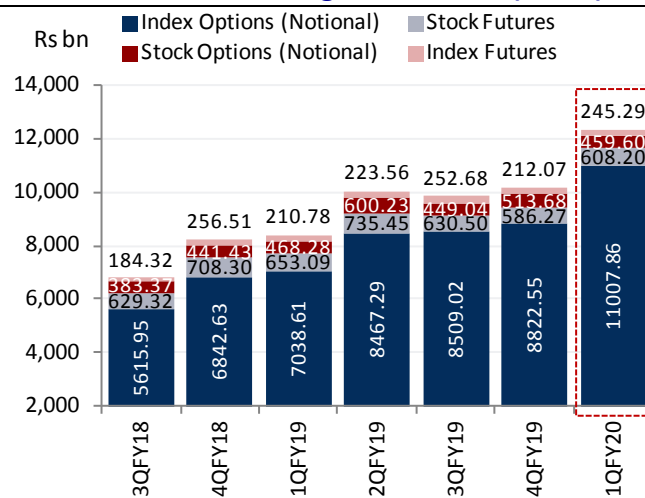


Source: BSE, HDFC sec Inst Research

**NSE is a definite market leader in the Cash and Derivative segments**

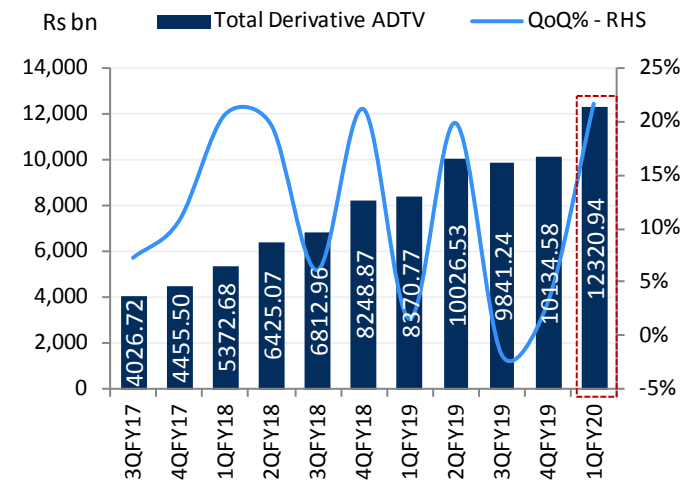
**NSE's total derivative turnover was up by 22% QoQ and 47% YoY in 1QFY20 to Rs 12,320.94bn**

### 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
<b>FY20E</b>			
Revenue (Rs mn)	5,028	5,003	(0.5)
EBITDA (Rs mn)	598	573	(4.2)
EBITDA margin (%)	11.9%	11.4%	-44
APAT (Rs mn)	1,976	1,956	(1.0)
<b>FY21E</b>			
Revenue (Rs mn)	5,563	5,596	0.6
EBITDA (Rs mn)	900	884	(1.9)
EBITDA margin (%)	16.2%	15.8%	-40
APAT (Rs mn)	2,263	2,237	(1.1)

Source: BSE, HDFC sec Inst Research

**BSE's Revenue Segments & Assumptions**

Segments	FY13 <sup>^</sup>	FY14 <sup>^</sup>	FY15 <sup>^</sup>	FY16 <sup>^</sup>	FY17	FY18	FY19	FY20E	FY21E	CAGR FY14-19	CAGR FY16-19	CAGR FY19-21E
<b>Securities services</b>												
Transaction Charges	317	294	505	550	1,224	1,581	1,139	1,381	1,724	31.1%	27.5%	14.8%
Income from Depository Services	905	871	1,046	1,227	0	0	0	0	0	NM	NM	NM
Treasury Income on margin deposit	339	439	532	413	405	408	307	301	295	-6.9%	-9.4%	-1.3%
Others	375	269	254	223	292	311	269	285	299	0.0%	6.4%	3.6%
<b>Total (A)</b>	<b>1,936</b>	<b>1,872</b>	<b>2,337</b>	<b>2,413</b>	<b>1,921</b>	<b>2,300</b>	<b>1,715</b>	<b>1,967</b>	<b>2,318</b>	<b>-1.7%</b>	<b>-10.8%</b>	<b>10.6%</b>
Growth YoY %	-11.3%	-3.3%	24.8%	3.3%	-20.4%	19.7%	-25.4%	14.7%	17.9%			
<b>Securities services (ex CDSL)</b>												
Transaction Charges	317	294	505	550	1,224	1,581	1,139	1,381	1,724	31.1%	27.5%	14.8%
Treasury Income on margin deposit	339	439	532	413	405	408	307	301	295	-6.9%	-9.4%	-1.3%
Others	375	269	254	223	292	311	269	285	299	0.0%	6.4%	3.6%
<b>Total (B)</b>	<b>1,031</b>	<b>1,002</b>	<b>1,291</b>	<b>1,186</b>	<b>1,921</b>	<b>2,300</b>	<b>1,715</b>	<b>1,967</b>	<b>2,318</b>	<b>11.4%</b>	<b>13.1%</b>	<b>10.6%</b>
Growth YoY %	-16.0%	-2.8%	28.9%	-8.1%	62.0%	19.7%	-25.4%	14.7%	17.9%			
<b>Services to corporate</b>												
Listing Fees	426	484	958	1,446	1,382	1,776	1,881	2,048	2,199	31.2%	9.2%	5.3%
Book Building Software Charges	75	74	55	112	143	331	149	159	172	14.9%	9.9%	4.9%
Others	78	33	41	53	44	100	102	107	112	25.2%	24.5%	3.3%
<b>Total (C)</b>	<b>579</b>	<b>591</b>	<b>1,054</b>	<b>1,611</b>	<b>1,569</b>	<b>2,207</b>	<b>2,132</b>	<b>2,315</b>	<b>2,483</b>	<b>29.2%</b>	<b>9.8%</b>	<b>5.2%</b>
Growth YoY %	-24.1%	2.1%	78.2%	52.9%	-2.6%	40.7%	-3.4%	8.6%	7.3%			
<b>Data Dissemination (D)</b>												
	<b>224</b>	<b>204</b>	<b>221</b>	<b>224</b>	<b>447</b>	<b>565</b>	<b>656</b>	<b>722</b>	<b>794</b>	<b>26.3%</b>	<b>43.0%</b>	<b>6.6%</b>
Growth YoY %	7.8%	-8.8%	8.3%	1.4%	99.4%	26.4%	16.1%	10.0%	10.0%			
<b>Total revenue from Operations (A+C+D)</b>												
	<b>2,739</b>	<b>2,668</b>	<b>3,611</b>	<b>4,248</b>	<b>3,937</b>	<b>5,072</b>	<b>4,503</b>	<b>5,003</b>	<b>5,596</b>	<b>11.0%</b>	<b>2.0%</b>	<b>7.5%</b>
Growth YoY %	-13.1%	-2.6%	35.4%	17.6%	-7.3%	28.8%	-11.2%	11.1%	11.8%			
<b>Total revenue from Operations (ex CDSL) (B+C+D)</b>												
	<b>1,834</b>	<b>1,797</b>	<b>2,566</b>	<b>3,021</b>	<b>3,937</b>	<b>5,072</b>	<b>4,503</b>	<b>5,003</b>	<b>5,596</b>	<b>20.2%</b>	<b>14.2%</b>	<b>7.5%</b>
Growth YoY %	-16.5%	-2.0%	42.8%	17.7%	30.3%	28.8%	-11.2%	11.1%	11.8%			

 Source: BSE, HDFC sec Inst Research, <sup>^</sup>excluding CDSL, FY13-16 Including CDSL

**BSE's Cost Analysis And EBITDA**

Expenses (Including CDSL)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	CAGR FY14-19	CAGR FY16-19	CAGR FY19-21E
Employee Expenses	772	854	999	1,074	1,162	1,201	1,392	1,503	1,639	10.3%	9.0%	5.6%
Technology Expenses	717	642	704	806	964	1,111	1,134	1,191	1,250	12.1%	12.0%	3.3%
Other operating Expenses	931	928	1,492	1,695	1,452	1,458	1,686	1,736	1,823	12.7%	-0.2%	2.6%
<b>Total Expenses</b>	<b>2,421</b>	<b>2,424</b>	<b>3,194</b>	<b>3,576</b>	<b>3,578</b>	<b>3,770</b>	<b>4,212</b>	<b>4,430</b>	<b>4,712</b>	11.7%	5.6%	3.8%
Growth YoY %	10.6%	0.1%	31.8%	11.9%	0.1%	5.4%	11.7%	5.2%	6.4%			
<b>EDITDA (Including CDSL till FY16)</b>	<b>319</b>	<b>244</b>	<b>417</b>	<b>673</b>	<b>359</b>	<b>1,302</b>	<b>291</b>	<b>573</b>	<b>884</b>	3.6%	-24.3%	44.8%
Margin %	11.6%	9.2%	11.5%	15.8%	9.1%	25.7%	6.5%	11.4%	15.8%			

Expenses (Excluding CDSL)	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	CAGR FY14-19	CAGR FY16-19	CAGR FY19-21E
Employee Expenses	679	807	859	1,162	1,201	1,392	1,503	1,639	15.4%	17.5%	5.6%
Technology + Other Operating Expenses	1,182	1,787	2,127	2,415	2,569	2,820	2,927	3,073	19.0%	9.8%	2.9%
<b>Total Expenses (ex CDSL)</b>	<b>1,862</b>	<b>2,593</b>	<b>2,986</b>	<b>3,578</b>	<b>3,770</b>	<b>4,212</b>	<b>4,430</b>	<b>4,712</b>	17.7%	12.1%	3.8%
Growth YoY %	-0.5%	39.3%	15.1%	19.8%	5.4%	11.7%	5.2%	6.4%			
<b>EBITDA (ex CDSL)</b>	<b>(83)</b>	<b>(35)</b>	<b>33</b>	<b>359</b>	<b>1,302</b>	<b>291</b>	<b>573</b>	<b>884</b>		106.2%	44.8%
Margin %	-4.6%	-1.4%	1.1%	9.1%	25.7%	6.5%	11.4%	15.8%			

Source: BSE, HDFC sec Inst Research



## Valuation and outlook

- We expect BSE's revenue to increase at a CAGR of 11% over FY19-21E. The EBITDA margin will expand from 6.5% in FY19 to 15.8% 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 24bn 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 440/sh, ~79% of MCap) which is excluding SGF, earmarked funds, and the buyback amount. The current dividend yield of ~7% is attractive. BSE currently trades at 11.1/9.7x FY20/21E EPS (steep discount to MCX valuations).
- We have valued BSE on SOTP basis by assigning a TP of Rs 320 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 BUY on BSE, with a TP of Rs 655 (36% upside from CMP), which includes the core BSE value at Rs 169/sh, Net Cash of Rs 351/sh and CDSL stake value of Rs 134/sh.

### BSE's SOTP Valuation

Core PAT FY21 (Rs mn)	305
25X Core PAT (Rs mn)	7,619
Add: Net Cash (Rs mn)	15,814
Mcap (Rs mn)	23,432
Price per Share (Rs)	520
CDSL Value/share (Rs)	134
<b>TP (Rs)</b>	<b>655</b>
Upside (%)	36%

Source: Company, HDFC sec Inst Research

### CDSL Valuation

CDSL TP (Rs)	320
CDSL Target Mcap (Rs mn)	33,393
Stake (%)	24%
Value of BSE Stake (Rs mn)	8,014
Taking 25% Discount (Rs mn)	6,011
Value /Share of CDSL (Rs)	134

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 (%)			
					FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
MCX	41.0	BUY	806	962	37.8	27.3	26.4	20.5	2.1	2.2	2.3	2.9	7.9	11.4	12.3	15.4
<b>BSE</b>	<b>24.9</b>	<b>BUY</b>	<b>481</b>	<b>655</b>	<b>9.0</b>	<b>10.4</b>	<b>11.1</b>	<b>9.7</b>	<b>7.5</b>	<b>7.3</b>	<b>7.1</b>	<b>8.3</b>	<b>7.8</b>	<b>7.1</b>	<b>7.9</b>	<b>9.2</b>
CDSL	20.0	BUY	191	320	19.3	17.6	16.9	15.0	1.8	2.1	2.2	2.5	17.2	17.0	16.1	16.5

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)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Revenues (Rs mn)</b>	<b>3,937</b>	<b>5,072</b>	<b>4,503</b>	<b>5,003</b>	<b>5,596</b>
<b>Growth (%)</b>	<b>(7.3)</b>	<b>28.8</b>	<b>(11.2)</b>	<b>11.1</b>	<b>11.8</b>
Employee Expenses	1,162	1,201	1,392	1,503	1,639
Technology Expenses	964	1,111	1,134	1,191	1,250
Other operating Expenses	1,452	1,458	1,686	1,736	1,823
<b>EBITDA</b>	<b>359</b>	<b>1,302</b>	<b>291</b>	<b>573</b>	<b>884</b>
<b>EBITDA Margin (%)</b>	<b>9.1</b>	<b>25.7</b>	<b>6.5</b>	<b>11.4</b>	<b>15.8</b>
<b>EBITDA Growth (%)</b>	<b>(46.6)</b>	<b>262.6</b>	<b>(77.6)</b>	<b>96.7</b>	<b>54.3</b>
Depreciation	503	455	511	525	560
<b>EBIT</b>	<b>-144</b>	<b>848</b>	<b>-220</b>	<b>47</b>	<b>324</b>
Other Income (Including EO Items)	2,238	1,891	2,111	1,965	2,034
Interest	10	10	9	18	19
<b>PBT</b>	<b>2,085</b>	<b>2,729</b>	<b>1,883</b>	<b>1,994</b>	<b>2,339</b>
Tax (Incl Deferred)	107	555	234	359	421
Minority Interest	0	0	0	0	0
Share of profit / (Loss) of associate	11	199	292	283	319
<b>RPAT</b>	<b>1,989</b>	<b>2,373</b>	<b>1,942</b>	<b>1,918</b>	<b>2,237</b>
EO (Loss) / Profit (Net Of Tax)	-208	-26	-135	-38	0
<b>APAT</b>	<b>2,197</b>	<b>2,399</b>	<b>2,077</b>	<b>1,956</b>	<b>2,237</b>
<b>APAT Growth (%)</b>	<b>22.4</b>	<b>9.2</b>	<b>(13.4)</b>	<b>(5.8)</b>	<b>14.4</b>
<b>Adjusted EPS (Rs)</b>	<b>48.8</b>	<b>53.3</b>	<b>46.1</b>	<b>43.4</b>	<b>49.7</b>
<b>EPS Growth (%)</b>	<b>22.4</b>	<b>9.2</b>	<b>(13.4)</b>	<b>(5.8)</b>	<b>14.4</b>
<b>Core PAT (ex other income and associate profit)</b>	<b>-153</b>	<b>836</b>	<b>-228</b>	<b>29</b>	<b>305</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet (Consolidated)**

YE March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital – Equity	108	107	104	90	90
Reserves	26,516	30,699	29,253	24,510	24,321
<b>Total Shareholders' Funds</b>	<b>26,624</b>	<b>30,806</b>	<b>29,357</b>	<b>24,600</b>	<b>24,411</b>
Settlement guarantee fund	2,045	3,585	3,945	3,945	3,945
Minority Interest	2,909	0	0	0	0
<b>Total Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Deferred Taxes (Net)	(189)	(880)	(1,025)	(1,025)	(1,025)
Long Term Provisions & Others	88	95	114	127	142
<b>TOTAL SOURCES OF FUNDS</b>	<b>31,477</b>	<b>33,606</b>	<b>32,391</b>	<b>27,648</b>	<b>27,474</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	1,644	1,697	1,662	1,687	1,715
CWIP	60	70	182	182	182
Goodwill	850	374	374	374	374
Investments	26	3,961	4,302	4,302	4,302
LT Loans & Advances & Others	3,434	1,867	1,724	2,001	2,238
<b>Total Non-current Assets</b>	<b>6,014</b>	<b>7,970</b>	<b>8,244</b>	<b>8,546</b>	<b>8,811</b>
Inventories	0	0	0	0	0
Debtors	689	549	490	548	613
Other Current Assets	973	302	304	355	397
Cash & Equivalent	43,966	40,281	34,976	31,056	32,033
<b>Total Current Assets (ex Cash)</b>	<b>1,662</b>	<b>850</b>	<b>795</b>	<b>904</b>	<b>1,011</b>
Trading margin from members	4,714	4,940	4,960	5,193	5,401
Other Current Liabilities & Provns	15,451	10,556	6,664	7,665	8,980
<b>Total Current Liabilities</b>	<b>20,164</b>	<b>15,496</b>	<b>11,623</b>	<b>12,858</b>	<b>14,381</b>
<b>Net Current Assets</b>	<b>(18,503)</b>	<b>(14,645)</b>	<b>(10,829)</b>	<b>(11,955)</b>	<b>(13,370)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>31,477</b>	<b>33,606</b>	<b>32,391</b>	<b>27,648</b>	<b>27,474</b>

Source: Company, HDFC sec Inst Research

**Cash Flow (Consolidated)**

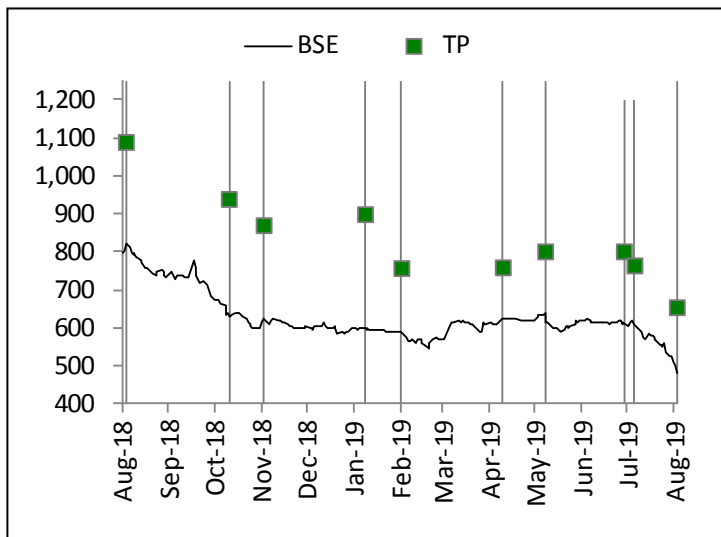
YE March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Reported PBT</b>	<b>2,085</b>	<b>2,729</b>	<b>1,883</b>	<b>1,994</b>	<b>2,339</b>
Non-operating & EO items	(1,588)	(716)	(1,886)	(2,002)	(2,034)
Interest expenses	10	10	9	18	19
Depreciation	503	455	511	525	560
Working Capital Change	6,966	(4,098)	(3,800)	862	1,194
Tax Paid	(26)	(1,095)	(234)	(359)	(421)
<b>OPERATING CASH FLOW ( a )</b>	<b>7,949</b>	<b>(2,715)</b>	<b>(3,517)</b>	<b>1,039</b>	<b>1,656</b>
Capex	(584)	(626)	(475)	(550)	(588)
Free cash flow (FCF)	7,365	(3,341)	(3,992)	488	1,069
Investments	(11)	(3,282)	(341)	0	0
Non-operating Income	1,855	1,548	2,246	2,002	2,034
<b>INVESTING CASH FLOW ( b )</b>	<b>1,261</b>	<b>(2,360)</b>	<b>1,431</b>	<b>1,452</b>	<b>1,447</b>
Debt Issuance/(Repaid)	0	0	0	0	0
Interest Expenses	332	(11)	(9)	(18)	(19)
FCFE	7,698	(3,352)	(4,001)	470	1,050
Share Capital Issuance	0	(450)	(3)	(4,600)	0
Dividend	(684)	(1,839)	(1,844)	(1,792)	(2,108)
<b>FINANCING CASH FLOW ( c )</b>	<b>(352)</b>	<b>(2,300)</b>	<b>(1,856)</b>	<b>(6,410)</b>	<b>(2,126)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>8,858</b>	<b>(7,375)</b>	<b>(3,942)</b>	<b>(3,919)</b>	<b>976</b>
EO Items, Others	982	3,690	(1,363)	0	0
<b>Closing Cash &amp; Equivalents</b>	<b>43,966</b>	<b>40,281</b>	<b>34,976</b>	<b>31,056</b>	<b>32,033</b>

Source: Company, HDFC sec Inst Research

**Key Ratios (Consolidated)**

	FY17	FY18	FY19	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
GPM	70.5	76.3	69.1	69.9	70.7
EBITDA Margin	9.1	25.7	6.5	11.4	15.8
APAT Margin	55.8	47.3	46.1	39.1	40.0
RoE	8.3	7.8	7.1	7.9	9.2
RoIC (or Core RoCE)	(5.4)	15.5	(2.5)	0.5	3.2
RoCE	7.2	7.4	6.3	6.6	8.2
<b>EFFICIENCY</b>					
Tax Rate (%)	5.1%	20.3%	12.4%	18.0%	18.0%
Fixed Asset Turnover (x)	0.8	0.9	0.7	0.7	0.8
Inventory (days)	0	0	0	0	0
Debtors (days)	64	39	40	40	40
Other Current Assets (days)	90	22	25	26	26
Payables (days)	437	355	402	379	352
Other Current Liab & Provns (days)	1,433	760	540	559	586
Cash Conversion Cycle (days)	-1,716	-1,054	-878	-872	-872
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	-1.7	-1.3	-1.2	-1.3	-1.3
Interest Coverage (x)	-15	82	-25	3	17
<b>PER SHARE DATA (Rs)</b>					
EPS	48.8	53.3	46.1	43.4	49.7
CEPS	60.0	63.4	57.5	55.1	62.1
Dividend	28.0	36.0	35.0	34.0	40.0
Book Value	591.2	684.0	651.9	546.2	542.0
<b>VALUATION</b>					
P/E (x)	9.9	9.0	10.4	11.1	9.7
P/BV (x)	0.81	0.70	0.74	0.88	0.89
EV/EBITDA (x)	(23.9)	(3.4)	(9.3)	3.9	2.9
OCF/EV (%)	(92.5)	60.6	129.9	46.9	64.9
FCF/EV (%)	(85.7)	74.6	147.5	22.1	41.9
FCFE/Mkt Cap (%)	35.5	(15.5)	(18.5)	2.2	4.8
Dividend Yield (%)	5.8	7.5	7.3	7.1	8.3

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
4-Aug-18	823	BUY	1,090
10-Oct-18	639	BUY	940
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

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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

## INSTITUTIONAL RESEARCH

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