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Target Price	Rs. 175
Current Price	Rs. 122
Upside Potential	43%
Rating	BUY

Market Cap.	Rs. 55 billion US\$ 660 million
Shares Outstanding	449 million
52 Week Range (Rs)	42.00 – 138.80
Sensex Index Level	71,645



Risk: Above Average

Forecasting and Valuations

(Rs mn except ratio)	FY 2024e	FY 2025e
Revenue	5,314	6,280
Net Income	2,022	2,659
EPS (Rs)	4.50	5.92
EPS Growth	116%	32%
PE	27	21
P/S	10	9
P/B	4.2	3.6

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**Paisalo Digital Ltd. (PAISALO)**
**Q3 [ended December] – Exceptionally Robust Results**

Industry: Finance, NBFC

Paisalo Digital reported exceptionally strong +103% YoY EPS growth for Q3 [ended December], which easily surpassed our expectations. Notably, growth has also accelerated, with the YoY jump for the Dec-end quarter surpassing the YoY rise of the Sept-end quarter, and the sequential growth was robust +19% QoQ despite being up against a tough comparison. Importantly, in addition to the strong income statement and balance sheet growth, internal operating metrics and the quality of earnings was impressive, with high capital adequacy and liquidity, and lower [almost negligible] NPA levels.

**The company declared a 1 for 1 Bonus Issue, sourced from internal accruals, and this action almost always has a strong signaling effect to investors about management's positive future outlook.** Indeed, the stock has reacted positively to the bonus and earnings announcements, as well as its run-up [up +35% YTD in 2024] in anticipation, and is up nearly +90% from our Initial Recommendation several months ago in October last year. As a reminder, Evaluate Research remains the only firm following Paisalo, and we have done extensive research on the firm at multiple locations, and our reports are freely available to ALL small or large retail/institutional investors.

**We are reiterating our Buy rating and increasing our price target to Rs. 175, as well as significantly increasing our estimates.** This is a sizable increase from our prior published targets of Rs. 90 on a short-term basis, and Rs. 115 on an intermediate-term basis. More details on valuation and our price target later in this report.

Key highlights for the quarter are:

- **Total revenue spikes +50% YoY, a sharply higher growth rate than for the Sept quarter**
- **AUM growth of +40% YoY to Rs. 42 billion, a new record for firm, driven by robust loan disbursements**
- **EPS grew by +103% YoY and +19% QoQ**
- **Annualized ROE of 14.5% for Q3 [up from 13.7% in Q2, & 7.9% for FY 3/2023]**
- **Annualized ROA of 5.2% for Q3 [up from 5.1% in Q2, & 3.0% for FY 3/2023]**

- **Capital Adequacy Ratio remains robust at 37.8%. Stable asset-liability & liquidity metrics**
- **Low Gross NPA and Net NPA of 0.23% and 0.02% at Dec-end, an improvement from 0.24% & 0.01% at Sept-end, and one year ago 0.25% & 0.02% on Dec. 2023**
- **Paisalo remains a leader with an early mover advantage in the Co-lending Model**
- **Customer Touch Points at 1,944, up +13% QoQ, with an extensive branch, distribution & collection network in 18 states**
- **Credit Rating AA [Stable Outlook] and A1+ [Commercial Paper], following recent upgrades**

The sharp rise in net income, both YoY and QoQ, is due to growth in lending and the ongoing high levels of profitability, which continues to benefit from positive operating leverage given the increasing scale of the business. Indeed, the NIM [net interest margin] was a healthy 7.3% for Q3, up sharply QoQ from 6.2% in Q2, and YoY 5.5% for FY 03/2023. Profitability was also aided by some recoveries in old previously written-off bad debts. Paisalo wrote off Rs. 245 million in bad debts during Q3, but also had recoveries of old written-off bad debts worth Rs. 381 million, for a net positive impact of Rs 135 million to the bottom line. Importantly, we expect further such positive recoveries of prior bad debts [resulting from the Covid economic downturn period] for several quarters to come, and hence investors should not treat this as merely a one-off gain, but rather a near-term trend. It should also be pointed out that write-backs clearly reflect the prudent and conservative nature of Paisalo's accounting and financial controls and procedures, as well as overall management culture.

### **Raising Price Target to Rs. 175. Increasing Estimates. Reiterating Buy**

We are reiterating our Buy-rating and raising our price target to Rs. 175. As mentioned, the stock has had stellar returns since our Initial Report, and our revised price target is a sizable jump from our prior published targets of Rs. 90 on a short-term basis, and Rs. 115 on an intermediate-term basis. Given the current fiscal year ending 03/2024 is nearly over now, we are justifying our price target using a forward 22x P/E multiple on our Rs. 7.87 EPS estimate for FY 03/2026. In our view, Paisalo's above-industry growth prospects, and the current multiples of fast growing NBFC/banks, justify our valuation methodology.

While some investors may argue the "easy money" has already been made in the stock, especially over the past several months, we would counter with the strong assertion that Paisalo is still relatively early in its corporate life-cycle, and it continues to have a long runway of many years of high growth ahead, which should be significantly higher than the double-digit growth expectation Indian investors have for most stocks in the overall bank/NBFC sector. It is worth noting that with Paisalo's robust in-house digital platform [using AI and ML capabilities] and extensive branch/touchpoints network already in place - the business, lending and growth model is hugely scalable. Thus, both Paisalo's Rs. 55 billion [US\$ 660 million] market cap, and balance sheet size, suggest further gains are imminently plausible.

While we are revising higher our estimates upwards following this strong earnings report, we would point out that there is still an upward bias to projections given the underlying business momentum. For the current/ongoing fiscal year ending 03/2024, our estimate is now Rs. 4.50 [prior estimate 3.40]. Paisalo has reported diluted EPS of 3.17 for the 9 months, so our full-year estimate looks reasonable. Our estimates for fiscal year 03/2025 increases to Rs. 5.92 [prior 5.01], and for 03/2026 to Rs. 7.87 [prior 6.93].

Paisalo continues to be a relatively undiscovered gem, in our opinion, despite the recent stock price gains. While the banking & finance sector continues to be by far the largest sector in the broader Indian stock market [35% weighting in the benchmark NIFTY 50 Index as of December 2023], it tends to be dominated by just a handful of large-cap brand names. For example, HDFC Bank has a 13.5% weighting in the index. These stocks tend to be over-owned [by domestic and foreign investors alike], and richly valued. This creates an opportunity for astute investors to seek more upside in some of the smaller-cap names, which are growing more rapidly and clearly underfollowed/underowned.

### **RBI's Tighter Guidelines – Negligible Impact on Paisalo**

Over the past few months, starting in November last year, the RBI issued several new guidelines relating to new loans, in an effort to reign in aggressive lending practices in certain segments of the broader banking and NBFC sector. The new regulations pertain to lending to financial peers, credit card loans, unsecured new loans to consumers, etc. Financial firms have been mandated to set aside higher capital buffers for several types of loans. These new norms have received a great deal of press coverage over the past several months, so we won't go into details again here.

All these regulatory actions were also backed by stern media comments by the RBI Governor indicating caution regarding generally rapid loan growth in the overall economy. While India's GDP and consumer growth story undoubtedly remains best in the world, a large part of this growth is being fueled by rising debt. The younger generation in India, which comprises nearly half the overall population, have adopted a Western-style "borrow and spend now, pay later" culture, which is unlike the mentality of their more traditional and conservative parents.

### **Paisalo management continues to be confident the firm is well-placed with regard to the new RBI guidelines. The firm is exempt from most of the new regulations.**

Much of Paisalo's lending is to Priority Sectors [as classified and specified by the government], and funding to this sector remains a focus of the current administration [an election year may perhaps intensify this mandate]. Furthermore, Paisalo is more focused on smaller tier cities and rural areas. Consumers in such locals are more conservative, and not apt to use credit cards or retail loans for purchases, and are generally more debt averse.

We applaud the RBI's concern about overall lending growth in the economy. It is prudent for regulators to be proactively cautious on lending, especially in India where so many of our leading banks and NBFCs appear to be growing their lending books in the double-digits. Experienced bank and financial analysts always remember that extending loans and giving away money is easy; it's collecting and getting paid back that counts!

The recent action of the RBI to bar Paytm Payments Bank and its lending business suggests that the regulators and investors will increasingly differentiate between banks/NBFCs that are well managed and have strong financials, and those that are just riding the GDP growth and lending waves. Paytm's stock reacted limit down -20% to this news. Restrictions on competitors like Paytm is a net positive for Paisalo.

### **Strong Insider Buying – a Bullish Signal**

There have been multiple instances of Promotor group firms, led by Founder & CMD Sunil Agarwal, accumulating Paisalo stock during Q3. We regard this as a solidly bullish signal, not the least due to the fact that the stock has rallied considerably to-date in the weeks subsequent to this insider activity. So management is truly “in the money” so far! All these share purchase transactions were done by Equilibrated Venture CFLOW Pvt Ltd, an insider-controlled entity. In total, this single entity's ownership in Paisalo went from 11.51% on November 16, 2023, up to 12.97% less than 2 months later on December 29<sup>th</sup>. Overall, insiders [including CMD Sunil Agarwal and Deputy MD Santanu Agarwal] now control approximately 34% of the outstanding stock, and this stake has risen by about +1.5% during November and December.

Specifically, as disclosed in regulatory filings, buying occurred on 6 occasions [most recent date listed first below]:

<b><u>Date</u></b>	<b><u>Shares Bought</u></b>	<b><u>% of Outstanding</u></b>	<b><u>Average Price</u></b>
December 29	9,72,972	0.21%	~Rs. 92.00
December 26	4,23,000	0.09%	~Rs. 94.00
December 19	6,14,000	0.13%	~Rs. 96.00
December 15	5,05,008	0.11%	~Rs. 97.00
December 13	9,99,000	0.22%	~Rs. 98.00
November 17	29,80,000	0.66%	~Rs. 80.00

### **Strong Fund-Raising Sets up Disbursement Growth**

Paisalo has taken several fund-raising initiatives over the past few months, which place the firm with an excellent liquidity and capital base from which to fund future loan growth. Importantly, Paisalo continues to have multiple avenues from which to raise incremental funding, and at reasonable terms and interest rate levels. This fund-raising is part of the firm's routine and ongoing business growth efforts. Importantly, management remains confident that they haven't yet tapped numerous incremental sources for possible future funding. As always, it's vital for mid-cap financials to always maintain diversified funding options.

Key fund-raising exercises [most recent stated first] have included:

<b><u>Date</u></b>	<b><u>Issue</u></b>	<b><u>Amount</u></b>
December 28	9.95% Non-Convertible Debentures	Rs. 18 crores
December 15	9.95% Non-Convertible Debentures	Rs. 20 crores
December 8	12.00% Non-Convertible Debentures	Rs. 46 crores
November 11	9.95% Non-Convertible Debentures	Rs. 10 crores
November 7	9.95% Non-Convertible Debentures	Rs. 9 crores

## **Strong Internal Metrics: Growth & Asset Quality**

AUM at the end of Q3 was up +40% YoY to Rs. 42,280 million [+11% QoQ] and the growth is expected to continue going forward. Notable, Q3 YoY AUM growth was higher than Q2 28% YoY growth, suggesting disbursement acceleration and momentum. AUM growth is solid due to the Co-lending model developed in conjunction with SBI and other banks. As mentioned, Net and Gross NPA statistics have improved from last year, and remain quite low in absolute terms and relative to Indian financial peers as well as the broad sector. Impressively, current NPA levels are well below the company's stated target level of "below 2.0% over the long-term".

The number of touch points have also increased to 1,944 in Q3, solidly up from 1,714 in Q2 from 1,377 in Q1 – all spread across 18 states. This increased access to new customers also bodes well for future growth prospects. The company's continued ability to diversify their resource profile and raise funds at competitive interest rates would further add to the profitability of the company in the upcoming quarters.

Paisalo's key Q3 financial metrics:

## **FINANCIALS**

(₹ in Millions, \*Cumulative)

PARTICULARS	FY 2021	FY 2022	FY 2023	Q1 FY 2024	Q2 FY 2024*	Q3 FY 2024*
AUM	₹ 23,178	₹ 26,973	₹ 34,928	₹ 36,444	₹ 38,174	₹ 42,280
Interest Income	₹ 3,115	₹ 3,922	₹ 4,732	₹ 1,362	₹ 2,809	₹ 4,635
NIM	4.05 %	4.03 %	5.50 %	5.80%	6.20%	7.29%
PAT	₹ 609	₹ 793	₹ 936	₹ 384	₹ 859	₹ 1,424
Cash Accrual	₹ 646	₹ 819	₹ 950	₹ 392	₹ 875	₹ 1,448
Net worth	₹ 8,619	₹ 10,241	₹ 11,610	₹ 11,954	₹ 12,413	₹ 12,952
Total Debt	₹ 14,814	₹ 15,989	₹ 18,567	₹ 18,818	₹ 20,447	₹ 23,218
Debt Equity Ratio	1.72	1.46	1.58	1.52	1.58	1.71
Gross NPA	0.72 %	1.56 %	0.25 %	0.28%	0.24%	0.23%
NET NPA	0.57 %	1.26 %	0.02 %	0.04%	0.01%	0.02%
ROA	2.66 %	3.09 %	3.02 %	4.88%	5.14%	5.16%
ROE	7.07 %	7.78 %	7.90 %	12.65%	13.70%	14.53%
CAR	44.47 %	42.92 %	40.34 %	40.41%	39.74%	37.82%
Book Value	₹ 20.20	₹ 23.00	₹ 25.50	₹ 26.38	₹ 27.41	₹ 28.63

## **Stock Continues to Outperform both Long-term & Short-term**

Paisalo's stock, with nearly a 90% return since our Initial Report in October 2023, has materially outperformed the NIFTY/SENSEX indices. The stock has also significantly outperformed indices since its listing 17 years ago in 2007, with a large quantum of those returns generated over the past 3 years, as can be seen in the following chart.

**The stock has grown at a +20.3% CAGR since listing, effectively 2x higher than the approximate 10% per annum returns of the NIFTY and SENSEX indices.** Also, Paisalo has returned about 90% more per annum than the roughly 11% CAGR of the BSE Small-cap, NSE Nifty Financial Services, and BSE Financial Services Indices, as highlighted by Bloomberg data:



### **Robust Lending & EPS Growth Outlook**

We expect Paisalo to deliver strong revenue growth especially due to the inherent scope for growth especially in the Co-lending Small Income Generation business segment. We see revenues growing at an approximate 20% 5-year CAGR to Rs.11 bn (FY 03/2024 – 03/2028) along with increases in the net profit margin. We see a unique opportunity in terms of investment as the company is known for its reputation of generating revenues from the microfinance sector which has huge scope for growth in India. Asset quality is the parameter where the company stands far ahead of its peers for the last several years and they also have a policy of prudently and conservatively writing off its overdue advances where recovery efforts in such accounts are still ongoing.

### **Investment Thesis: A Growing Unique Business Model**

We reiterate our view that Paisalo is an attractive stock proposition as increasing loan disbursements are expected to drive rapid growth in its revenues thereby generating higher profitability in the near future. The company, despite being in the competitive microfinance industry, has expertise and capability in providing loans at competitive interest rates to rural customers along with maintaining lower non-performing assets. It will continue to generate higher revenues and increase profitability due to solid demand for microfinance in the Indian market.

The valuations for this company still look attractive considering what is possible in terms of growth in the next few years to come. The stock looks undervalued in terms of price to earnings and price to book on the forward basis. The expected rapid growth in EPS should re-rate the stock to higher levels.

From a one-year investment perspective, we now see 40% upside for the stock. The company is unique in the fact that most of its revenues come from the Co-lending Small Income Generation business segment. If the company is able to capture a larger market share in the next two years by serving customers and keeping NPAs at low levels, the stock would re-rate to higher levels. More clients with innovation in lending business will incrementally generate higher profitability and higher margins for the company's business.

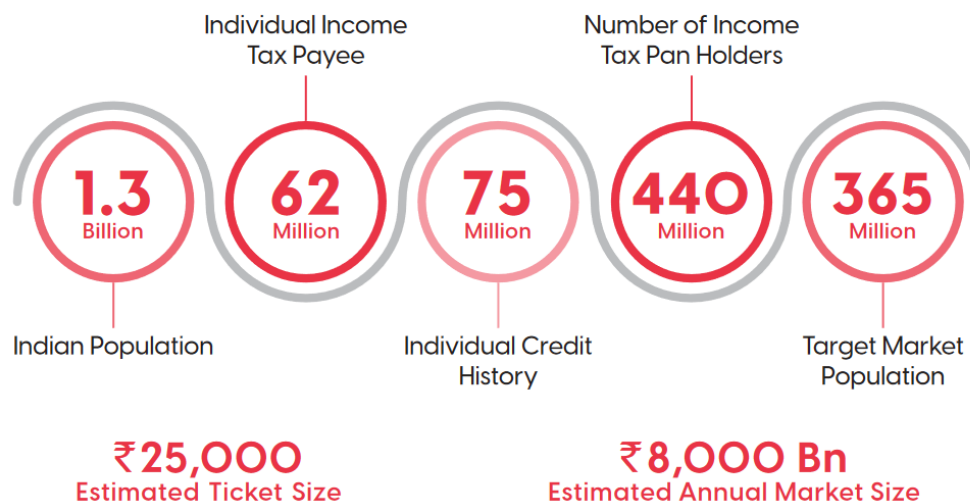


We believe that the company is staring at an inflection point as the credit growth especially in the rural areas is likely to pick up further pace in FY2024-25 due to new branches and new loan products (customizable loan products) being introduced by the company. The company has a market share of nearly 60% in some of its operating areas and is looking to capture more share going forward, especially in newer adjacent areas.

### **Market Opportunity in Microfinance for Paisalo Digital**

As mentioned in our prior reports, the market opportunity presented is evident from the following diagram. It suggests that with an Indian population of 1.4 billion only 62 million are registered income taxpayers and 75 million have a credit history. The number of registered PAN holders are 440 million and the total opportunity that is presented for lending is 440 minus 75 which equals 365 million. Assuming that the estimated ticket size per individual is Rs.25,000 per annum and the total individuals are 365 million the total estimated annual market size comes to around Rs. 8,000 billion. The company has already geared up for this opportunity in the microfinance lending space and has already started capitalizing on it currently and going forward.

## **Market Opportunity**



The number of loan accounts for the microfinance industry increased to 136 million in FY23, from 124 million in FY22, posting a YoY growth of 10%. Lender-wise figures showed that NBFCs registered the highest YoY growth of 23%, followed by NBFC-MFIs at 15%, not-for profits or NFPs at 6%, banks at 6%, and small finance banks at 5%.

As per reported data, the market share of lenders in terms of portfolio shows NBFC-MFIs accounted for the largest share at 39.7%. Banks are the second-largest provider of micro credit at 34.1%, SFBs, NBFCs and NFPs accounted for 16.6%, 8.4% and 1.1% of the market share, respectively.

Paisalo has strategized to focus attention on this key area for its future growth. The microfinance business, which consists of the traditional business currently contributing the bulk of its revenues, will continue to be the key focus. In this segment the company has set up branches across 10 states of the country.

The focus is to develop new areas for lending and increase the disbursements on a pan-India level. There will be a specific focus on the development of rural regions in India that will command higher interest income and contribute to higher margins.





Income Statement ( millions Rs )	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	CAGR 2024-28
<b>Revenue</b>	<b>3,606.0</b>	<b>3,747.7</b>	<b>3,460.2</b>	<b>3,922.2</b>	<b>4,707.5</b>	<b>5,413.7</b>	<b>6,279.9</b>	<b>7,535.8</b>	<b>9,118.4</b>	<b>11,033.2</b>	19.5%
y/y	19.0%	3.9%	-7.7%	13.4%	20.0%	15.0%	16.0%	20.0%	21.0%	21.0%	
Other Revenue	-	-	-	-	24.4	24.8	25.3	25.8	26.4	26.9	
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.5%	0.5%	0.4%	0.3%	0.3%	0.2%	
Employee Benefit Expenses	-277.0	-254.6	-233.2	-257.5	-346.7	-433.1	-502.4	-602.9	-729.5	-882.7	
as a % of sales	7.7%	6.8%	6.7%	6.6%	7.4%	8.0%	8.0%	8.0%	8.0%	8.0%	
Depreciation and Amortization	-47.0	-40.3	-37.4	-32.3	-32.9	0.0	0.0	0.0	0.0	0.0	
as a % of sales	1.3%	1.1%	1.1%	0.8%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Operating Income</b>	<b>3,282.0</b>	<b>3,452.8</b>	<b>3,189.6</b>	<b>3,632.4</b>	<b>4,352.3</b>	<b>5,005.4</b>	<b>5,802.8</b>	<b>6,958.8</b>	<b>8,415.3</b>	<b>10,177.5</b>	19.4%
y/y	17.3%	5.2%	-7.6%	13.9%	19.8%	15.0%	15.9%	19.9%	20.9%	20.9%	
Operating margin (%)	91.0%	92.1%	92.2%	92.6%	92.5%	92.5%	92.4%	92.3%	92.3%	92.2%	
Interest Expense	-1,491.1	-1,565.5	-1,619.5	-1,841.1	-2,086.7	-2,191.0	-2,234.9	-2,234.9	-2,234.9	-2,234.9	
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
fair value losses/gains	0.0	0.0	0.0	0.0	-4.9	0.0	0.0	0.0	0.0	0.0	
impairment on financial assets	-525.2	-849.6	-537.2	-546.4	-539.0	435.0	443.7	452.6	461.6	470.9	
Dividend Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other Income/expenses	-416.6	-296.1	-259.5	-173.3	-414.0	-415.0	-350.0	-350.0	-350.0	-350.0	
Exceptional Items	0.0	0.0	4.2	-0.3	-45.3	0.0	0.0	0.0	0.0	0.0	
<b>Pretax Income (reported)</b>	<b>1,265.7</b>	<b>1,037.7</b>	<b>1,032.9</b>	<b>1,244.9</b>	<b>1,721.7</b>	<b>2,834.4</b>	<b>3,661.7</b>	<b>4,826.5</b>	<b>6,292.0</b>	<b>8,063.5</b>	29.9%
y/y	4.6%	-18.0%	-0.5%	20.5%	38.3%	64.6%	29.2%	31.8%	30.4%	28.2%	
<b>Pretax Income (adjusted)</b>	<b>849.1</b>	<b>741.6</b>	<b>777.7</b>	<b>1071.3</b>	<b>1262.4</b>	<b>3249.4</b>	<b>4011.7</b>	<b>5176.5</b>	<b>6642.0</b>	<b>8413.5</b>	26.9%
y/y	-1.8%	-12.7%	4.9%	37.8%	17.8%	157.4%	23.5%	29.0%	28.3%	26.7%	
- Income Tax Expense	-285.2	-200.3	-197.9	-278.7	-326.2	-812.3	-1002.9	-1294.1	-1660.5	-2103.4	
effective tax rate (%)	22.5%	19.3%	19.2%	22.4%	18.9%	25.0%	25.0%	25.0%	25.0%	25.0%	
- Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Income Before XO Items</b>	<b>563.8</b>	<b>541.3</b>	<b>579.8</b>	<b>792.6</b>	<b>936.2</b>	<b>2022.0</b>	<b>2658.7</b>	<b>3532.4</b>	<b>4631.5</b>	<b>5960.1</b>	31.0%
y/y	-2.4%	-4.0%	7.1%	36.7%	18.1%	116.0%	31.5%	32.9%	31.1%	28.7%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Net Income (reported)</b>	<b>563.8</b>	<b>541.3</b>	<b>579.8</b>	<b>792.6</b>	<b>936.2</b>	<b>2022.0</b>	<b>2658.7</b>	<b>3532.4</b>	<b>4631.5</b>	<b>5960.1</b>	31.0%
y/y	-2.4%	-4.0%	7.1%	36.7%	18.1%	116.0%	31.5%	32.9%	31.1%	28.7%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Net Income (adjusted)</b>	<b>563.8</b>	<b>541.3</b>	<b>579.8</b>	<b>792.6</b>	<b>936.2</b>	<b>2,022.0</b>	<b>2,658.7</b>	<b>3,532.4</b>	<b>4,631.5</b>	<b>5,960.1</b>	31.0%
y/y	-8.4%	-4.0%	7.1%	36.7%	18.1%	116.0%	31.5%	32.9%	31.1%	28.7%	
Basic EPS (reported)	13.90	12.80	13.71	18.72	2.09	4.50	5.92	7.87	10.31	13.27	
Basic Weighted Avg Shares in mn	40.56	42.29	42.29	42.35	449.02	449.02	449.02	449.02	449.02	449.02	

Balance Sheet (millions Rs)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
<b>Assets</b>										
+ Cash & Near Cash Items	141	350	478	103	291	433	892	1,241	1,449	1,548
+ Short-Term Investments	239	239	239	257	252	252	252	252	252	252
+ Accounts & Notes Receivable	126	119	317	281	98	222	258	310	375	453
+ Loans	19,400	19,270	20,874	25,634	31,404	32,974	34,623	36,354	38,172	40,081
+ Other Financial Assets	1,609	1,680	35	521	700	714	728	743	758	773
<b>Total Financial Assets</b>	<b>21,515</b>	<b>21,657</b>	<b>21,943</b>	<b>26,797</b>	<b>32,745</b>	<b>34,596</b>	<b>36,753</b>	<b>38,899</b>	<b>41,005</b>	<b>43,107</b>
+ Current Tax Assets	80	117	94	131	123	123	123	123	123	123
+ Gross Fixed Assets	72	643	627	624	656	710	773	848	939	1,050
+ Net Fixed Assets	72	643	627	624	656	682	712	748	792	845
+ Other Non-Financial Assets	62	38	22	13	7	7	8	8	8	9
+ Goodwill & other Intangible Assets	22	20	16	12	8	8	8	8	8	8
<b>Total Non Financial Assets</b>	<b>236</b>	<b>818</b>	<b>759</b>	<b>781</b>	<b>794</b>	<b>821</b>	<b>851</b>	<b>888</b>	<b>932</b>	<b>985</b>
<b>Total Assets</b>	<b>21,751</b>	<b>22,476</b>	<b>22,702</b>	<b>27,578</b>	<b>33,539</b>	<b>35,417</b>	<b>37,604</b>	<b>39,787</b>	<b>41,937</b>	<b>44,092</b>
<b>Liabilities &amp; Shareholders' Equity</b>										
+ Accounts Payable	453	103	203	151	131	131	131	131	131	131
+ Borrowings	9,527	10,171	9,541	12,122	16,282	16,282	16,282	16,282	16,282	16,282
+ Other Financial Liabilities	3,711	2,956	1,168	915	934	981	1,030	1,082	1,136	1,192
<b>Total Current Liabilities</b>	<b>13,691</b>	<b>13,230</b>	<b>10,912</b>	<b>13,189</b>	<b>17,348</b>	<b>17,395</b>	<b>17,444</b>	<b>17,495</b>	<b>17,549</b>	<b>17,606</b>
+ Long-Term Borrowings	1,230	1,320	2,784	3,747	4,000	4,000	4,000	4,000	4,000	4,000
+ Other Non Financial Liabilities	189	265	355	407	566	577	589	600	612	625
<b>Total Liabilities</b>	<b>15,110</b>	<b>14,816</b>	<b>14,052</b>	<b>17,343</b>	<b>21,913</b>	<b>21,971</b>	<b>22,032</b>	<b>22,095</b>	<b>22,161</b>	<b>22,230</b>
+ Total Preferred Equity	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	406	423	423	439	449	449	449	449	449	449
+ Retained Earnings & Other Equity	6,236	7,237	8,227	9,795	11,176	12,996	15,123	17,243	19,327	21,413
<b>Total Shareholders' Equity</b>	<b>6,641</b>	<b>7,660</b>	<b>8,650</b>	<b>10,235</b>	<b>11,625</b>	<b>13,445</b>	<b>15,572</b>	<b>17,692</b>	<b>19,776</b>	<b>21,862</b>
+ Minority Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities &amp; Equity</b>	<b>21,751</b>	<b>22,476</b>	<b>22,702</b>	<b>27,578</b>	<b>33,539</b>	<b>35,417</b>	<b>37,604</b>	<b>39,787</b>	<b>41,937</b>	<b>44,092</b>

Cash Flow (millions Rs)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
+ Net Income	2,340.2	2,307.1	2,393.0	2,912.6	3,394.4	2,022.0	2,658.7	3,532.4	4,631.5	5,960.1
+ Depreciation & Amortization	8.4	19.0	20.7	19.6	24.4	28.1	32.5	39.1	47.3	57.2
+ Other Non-Cash Adjustments	42.5	122.4	553.9	575.2	568.7	11.3	11.5	11.8	12.0	12.2
+ Changes in Non-Cash Capital	-598.3	-290.1	-2,161.1	-5,306.3	-6,014.5	-1,716.1	-1,649.5	-1,745.8	-1,843.5	-1,945.7
<b>Cash From Operating Activities</b>	<b>-28.6</b>	<b>349.4</b>	<b>-1,015.9</b>	<b>-3,961.5</b>	<b>-4,431.1</b>	<b>345.3</b>	<b>1,053.3</b>	<b>1,837.4</b>	<b>2,847.3</b>	<b>4,083.9</b>
+ Disposal of Fixed Assets	0.00	0.00	0.00	0.05	11.8	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-35.7	-3.0	-0.7	-13.1	-62.6	-54.1	-62.8	-75.4	-91.2	-110.3
+ Increase in Investments	0.0	0.0	0.0	-17.8	0.0	-0.3	-0.3	-0.3	-0.3	-0.3
+ Decrease in Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash From Investing Activities</b>	<b>-35.7</b>	<b>-3.0</b>	<b>-0.7</b>	<b>-30.9</b>	<b>-50.7</b>	<b>-54.4</b>	<b>-63.1</b>	<b>-75.7</b>	<b>-91.5</b>	<b>-110.7</b>
+ Dividends Paid	-48.8	-48.9	-42.3	-42.3	-44.8	-202.2	-531.7	-1,413.0	-2,547.3	-3,874.1
+ Change in Short-Term Borrowings	-28.3	644.0	-629.6	2,581.2	4,159.6	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	810.0	160.0	1,464.4	962.7	271.9	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-642.7	-894.4	-155.1	-252.6	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	0.0	0.0	460.0	856.6	523.5	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	0.0	0.0	10.0	-485.3	-150.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>90.1</b>	<b>-139.3</b>	<b>1,107.4</b>	<b>3,620.3</b>	<b>4,760.1</b>	<b>-202.2</b>	<b>-531.7</b>	<b>-1,413.0</b>	<b>-2,547.3</b>	<b>-3,874.1</b>
<b>Net Changes in Cash</b>	<b>25.8</b>	<b>207.2</b>	<b>90.8</b>	<b>-372.1</b>	<b>278.3</b>	<b>88.7</b>	<b>458.4</b>	<b>348.8</b>	<b>208.4</b>	<b>99.1</b>
Opening cash	114.7	140.5	347.7	438.5	66.5	344.7	433.4	891.9	1,240.6	1,449.1
Closing cash	140.5	347.7	438.5	66.5	344.7	433.4	891.9	1,240.6	1,449.1	1,548.2
Capex as a % of sales	1.0%	0.1%	0.0%	0.3%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%

Ratio Analysis	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
<b>Per Share Data (Rs)</b>										
Basic EPS (adjusted)	13.90	12.80	13.71	18.72	2.09	4.50	5.92	7.87	10.31	13.27
Diluted EPS (adjusted)	13.90	12.80	13.71	18.72	2.09	4.50	5.92	7.87	10.31	13.27
Dividend per share (DPS)	1.00	1.00	1.00	0.10	3.00	0.45	1.18	3.15	5.67	8.63
Book Value per share (BVPS)	163	181	204	241	26	30	35	39	44	49
<b>Margins (%)</b>										
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Margin	91.0%	92.1%	92.2%	92.6%	92.5%	92.5%	92.4%	92.3%	92.3%	92.2%
EBITDA Margin	91.2%	92.6%	92.8%	93.1%	93.0%	93.0%	92.9%	92.9%	92.8%	92.8%
Pre-Tax Margin (adjusted)	23.5%	19.8%	22.5%	27.3%	26.8%	60.0%	63.9%	68.7%	72.8%	76.3%
Net Income Margin (adjusted)	15.6%	14.4%	16.8%	20.2%	19.9%	37.4%	42.3%	46.9%	50.8%	54.0%
<b>Growth (%)</b>										
Sales growth	19.0%	3.9%	-7.7%	13.4%	20.0%	15.0%	16.0%	20.0%	21.0%	21.0%
EBIT growth	17.3%	5.2%	-7.6%	13.9%	19.8%	15.0%	15.9%	19.9%	20.9%	20.9%
Net Income (adjusted) growth	-8.4%	-4.0%	7.1%	36.7%	18.1%	116.0%	31.5%	32.9%	31.1%	28.7%
EPS (adjusted) growth	-8.4%	-7.9%	7.1%	36.5%	-88.9%	116.0%	31.5%	32.9%	31.1%	28.7%
Return Ratios	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
<b>Dupont ROE (%)</b>	<b>8.5%</b>	<b>7.1%</b>	<b>6.7%</b>	<b>7.7%</b>	<b>8.1%</b>	<b>15.0%</b>	<b>17.1%</b>	<b>20.0%</b>	<b>23.4%</b>	<b>27.3%</b>
Margin (%)	15.6%	14.4%	16.8%	20.2%	19.9%	37.4%	42.3%	46.9%	50.8%	54.0%
Turnover (x)	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.3
Leverage (x)	3.3	2.9	2.6	2.7	2.9	2.6	2.4	2.2	2.1	2.0
ROA	2.6%	2.4%	2.6%	2.9%	2.8%	5.7%	7.1%	8.9%	11.0%	13.5%
Return on Capital Employed	40.7%	37.3%	27.1%	25.2%	26.9%	27.8%	28.8%	31.2%	34.5%	38.4%
Return on Invested Capital	3.2%	2.8%	2.8%	3.0%	2.9%	6.0%	7.4%	9.3%	11.6%	14.1%
Net cash / equity	-156.3%	-142.3%	-134.2%	-151.5%	-169.8%	-145.8%	-122.9%	-106.2%	-94.0%	-84.5%
<b>FCF Calculation</b>										
Op. cash	-28.6	349.4	-1,015.9	-3,961.5	-4,431.1	345.3	1,053.3	1,837.4	2,847.3	4,083.9
capex	-35.7	-3.0	-0.7	-13.1	-62.6	-54.1	-62.8	-75.4	-91.2	-110.3
FCF (Rs million)	-64.3	346.4	-1,016.6	-3,974.6	-4,493.7	291.2	990.5	1,762.0	2,756.1	3,973.5
FCF margin (%)	-1.8%	9.2%	-29.4%	-101.3%	-95.5%	5.4%	15.8%	23.4%	30.2%	36.0%
FCF per share	-1.58	8.19	-24.04	-93.86	-10.01	0.65	2.21	3.92	6.14	8.85
Price/FCF per share	-78.9	15.3	-5.2	-1.3	-12.5	192.8	56.7	31.9	20.4	14.1
FCF Yield	-1.27%	6.55%	-19.23%	-75.08%	-8.01%	0.52%	1.76%	3.14%	4.91%	7.08%

Valuation ratio's	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
P/B	0.77	0.69	0.61	0.52	4.83	4.18	3.61	3.17	2.84	2.57
P/E	9.0	9.8	9.1	6.7	60.0	27.8	21.1	15.9	12.1	9.4
P/S	15.6	15.0	16.2	14.3	11.9	10.4	8.9	7.4	6.2	5.1
EV/sales	35.1	33.8	36.6	32.3	26.9	23.4	20.2	16.8	13.9	11.5
EV/EBITDA	38.5	21.9	23.7	20.8	17.4	15.1	13.0	10.9	9.0	7.4
EV/EBIT	38.6	36.7	39.7	34.9	29.1	25.3	21.8	18.2	15.0	12.4
EV/FCF	-1970.49	365.53	-124.56	-31.86	-28.18	434.88	127.85	71.87	45.95	31.87
Dividend Yield (%)	0.8%	0.8%	0.8%	0.1%	2.4%	0.4%	0.9%	2.5%	4.5%	6.9%

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