IIFL Institutional Equities

The Front Page

India | March 25, 2019

Top Research Stories

DISRUPTORS; **Info Edge** (ADD); Events

Market Front Page

Index Movements	Closing	% Chg	% YTD	ADR/GDR (US$)	Latest	% Chg	% Prem
Sensex	38,165	(0.6)	5.8	HDFC Bank	112.3	(1.3)	13.4
Nifty	11,457	(0.6)	5.5	Reliance	38.7	(3.3)	(0.6)
BSE Smallcap	14,759	(0.4)	0.4	Infosys	10.9	(1.6)	1.0
CNX Midcap	17,741	(0.6)	(0.8)	L&T	20.1	1.7	(0.6)
S&P 500	2,801	(1.9)	11.7	Wipro	4.0	(2.4)	6.1
IBOV	93,735	(3.1)	6.7	ICICI Bank	11.1	(2.6)	(2.5)
FTSE	7,208	(2.0)	7.1	Dr Reddy's	39.2	(2.9)	(1.9)
Stoxx 600	376	(1.2)	11.4	Tata Motors	12.4	(5.3)	(2.3)
Turnover		**US$m**	**% Chg**	**Commodities**	**Latest**	**%Chg**	**%YTD**
BSE		470	19.8	Gold (US$/ounce)	1,314	0.1	2.4
NSE		5,310	3.1	Brent Crude(US$/bbl)	66	(2.4)	25.0
Derivatives (NSE)		130,003	(52.6)	Aluminum (US$/MT)	1,877	(1.9)	0.8
FII F&O (US$m)		**Index**	**Stocks**	Copper (US$/MT)	6,315	(2.6)	6.1
Net buying		43	(62)	Lead (US$/MT)	2,010	(0.7)	0.1
Open interest		15,718	15,086	Zinc (US$/MT)	2,846	(1.7)	13.0
Chg in open int.		232	87	Wheat (US$/MT)	316	0.3	(7.4)
Net Flows (US$m)	**Latest**	**MTD**	**YTD**	Corn (US$/MT)	312	1.8	0.9
FII (Eqy) (20/3)	196	3,816	6,112	Soybean (US$/MT)	339	(0.2)	(0.6)
DII (Eqy) (22/3)	(98)	(1,948)	(1,730)	LME Metals Index	2,999	(1.9)	7.0
MF (Debt) (19/3)	989	9,716	20,140	CRB Food Index	343	1.5	5.9
FII (Debt) (20/3)	259	2,037	384	CRB Cmdty Index	424	0.6	3.7

Valuation Front Page

	FY18A	FY19E	FY20E	FY21E
Nifty Index EPS	451	507	642	753
Growth (%)	10.1	12.4	26.6	17.3
PE (x)	25.4	22.6	17.8	15.2

Note: Nifty EPS based on Bloomberg consensus estimates.

Market Front Page

Bond mkts	Latest	bps Chg	bps YTD	Forex mkts		Latest	% Chg	% YTD
10 Yr Govt.	7.34	(2)	(3)	Dollar Index	Dollar Index	96.7	0.9	0.5
5 Yr Govt.	6.97	(3)	(22)	India	USD/INR	69.0	0.2	(1.2)
5 Yr AAA	8.15	(3)	(28)	India	EUR/INR	78.0	(0.2)	(2.5)
5 Yr BBB	11.39	(3)	(28)	India	GBP/INR	90.7	(0.3)	1.8
3m T-Bill	6.29	(1)	(46)	Brazil	USD/BRL	3.9	3.4	0.7
Interbank Call	6.05	(15)	(45)	China	USD/CNY	6.7	0.4	(2.3)
Repo	6.25	0	(25)	Mexico	USD/MXN	19.1	1.4	(2.8)
US 10 year	2.44	(9)	(25)	Russia	USD/RUB	64.7	1.2	(6.8)
UK 10 year	1.01	(14)	(26)	S. Africa	USD/ZAR	14.5	1.7	1.1
EM Bond Spread	373.34	4	(61)	Turkey	USD/TRY	5.8	6.2	8.9

Valuation Front Page

ExchangeName	Closing	PE	PB	EV/EBITDA	ROE	YTD
NSE Nifty	11,457	17.8	2.6	10.1	14.9	5.5
Shanghai Composite	3,104	11.2	1.3	8.3	11.9	23.4
STOXX 600	376	13.6	1.7	8.4	12.2	11.4
Bovespa	93,735	11.2	1.7	6.5	15.0	6.7
Topix	1,617	12.5	1.1	7.7	9.1	5.3
KOSPI	2,187	10.9	0.9	7.3	8.2	5.5
MOEX Russia Index	2,493	5.6	0.7	3.8	13.3	5.2
Johannesburg All share	56,107	12.3	1.7	7.1	13.8	6.4
S&P500	2,801	16.3	3.0	11.0	18.5	11.7
BSE Sector Indices	**Closing**	**PE**	**PB**	**EV/EBITDA**	**ROE**	**YTD**
Auto	18,798	15.9	2.3	7.7	14.3	(9.8)
Bankex	33,151	18.3	2.4	NA	13.0	9.1
Capital Goods	18,341	19.5	2.7	13.3	13.9	(2.6)
Consumer Durables	23,142	33.6	6.7	22.5	20.1	11.8
FMCG	11,693	32.5	7.6	21.6	23.3	(1.2)
Health Care	14,182	21.5	2.8	13.3	13.0	1.9
IT	15,240	17.6	4.4	12.3	24.7	8.2
Metal	11,152	8.2	1.0	4.4	12.7	(5.8)
Oil & Gas	14,813	9.7	1.4	6.3	14.6	7.7
Power	2,001	13.3	1.4	8.5	10.4	0.1
Realty	2,064	21.2	1.7	15.0	8.1	14.8
Tech(TMT)	7,601	21.0	3.9	11.8	18.6	7.6

EM bond spread based on JP Morgan EM Bond spread index. Index valuations based on 12m forward estimates.

Top Movers

Nifty Index

Top Gainers	Price (Rs)	Chg 1d (%)	1yr (%)	Top Losers	Price (Rs)	Chg 1d (%)	1yr (%)
Ntpc Ltd	135	4.2	(5.0)	Bharti Infratel	316	(2.8)	(7.7)
Larsen & Toubro	1,395	1.7	10.0	Tata Motors Ltd	175	(2.7)	(47.0)
Jsw Steel Ltd	286	1.2	(0.1)	Bharat Petrol	379	(2.6)	(8.3)
Asian Paints Ltd	1,471	1.0	32.2	Hindustan Petro	268	(2.5)	(20.8)
Hindalco Inds	209	0.9	1.5	Reliance Inds	1,342	(2.5)	50.1

Nifty MidCap 50

Top Gainers	Price (Rs)	Chg 1d (%)	1yr (%)	Top Losers	Price (Rs)	Chg 1d (%)	1yr (%)
Castrol India	161	2.7	(19.4)	Reliance Infrast	131	(4.8)	(68.8)
Gmr Infrastructu	17	2.4	4.2	Exide Indus Ltd	221	(3.7)	2.2
Srf Ltd	2,455	2.2	28.0	National Alumin	54	(3.6)	(18.9)
Jubilant Foodwor	1,430	2.1	25.6	Dewan Housing	134	(2.8)	(73.0)
Jindal Steel & P	167	1.3	(22.0)	Rec Ltd	141	(2.7)	14.2

Market Front Page

Volume spurts

Company	CMP	M.Cap (US$ m)	Traded Val. (US$ m)	20D Avg. (US$ m)	Chg (%)
Godrej Properties Ltd	846	614	17	4	333.7
InterGlobe Aviation Ltd	1,427	1,735	116	28	312.1
Oberoi Realty Ltd	517	594	20	6	232.6
NTPC Ltd	135	4,213	110	41	168.8
City Union Bank Ltd	201	466	7	3	150.5
Procter & Gamble Hygiene & Hea	10,465	1,074	2	1	140.0
Castrol India Ltd	161	502	13	6	128.8
HDFC Bank Ltd	2,276	19,604	256	113	125.8
Punjab National Bank	92	1,101	104	48	119.4
Cipla Ltd/India	527	1,342	34	16	115.7

Derivatives Segmental Data

Since last expiry (28-Feb-2019)

FII	Change in OI (Contracts)		Long/Short Ratio	
	1 Day	Since Expiry	Current	At Expiry
FII Net Index Futures	9,734	101,407	1.9	1.0
FII Net Stock Futures	(32,566)	(129,723)	1.4	1.8
FII Net Index Call Options	(10,951)	90,117	2.7	2.9
FII Net Index Put Options	21,398	(32,833)	1.4	2.0
FII Net Stock Call Options	(2,049)	3,692	1.0	0.7
FII Net Stock Put Options	1,329	6,444	1.2	0.9
Prop				
Prop Net Index Futures	1,994	(1,218)	0.6	0.5
Prop Net Stock Futures	6,180	18,327	1.2	1.2
Prop Net Index Call Options	(70,124)	(115,059)	0.5	1.1
Prop Net Index Put Options	9,835	(61,182)	0.6	0.8
Prop Net Stock Call Options	(11,702)	(65,270)	0.5	0.7
Prop Net Stock Put Options	7,007	(30,800)	0.7	1.3

Client	Change in OI (Contracts)		Long/Short Ratio	
	1 Day	Since Expiry	Current	At Expiry
Client Net Index Futures	(10,704)	(76,434)	0.7	1.0
Client Net Stock Futures	21,983	42,179	2.6	3.7
Client Net Index Call Options	81,075	20,281	0.8	0.7
Client Net Index Put Options	(32,601)	103,893	0.9	0.6
Client Net Stock Call Options	13,751	61,578	1.3	1.2
Client Net Stock Put Options	(8,336)	24,356	1.1	0.9
DII				
DII Net Index Futures	(1,024)	(23,755)	0.9	2.2
DII Net Stock Futures	4,403	69,217	0.0	0.0
DII Net Index Call Options	0	4,661	0.0	0.0
DII Net Index Put Options	1,368	(9,878)	0.0	0.0
DII Net Stock Call Options	0	0	0.0	0.0
DII Net Stock Put Options	0	0	0.0	0.0

Winners & Losers

Since last expiry (28-Feb-2019)

Benchmark Indices	Closing	Returns (%)	OI Chg (%)
Nifty Index	11,457	6.2	67.5
Bank Nifty Index	29,583	10.4	136.1

Best Performers	CMP	Returns (%)	OI Chg (%)	Inference
Cg Power And Ind	44	37.9	(7.8)	Short Covering
Repco Home Finan	450	34.3	53.5	Long Buildup
Ncc Ltd	110	28.6	(3.5)	Short Covering
Oriental Bank Of	106	28.4	51.9	Long Buildup
Godfrey Phillips	1,125	27.1	8.4	Long Buildup
Interglobe Aviat	1,427	26.8	28.1	Long Buildup
Punjab Natl Bank	92	26.6	23.9	Long Buildup

Worst Performers	CMP (Rs)	Returns (%)	OI Chg (%)	Inference
Birlasoft Ltd	96	(11.5)	46.0	Short Buildup
Motherson Sumi	147	(9.6)	45.4	Short Buildup
Zee Entertainmen	435	(6.8)	4.2	Short Buildup
Wipro Ltd	261	(5.8)	47.3	Short Buildup
Dish Tv India	37	(5.5)	29.6	Short Buildup
Cipla Ltd	527	(5.0)	9.2	Short Buildup
Tech Mahindra Lt	789	(5.0)	15.1	Short Buildup

Corporate Front Page

- Mukesh Ambani's **Reliance Industries** has set up a company — in Reliance Navi Mumbai Infra (RNMIL) — for real estate development (BS)
- **DCM Shriram Limited** plans to raise USD35mn from IFC to support its USD86.1mn capital expenditure plan to expand sugar production, co-generation plant and distillery unit in Uttar Pradesh (BS)
- **Power Finance Corporation** (PFC) announced the acquisition of the Centre's 52.63% paid-up share capital in **Rural Electrification Corporation** (REC). The board of directors approved the acquisition cost of about Rs145bn (BS)
- **GVK** would buy ACSA's stake in Mumbai airport company to raise stake to 74% (BS)

Economy Front Page

- The value of merger and acquisition deals in February slumped 34% to USD1.24bn compared to the year-ago period (BS)
- Finance Minister Arun Jaitley said that the government had exceeded its disinvestment target of Rs800bn for 2018-19 by Rs50bn, taking the proceeds to Rs850bn (BS)
- Fitch Ratings cut India's economic growth forecast for the next financial year starting April 1, to 6.8% from its previous estimate of 7%, on weaker than expected momentum in the economy (BS)
- Foreign investors have poured in a net amount of Rs382.11bn in the domestic capital markets in March so far, mainly on account of improved global liquidity (BS)
- The country's gold imports dipped about 5.5% in value terms to USD29.5bn during April-February 2018-19, which is expected to keep a lid on the current account deficit (BS)

Swiggylicious

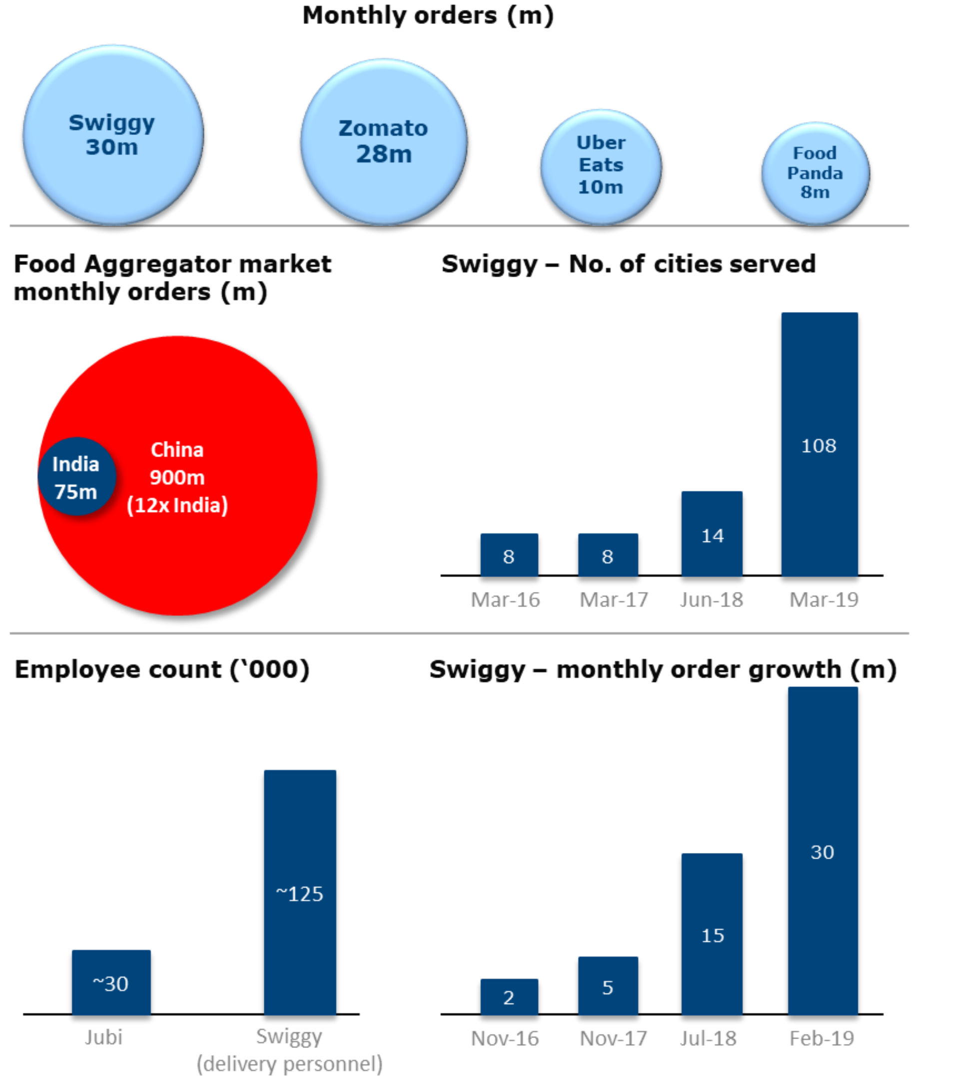
We commence the "Disruptors" series, where we look at players that have upended existing industries. In our inaugural note, we look at Swiggy, the largest online food delivery player in India delivering ~30m orders a month. Through its disruptive approach to food delivery, Swiggy has redefined eating-out in India, reflected in ~22x sales growth over FY16-18. Its ability to achieve order-level breakeven indicates a potential path to PAT profitability. This along with shareholders with deep pockets and the recent US$1bn raise suggest that this disruption is not transient, but more structural in nature. While organised chains should benefit the most from this disruption in food delivery segment, we believe players with focus on menu innovations, customer experience/brand development are best placed.

Aggressive growth engine: Swiggy has charted an aggressive sales trajectory (up 22x over FY16-18) on the back of aggressive discounts, partnership with more than 55,000 restaurants and 125,000+ strong delivery fleet. With ~1m orders delivered daily (~40% market share), Swiggy is now expanding to new cities and exploring adjacencies like cloud kitchens, private brands and grocery delivery.

Achieved order-level breakeven in FY18: While Swiggy continues to incur ~Rs4bn PAT loss annually, it has been able to achieve breakeven in FY18 on a per-order basis, by improving revenue mix and reducing costs. While its expansion into new cities may weigh on profitability, the ability to achieve breakeven lends credence to the model and suggests a possible path to PAT profitability.

Disrupting the way people eat: Swiggy has redefined the eating out culture in India, using huge discounts to attract customers and a strong delivery fleet to create a competitive advantage. We believe the national appeal of organised chains makes them an ideal candidate to benefit from the turbo-charged growth that food delivery is likely to witness. However, we think focus of restaurants would need to be on menu innovations, improving customer experience and brand development.

Figure 1: Food delivery market – a snapshot



Source: Company, IIFL Research

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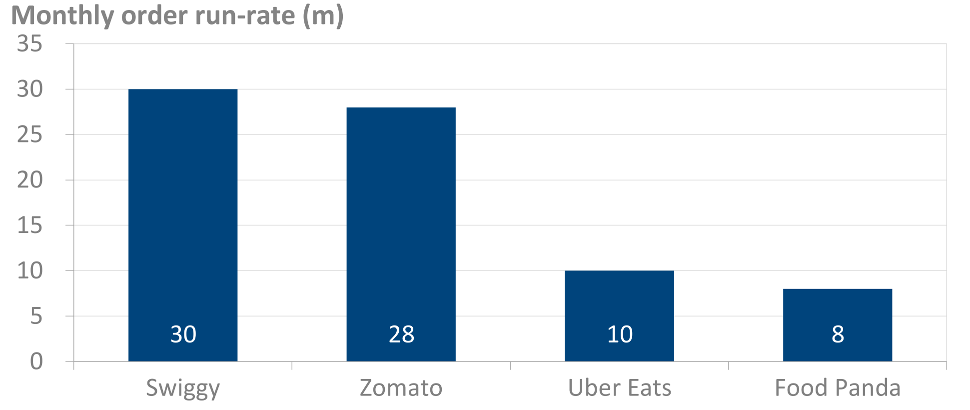
Company snapshot – Swiggy

- Swiggy (Bundl Technologies Private Limited) is a leading food-ordering & delivery platform in India, operating as a marketplace for restaurants. It allows consumers to order online from any of its 55,000+ partner restaurants across over 100 cities, and then, which is then delivered to their homes through a fleet of ~125,000 delivery personnel.
- Apart from increasing convenience for customers, Swiggy also expands the target market for restaurants, as even small, standalone outlets are able to offer delivery as an option.
- The company was founded in 2014 by BITS Pilani graduates, Sriharsha Majety and Nandan Reddy, when they decided to explore the idea of "hyperlocal food delivery". The third co-founder, Rahul Jaimini, brought in the technical expertise.
- The company has seen healthy growth in the last three years, with order run-rate ramping up, from 2m orders per month in Dec-16 to ~30m orders currently.
- Swiggy also has presence in services like Swiggy Access (plug-and-play cloud kitchen), Swiggy Stores (home delivery of essentials such as groceries, health products etc) and The Bowl Kitchen restaurant (private label cloud kitchen restaurant brand).
- It has recently launched a membership programme, Swiggy Super, wherein subscribers can avail unlimited free deliveries (for orders more than Rs99) by paying a subscription fee of Rs49/month. Further, members are also exempted from surge fees (higher delivery charges during rains/high demand) and have access to exclusive offers.
- Swiggy derives its revenues through three streams: i) Share of order value ('take rate') charged as a commission from restaurants; ii) Delivery charges to customers; and iii) Income from selling ad-space on its portal (i.e. Carousel income).
- Swiggy has raised US$1.5bn since Apr-15. Naspers (a South African company with investments in leading ecommerce companies) and Meituan Dianping (the largest food aggregator in China) have been the key investors in the company.

Figure 2: Swiggy and Zomato are leaders in the online food aggregator market; Uber Eats is a distant third



Source: Media Reports, IIFL Research

Figure 3: Naspers and Meituan Dianping have been key investors in recent rounds

Round	Date	Amount (US$ m)	Key investors
Series H	Dec-18	1,000	Naspers, Meituan-Dianping, DST Global, Tencent Holdings
Series G	Jun-18	210	Naspers, DST Global, Meituan-Dianping
Series F	Feb-18	100	Naspers, Meituan-Dianping
Series E	May-17	80	Naspers, Accel, Norwest Venture Partners, SAIF Partners, Bessemer Venture Partners
Series D	Sep-16	15	Bessemer Venture Partners
Series C	Jan/ May-16	42	NA
Series B	Jun-15	17	Norwest Venture Partners
Series A	Apr-15	2	Accel, SAIF Partners

Source: Company, IIFL Research

Aggressive growth engine

Swiggy has changed the way the Indian consumer views eating out. It has developed a strong portfolio of partner restaurants and a fleet of delivery persons to service customers. These strengths have allowed it to enhance ordering convenience for customers; on the back of these and aggressive discounts to lure customers, Swiggy has emerged as the leading online food delivery player in India, servicing ~1m orders daily (~40% market share).

A sense of the aggression of its sales growth can be envisaged from the 22x growth witnessed in sales from Rs200m in FY16 to Rs4400m in FY18. Aided by continued funding from strong investors, Swiggy intends to expand its reach, to new cities, and sustain the healthy growth momentum. Addition of value-added services such as Swiggy Access (plug & play kitchen for restaurants) and private labels (own brands to aid margins) would further strengthened its position. Also, it is using its delivery strength to expand into adjacencies such as delivery of essentials like groceries etc.

Understanding Swiggy's revenue model

As highlighted earlier, Swiggy is primarily in the business of delivering food from partner restaurants to customers. For this service, the company charges a commission rate to the restaurant and a delivery cost to the customer. However, the delivery cost payable by the customer is partly subsidised by the restaurant.

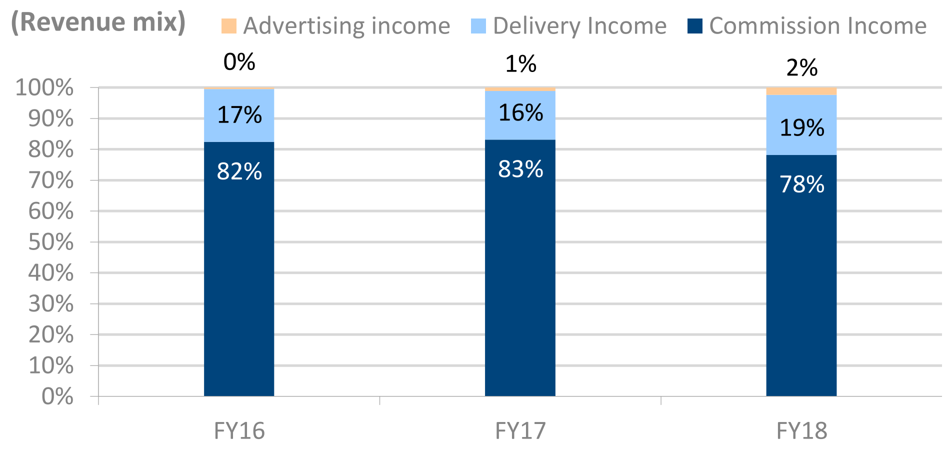
Swiggy charges 15-30% 'take rate' from restaurants, depending on the level of service provided and the size of the chain. In addition to this take rate charged as a commission from restaurants, Swiggy also earns the delivery fee charged to customers.

The company has recently started levying a small fee for delivery. However, to ensure that this does not weigh on customer additions, Swiggy has launched a membership programme, Swiggy Super, wherein subscribers can avail unlimited free deliveries (for orders more than Rs99). Further, members are also exempted from surge fees (higher delivery charges during rains/high demand) and have access to exclusive offers. Note that this loyalty program is different from that of Zomato, which has targeted the dine-in audience through its Zomato Gold offering. Zomato has since launched Zomato Piggybank, which provides credits to users for each online order.

Lastly, Swiggy earns carousel income from selling ad-space on its portal. This is similar to the fee charged by Google for putting search results on top.

In FY18, commissions comprised 78% of Swiggy's revenues, followed by delivery charges (20%) and Carousel income (2%).

Figure 4: Commissions from restaurants account for the largest share of revenue, followed by delivery charges and advertising income



Source: Company, IIFL Research

Well placed against competition

Swiggy's key competitor is Zomato, which has a strong restaurant listing business and also enables customers to order online through its website. However, Swiggy enjoys the first-mover advantage in deliveries and carries out 100% of deliveries from its partner restaurants. In contrast, some of Zomato's orders are delivered by the restaurants themselves. Given this, Swiggy charges a higher take rate (commission rate) to restaurants vs Zomato.

Swiggy has a strong delivery fleet of ~125,000 riders, which it has continued to strengthen by providing healthy incentives to delivery employees. Further, the high frequency of orders allows a delivery person to enjoy higher income levels.

Also, Swiggy's ability to attract customers to order from its platform and its investments in heat maps of each city/partner restaurant tech ensures a virtuous cycle of customer addition.

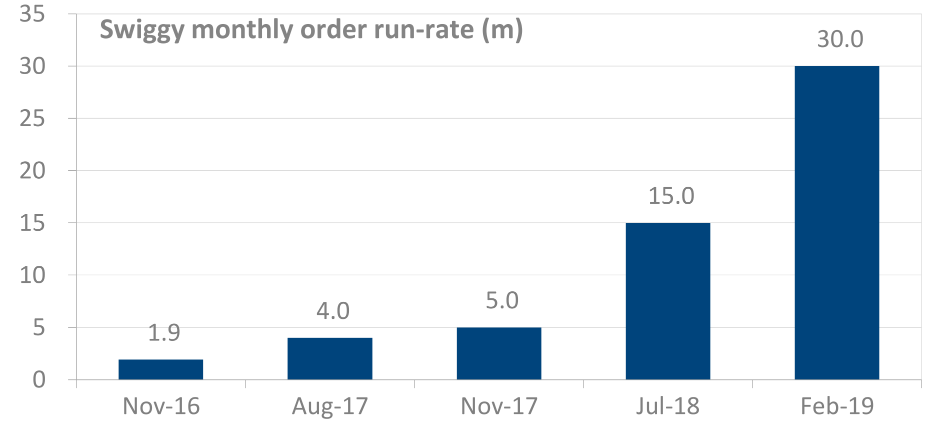
Strong order growth backed by discounting

Swiggy has raised US$1.5bn since Apr-15, with US$1bn funds raised recently in Dec-18. Swiggy has used aggressive discounts to lure customers to its platform. Further, the convenience of ordering food at home attracted a large section of customers who were unable to avail this service across restaurants/QSR players. This traction helped Swiggy grow its monthly order run-rate, from 2m in Nov-16 to ~30m currently.

Figure 5: Swiggy has used discounting to lure customers to its platform

Source: Company, IIFL Research

Figure 6: Swiggy has seen a strong growth in the monthly order run rate



Source: Company, IIFL Research

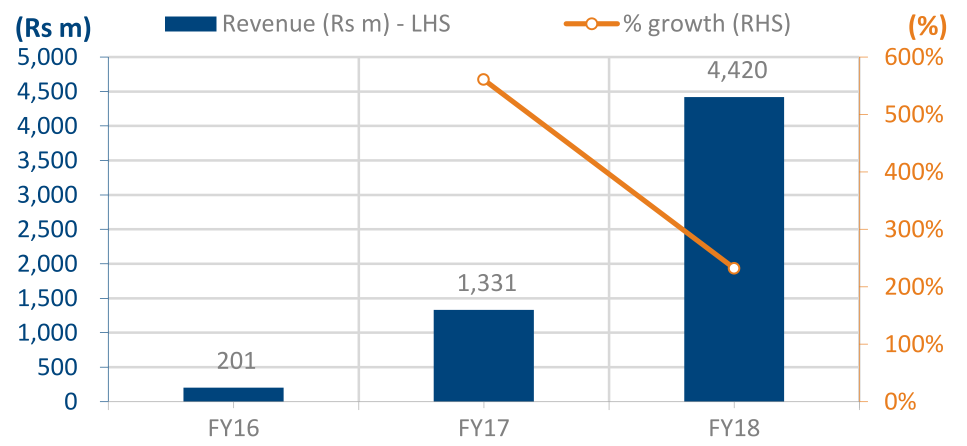
Strong traction in order growth has aided sales growth

Swiggy's strong growth in orders has supported sales. Revenues have increased to Rs4.4bn in FY18, from Rs1.3bn in FY17 and Rs0.2bn in FY16. Further, Swiggy's initiatives to pass on the delivery cost to the customer and to monetise its brand strength have aided growth.

This is reflected from the fact that the revenue mix has marginally shifted towards delivery income (19% vs. 17% in FY16), while share of commission income dropped to 78% (vs. 82% in FY16).

Further, Swiggy generated Rs100m in FY18 vs. Rs14m in FY17 by monetising traffic on its portal. This was through income paid by restaurants to advertise on Swiggy's platform and reflects the importance that restaurants have started to attach to their presence on Swiggy's platform.

Figure 7: Sales growth has been healthy on the back of healthy order growth



Source: Company, IIFL Research

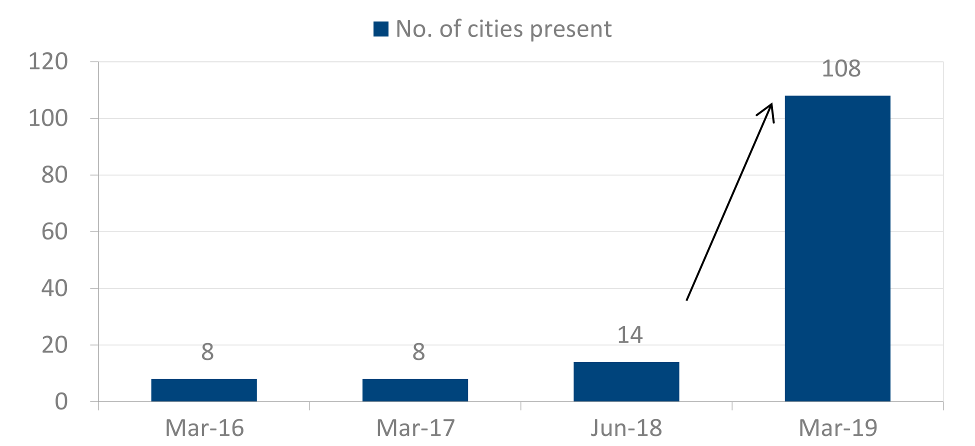
Multiple legs to drive sales growth going forward

While the growth till date has been led by expansion in existing cities, Swiggy is now looking to expand into new cities, to drive growth. Also, it is also been exploring adjacencies like: 1) a plug & play cloud kitchen for own and third party brands; 2) home delivery of groceries etc; and 3) development of own brands.

Expansion into new cities

In the first two years of operations (i.e. FY16/17), Swiggy had restricted its operations to the top eight cities. However, in the last 8-9 months, aided by ~US$1.1bn funding across 2 rounds, Swiggy has sharply ramped up its presence to 108 cities/towns. Of this, ~65 cities have been added only in the last four months. Clearly, there has been a change in strategy, from using discounting as a means to gain market share to gaining the first-mover advantage in new cities. We believe this expansion would drive the next phase of sales growth for Swiggy.

Figure 8: Swiggy has sharply expanded its presence in the last 9 months



Source: Company, IFL Research

Plug and play cloud kitchen

The plug & play cloud kitchen has been launched under the name "Swiggy Access", which is a ~3,200sqft facility equipped with kitchen spaces and gives restaurant partners access to delivery. Each restaurant brings its own equipment and needs to start rolling out operations. Swiggy helps restaurants optimise kitchen space with details such as stock planning, demand forecasting, preparation time and order edits. Restaurants do not pay a rental and are instead charged a take-rate on the basis of revenues. As of Sep-18, the Swiggy Access offering was available in five cities, with plans to expand to over 30 cities by 2020.

Figure 9: Swiggy Access provides cloud kitchen facilities

Source: Company, IIFL Research

Home delivery of essentials like groceries

Swiggy has expanded into general deliveries from Feb-19, through dark stores that would help deliver groceries, health products etc to customers. The initial rollout is happening in Gurgaon, where Swiggy is partnering with 3,500 stores such as Le Marche, Guardian Pharmacy and Zappfresh.com. It expects to use the expertise gained from the recent acquisition of "SuprDaily", a milk delivery start-up based in Mumbai. This expansion should allow Swiggy to follow the path taken by its investor and peer in China – Meituan Dianping – and help grow revenues in existing cities. Swiggy stores would be accessible from its existing app.

Own food brands

Swiggy has developed own restaurant brands, such as The Bowl Company and Homely, to expand margins and control the entire chain. A large share of these brand sales are based in Bengaluru, though the company expects to expand to other cities. It has placed ads for hiring chefs and workforce, to scale up private labels. These own brands should help it capture food gross margins and thus drive a higher margin profile. Further, it should ensure that in new cities, it is able to provide a consistent experience despite absence of established chains. Swiggy has ensured that presence in own brands does not hamper its ability to add partner restaurants.

Achieved order-level breakeven in FY18

An analysis of Swiggy's financial statements highlights that while it has an asset-light balance sheet, it continues to generate PAT losses, with ~Rs4bn PAT loss in FY18. However, to better understand business profitability, we attempted to determine the profitability on a per-order basis. For this, we estimate the yearly order levels based on media reports. Our analysis suggests that Swiggy has been able to achieve order level breakeven in FY18 on the back of improvement in order level income and reduction in per-order costs.

With Swiggy increasingly focused on expansion into new cities, we believe this per-order breakeven may come under stress, given start-up costs in the new cities. Swiggy's ability to expand margins through its new initiatives remains an upside risk to this estimate.

More importantly, Swiggy's ability to achieve order-level breakeven highlights ability of the company to achieve PAT breakeven with certain scale.

Figure 10: Per-order analysis suggests order-level breakeven achieved in FY18

Per order analysis* (Rs)	FY17	FY18	YoY
Revenue			
Commissions	50	57	13%
Delivery charges	10	14	49%
Advertising Income	1	2	159%
Total revenues	**60**	**73**	**21%**
Less: Direct Costs	(66)	(64)	-3%
Less: Order cancellation costs	(5)	(5)	**-10%**
Profit per order	**(11)**	**3**	

Source: Company, IIFL Research; *Number of annual orders estimated based on media reports

Per-order income has seen healthy growth

While revenue growth has been healthy on the back of strong order growth, a closer analysis reveals that sales-per-order has witnessed a healthy 21% growth in FY18. This has been on account of 13% increase in per-order commission. This increase in commission per order is possibly driven on back of increase in take-out rates charged by Swiggy and partly by growth in transaction sizes. We believe that the former has been a bigger driver for growth in per-order commission income.

Additionally, Swiggy has started charging customers for delivery. This is reflected in the rising share of delivery income and an increase in per-order delivery income. Delivery income per-order grew 49% to Rs14.

Cost control has aided per-order profitability

As highlighted above, the order level breakeven was also driven by reduction in per-order direct costs. Operating costs per order declined a marginal 3%, from Rs66 in FY17 to Rs64 in FY17. While Swiggy has stopped sharing the breakup of such direct costs, most of these costs are related to cost of delivery, as reflected in the FY17 Annual Report. In FY17, cost of delivery accounted for 94% of direct costs, while payment gateway expenses (4%) and consumables (2%) accounted for the rest.

While details on what drove this decline are not available, anecdotal evidence suggests that Swiggy has been reducing the incentives paid to delivery personnel. Further, there is likely to be an increase in employee productivity levels as Swiggy is able to increase the number of orders that each delivery personnel can service.

The loss on cancelled orders was similar on per total-order basis, at Rs5/order in FY18. As a result, unit profitability has improved, from Rs11/order loss to Rs3/order profit.

Overheads continue to weigh on PAT

Apart from these costs, Swiggy incurred Rs1.9bn in employee costs and Rs1.5bn in advertising & marketing expenses. Hence, Ebitda loss stood at Rs4.1bn vs. Rs2.1bn in FY17. This, in turn, resulted in a net loss of Rs4bn (vs. Rs2.1bn in FY17).

Figure 11: Swiggy – Detailed P&L

(Rs m)	FY16	FY17	FY18
Revenues	**201**	**1,331**	**4,420**
Cost of operations	(471)	(1,450)	(3,845)
Loss on order cancellation	(27)	(110)	(267)
Unit level profit	**(296)**	**(230)**	**308**
Employee costs	(535)	(899)	(1,908)
Advertising expenses	(254)	(526)	(1,549)
Communication & IT	(83)	(173)	(419)
Rentals	(64)	(99)	(151)
Others	(134)	(189)	(385)
Ebitda	**(1,366)**	**(2,115)**	**(4,103)**
Depreciation	(41)	(45)	(71)
Finance costs	-	(18)	(63)
Other income	35	126	263
PBT	**(1,372)**	**(2,052)**	**(3,973)**
Taxes	-	-	-
PAT	**(1,372)**	**(2,052)**	**(3,973)**

Source: Company, IIFL Research

Asset-light balance sheet

Swiggy operates a largely asset-light model, with fixed assets (motorbike etc.) often owned by the delivery personnel who are paid on a per-delivery basis. Working capital is negative, given minimal inventory and payables (58days) exceeding receivables (18days). In fact, invested capital (equity + debt – cash & cash eq.) has been negative in the last two years.

Figure 12: Both, working capital and invested capital, negative for Swiggy

Balance sheet (Rs m)	FY16	FY17	FY18
Net worth	2,005	1,413	8,987
Debt	-	500	141
Other non-current liabilities/provisions	9	22	44
Total liabilities	**2,014**	**1,936**	**9,172**
Fixed assets	74	123	292
Long-term investments	-	-	50
Other long term assets	23	26	124
Inventories	-	0	5
Trade Receivables	38	58	222
Cash and Cash equivalent	2,013	2,083	9,643
Other current assets	60	113	235
Trade Payables	76	242	697
Other current liabilities	119	226	702
Total assets	**2,014**	**1,936**	**9,172**
Working capital			
Inventory days	-	0	0
Receivable days	69	16	18
Payable days	137	66	58
Working capital days	**(68)**	**(50)**	**(39)**
Invested capital (Rs m)	**(8)**	**(170)**	**(515)**

Source: Company, IIFL Research

Disrupting the existing food services space

Swiggy has disrupted the restaurant space, having changed the way customer approach eating out. It has enhanced affordability, variety and the convenience of eating out for a customer, thereby driving strong growth in the food delivery space. Further, Swiggy has enabled small restaurants to cater to a larger customer audience. Given shareholders with deep pockets and the recent US$1bn fund raise (Dec-18), we believe this focus on expanding market share across existing and new cities would continue, backed by aggressive discounting to customers and spends on delivery personnel addition. Further, China is an example that shows the high potential for the market with multiple legs of growth possible. We believe Swiggy with its common shareholders has the ability to chart a similar growth path.

We believe the increase in the customer eating-out frequency should benefit the entire restaurant industry; though the benefits would be disproportionately higher for chained restaurants that enjoy national brand appeal. However, chains would need to improve focus on menu innovations, packaging solutions, enhancing customer experience, strengthening brand positioning and have store additions in this changing industry to remain relevant.

Deep-pocketed investors to aid growth

As highlighted earlier, using its balance sheet strength, Swiggy has embarked on discounting to acquire customers/develop delivery capabilities. This balance sheet strength has been on the back of the US$1.5bn equity fund raising done since Apr-15.

Since its Series E round in May-17, Naspers and Meituan Dianping have been the key investors in the company. Both investors have a deep understanding of the online food services industry across geographies. Meituan Dianping (Meituan) is the largest food aggregator in China and fulfils ~16m orders in a month (~16x Swiggy's run rate). Naspers, on the other hand, is a South African firm that has investments in leading food delivery companies such as Delivery Hero (present in over 40 countries) and ifood (leader in Brazil). Naspers further holds 31% stake in Tencent Holdings, which was an early investor in Meituan Dianping and has also backed Swiggy in its last funding round.

Both these investors are well funded, especially Naspers, which raised US$10bn in Mar-18 through a 3% stake sale in Tencent.

Figure 13: Have raised US$1.5bn since April-15

Round	Date	Amount (US$ m)	Key investors
Series H	Dec-18	1,000	Naspers, Meituan-Dianping, DST Global, Tencent Holdings
Series G	Jun-18	210	Naspers, DST Global, Meituan-Dianping
Series F	Feb-18	100	Naspers, Meituan-Dianping
Series E	May-17	80	Naspers, Accel, Norwest Venture Partners, SAIF Partners, Bessemer Venture Partners
Series D	Sep-16	15	Bessemer Venture Partners
Series C	Jan/May-16	42	NA
Series B	Jun-15	17	Norwest Venture Partners
Series A	Apr-15	2	Accel, SAIF Partners

Source: Company, IIFL Research

China shows the possible growth path

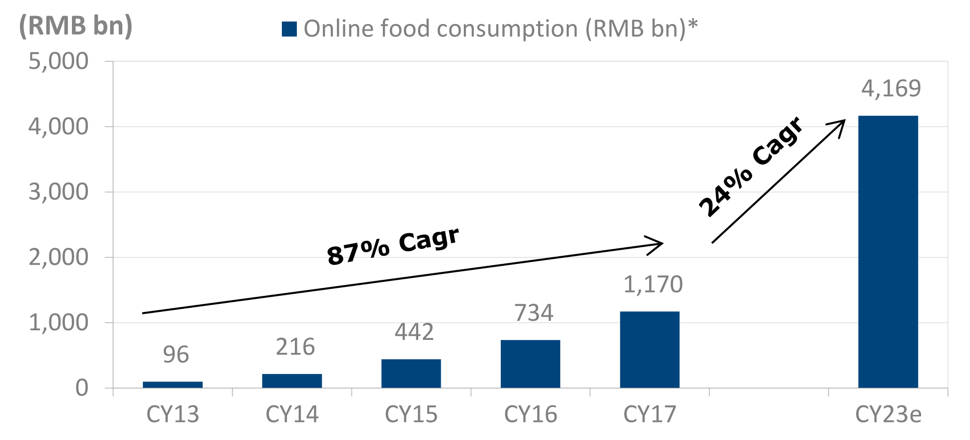
Indian players are witnessing signs of consolidation, with Swiggy and Zomato growing ahead of peers. This is similar to what is seen in China. Further, an analysis of China's industry highlights the large potential for growth in the online food delivery in India. China's market stands at ~12x the size of the Indian market, despite China's GDP being 5x that of India.

China points to high growth potential in online food delivery
Aided by a robust payments infrastructure and increasing internet penetration, the online food delivery market in China has clocked 87% Cagr over CY13-17. Share of online channel hence increased, from 2% in CY13 to 13% in CY17, and is likely to touch 30% by CY23.

In terms of number of orders, the China market stood at ~10bn orders in CY18, implying a monthly run-rate of ~890m (12x India's current monthly run-rate of ~75m). This highlights the large opportunity landscape that Swiggy can pursue.

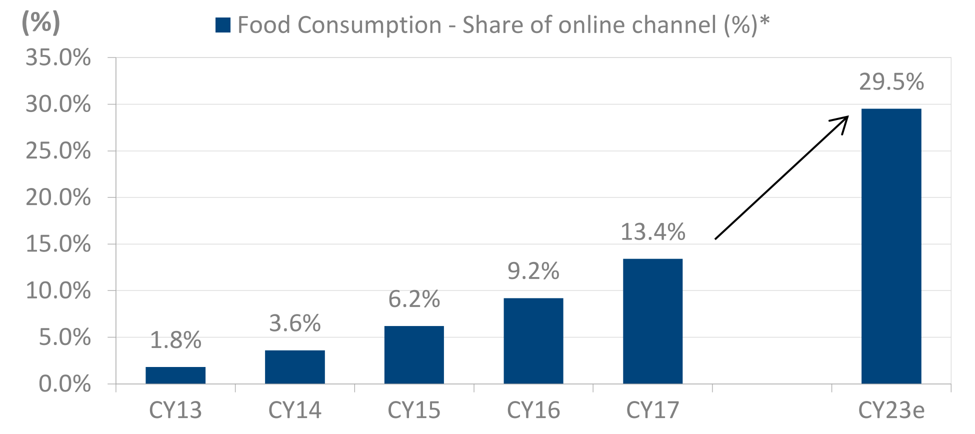
Meituan Dianping, market leader in China and an investor in Swiggy, commands ~60% market share. It has seen a strong 163% Cagr in transaction value over CY15-18; this was aided by 116% Cagr in the number of orders and 22% Cagr in value per order. Further, its average take-rate has improved, from ~1% in CY15 to 13.5% in CY18, resulting in 500% revenue Cagr over CY15-18.

Figure 14: Online food delivery has grown at 87% Cagr over CY13-17



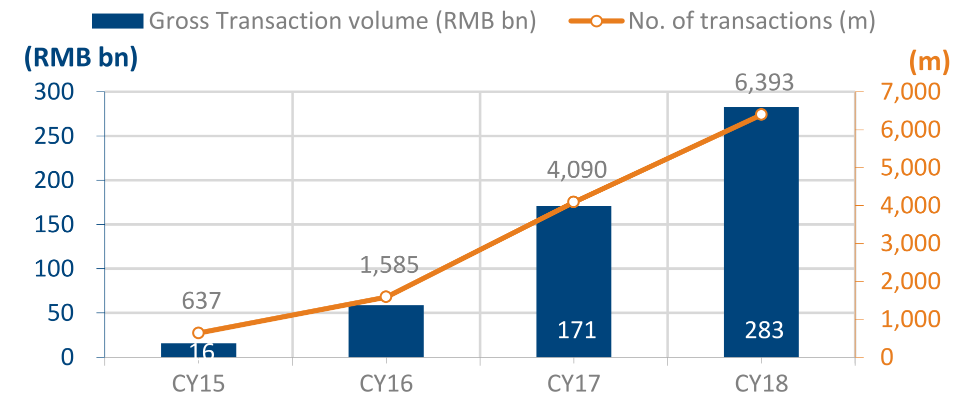
Source: Company, IIFL Research*includes restaurant as well as non-restaurant food consumption

Figure 15: Share of online channel likely to increase to 30% vs. 13% in CY13



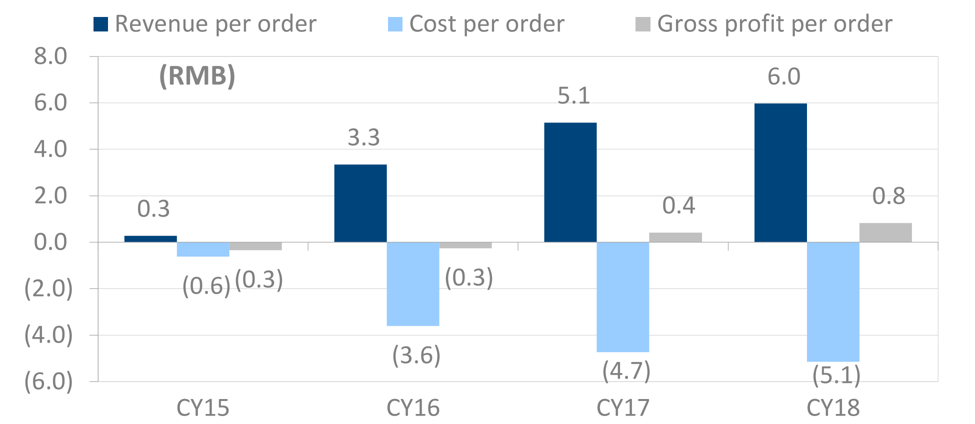
Source: IIFL Research; *includes restaurant as well as non-restaurant food consumption

Figure 16: Meituan has seen 116% order Cagr over CY15-18



Source: Company, IIFL Research

Figure 17: Per-order break even reached in CY17

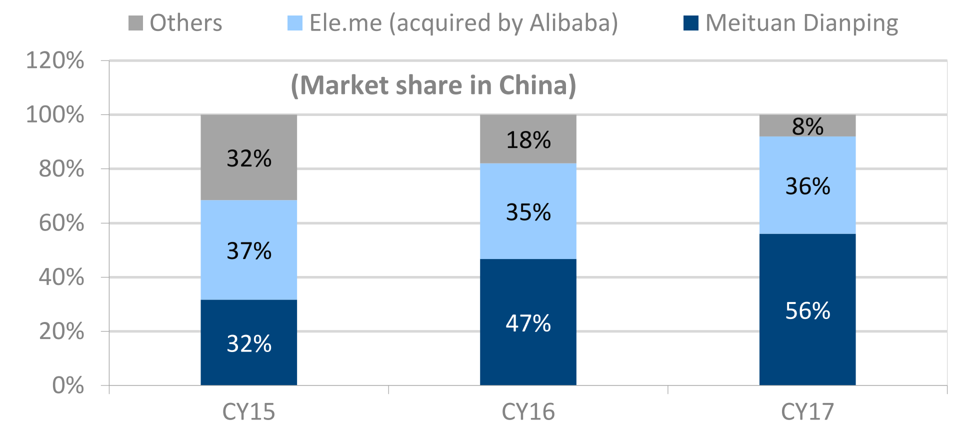


Source: Company, IIFL Research

India market has seen signs of consolidation, like China

Swiggy and Zomato have substantially outgrown peers, consolidating the market in their favour. Media reports indicate that Swiggy is the lead contender for a possible stake sale by Uber in its food delivery business, Uber Eats. We have witnessed a similar trend in the past in China, where market share of top-two players increased from 69% in CY15 to 92% in CY17.

Figure 18:Top-2 players in China have cornered most of the online food delivery market



Source: Company, IIFL Research

Restaurant players would need to adapt

Online aggregators have driven a massive disruption in the Indian food services industry in the last three years. Backed by large venture capital funding and through heavy discounting, aggregators have expanded the food delivery market.

We expect food delivery players to help increase customer eating-out frequency. This would help growth across the food restaurant space. However, we believe that the benefit would be primarily across chained restaurants, where consumers are aware of the brand.

Further, home delivery, earlier a competitive moat for organised QSR players, is getting increasingly democratised. In such a situation, players would increasingly need to enhance focus on menu innovations to sustain user interest. The ability to manage supply-chain complexity that such constant menu innovation imposes would become the differentiator among chained restaurants, in our view.

Figure 19: Menu innovations to become an important factor

Source: Company, IIFL Research

Further, the ability to ensure that food is not tampered with during delivery is crucial and gaining significance; hence, secure packaging would become an important aspect.

As food delivery players expand into new cities, it would become important for players to have presence in these cities. However, this would entail a measured addition, to ensure that store capex is commensurate with the level of demand possible in that region. Also, the cost of servicing the store and the pricing it can afford becomes the other essential factor.

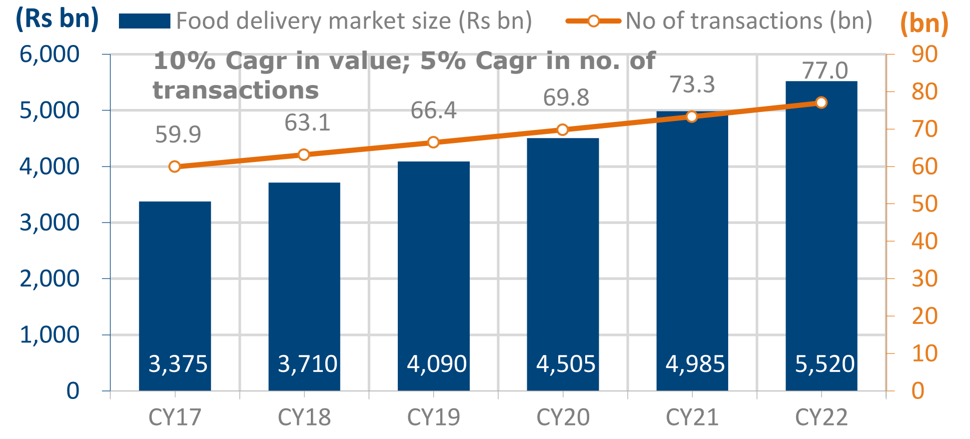
Companies would also need to invest in brand development and customer experience for differentiation among peer chains/ restaurants.

Annexure A: India food industry

The size of the Indian food services industry stood at Rs3.4trn, as of CY17, and is expected to register 10% Cagr over the next five years aided by higher urbanisation, growing affluence, increasing share of women in the workforce, etc. Further, the industry records 60bn annual transactions, as of CY17, and is expected to clock ~5% Cagr to ~77bn by CY22.

To put this in perspective, at the current monthly run-rate of 75m orders, food aggregators would cater 0.9bn orders annually, which implies a mere ~1.5% volume market share. Thus, online players have an opportunity to expand share in a growing market. Increase in internet penetration (32% in CY18 vs. 14% in CY14) and proliferation to tier 2/3 towns would act as key growth drivers.

Figure 20: The Indian food services industry likely to see healthy growth; aggregators currently account for only ~1.5% of transactions



Source: Company, IIFL Research

Annexure B: Swiggy – Shareholding pattern

Figure 21: Swiggy's shareholding pattern post the US$1bn fund raise

Entity	Equity shares	Preference shares
Sriharsha Majety (Co-Founder)	55,000	-
Lakshmi Nandan Reddy Obul (Co-Founder)	25,000	-
Rahul Jaimini (Co-Founder)	20,000	-
Naspers (through Naspers Ventures & MIH India Food Holdings)	10	275,568
SAIF Partners	1,000	88,983
Accel India	1,000	81,753
Tencent Cloud Europe B.V.	10	40,342
Nowest Venture partners	10	77,835
Apoletto Asia	10	15,525
Harmony Partners	10	12,228
RB Investments	10	9,290
DST Global (through DST Euroasia and DST Investments Asia I)	10	15,629
Bessemer India Capital	10	27,371
Inspired Elite Investments	10	44,029
HH BTPL Holdings II	10	14,384
Wellington (through Hadley Harbour Masters Investors (Cayman) II LLP)	10	7,979
Coatue PE Asia Xi LLC	-	7,278
Total	**102,110**	**718,194**

Source: Company, IIFL Research

Info Edge (India) – ADD

25 March 2019

Analyst Meet Takeaways

IIFL Institutional Equities

Key segments on a steady wicket

At its analyst meet, Info Edge (INFOE) spoke about its strategy and outlook for various businesses. Naukri could maintain ~50% Ebitda margins, while 99acres will watch for temporal events like the recent NBFC liquidity issue and general elections. Jeevansathi could be the key driver of cash burn, at least over the next 4-5 quarters, as it looks to drive volumes in select segments. The food delivery market remains hyper-competitive and Zomato's elevated levels of cash burn could sustain. Policybazaar has no need for a near-term IPO, from INFOE's point of view. We roll forward to FY21ii estimates and our 12-m SoTP-based TP to Rs1,990 (from Rs1,900). We forecast 18%/20% revenue/EPS Cagr over FY19ii-21ii.

Naukri margins sustainable, IT hiring steady: Management suggested that continued momentum in IT hiring aided growth, and was also supported by the recruitment consultant segment. Parallel focus on driving higher ARPU and new customers continues. Management indicated that while the business could maintain Ebitda margins of ~50%, they were more an outcome of the business. INFOE also indicated that retaining tech talent remains a key focus area.

99acres robust; need to keep a watch on temporal issues: INFOE reaffirmed that the real estate market is stabilising, with the company seeing healthy transaction volumes on the reseller-rental front and the broker segment doing well. While nothing has yet emerged, in FY20, INFOE will watch for temporal events like the effect of liquidity issues in NBFCs as well as the elections, both of which could potentially impact its developer segment.

Maintain ADD: We roll forward our estimates to FY21ii and value INFOE at 12-m TP of Rs1,990 using the SoTP methodology; we value Naukri on 25x EV/Ebitda, other verticals on EV/sales, and Zomato/Policybazaar on the latest deal-value. While Naukri has been showing a continuous pick-up in growth, sustained growth in 99acres could drive valuations higher. Key risk: prolonged weakness in Naukri.

CMP	**Rs1909**
12-mth TP (Rs)	**1990 (4%)**
Market cap (US$m)	**3,372**
Enterprise value(US$m)	**3,171**
Bloomberg	**INFOE IN**
Sector	**IT**

Shareholding pattern (%)

Promoter	41.9
Pledged (as % of promoter share)	0.0
FII	32.4
DII	14.4

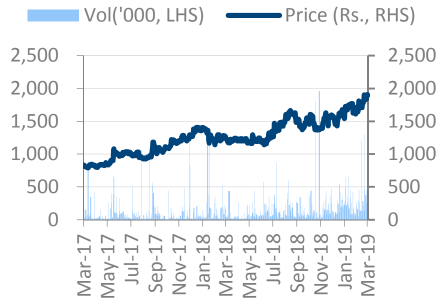
52Wk High/Low (Rs)	1920/1125
Shares o/s (m)	122
Daily volume (US$ m)	6.9
Dividend yield FY20ii (%)	0.6
Free float (%)	58.1

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	16.1	21.1	53.0
Absolute (US$)	19.8	23.4	45.1
Rel. to Sensex	9.8	14.3	37.8

Cagr (%)	3 yrs	5 yrs
EPS	10.2	12.1

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Parent	FY17A	FY18A	FY19ii	FY20ii	FY21ii
Revenues (Rs m)	8,022	9,155	11,024	13,004	15,247
Ebitda margins (%)	*28.4*	*32.5*	*31.6*	*33.7*	*34.2*
Pre-exceptional PAT (Rs m)	1,800	2,416	3,129	3,679	4,351
Reported PAT (Rs m)	2,046	1,824	3,014	3,679	4,351
Pre-exceptional EPS (Rs)	14.8	19.7	25.5	30.0	35.5
Growth (%)	*34.3*	*32.9*	*29.6*	*17.6*	*18.3*
IIFL vs consensus (%)					
PER (x)	**128.8**	**96.9**	**74.8**	**63.6**	**53.8**
ROE (%)	*9.5*	*11.8*	*14.3*	*15.4*	*16.7*
Net debt/equity (x)	0.0	0.0	0.0	0.0	0.0
EV/Ebitda (x)	95.9	73.5	63.1	49.7	41.2
Price/book (x)	11.7	11.1	10.3	9.4	8.6

Source: Company, IIFL Research. Priced as on 22 March 2019

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Naukri (Recruitment business)

Near-term momentum healthy: Management suggested continued momentum in IT hiring and was witnessing traction in both, its direct and indirect businesses, which comprise recruitment consultants. Management added that the nature of the growth was broad-based, with customers opting for upgraded subscriptions (higher ARPU) and an increase in the number of new customers. INFOE said that its RMS offering should be looked at from a strategic point of view, since it allowed the company to penetrate deeper into the client infrastructure.

Naukri still ahead of peers, in terms of monetisation: While Indeed is being aggressive in terms of spending in order to gain traffic, INFOE indicated that the challenge for them was monetization with quite a few of their products being offered free of cost. Another key hurdle they would have to overcome was transition from blue collar to white collar traffic. While iimjobs.com has built a decent product and brand without spending too much on advertising, INFOE commented that it operated in a very niche segment and its ability to monetise is yet to be seen.

Margins, an outcome of the business: Management indicated that while the business could maintain Ebitda margins of ~50%, they were more an outcome of the business, as INFOE would continue to make necessary investments. INFOE added that a key challenge for it would be to retain its tech talent, which it indicated was in short supply, as more start-ups emerged in the country.

99acres (online real-estate listings)

Market on a stable footing: INFOE indicated that unlike FY16/17, interest in the real estate market was definitely back, based on the increase in traffic on its website. 99acres has been growing strongly for the past 4-5 quarters, with INFOE witnessing healthy traction in the reseller-rental business, not as much in terms of pricing, but in terms of much higher volumes. Its broker segment is doing well and is likely to continue the momentum going forward.

Need to watch for temporary events in FY20 on the developer front: While INFOE's sales team has not seen anything out of the mundane so far, management indicated that it would watch for the impact of the recent liquidity issue for NBFCs along with any possible effect of the elections. However, management reiterated that these were just temporal events and any possible impact would be on the developer front and not on the retail side.

Can build a sustainable margin business in the longer term: INFOE's strategic goal remains establishing itself as a key consumer brand in the real estate market. With real estate being an important component of the GDP, it remained reasonably confident of an up-move in margins in the longer term, in line with its strategic goal.

Jeevansathi: **Cash burn likely to continue to drive volumes**

Management added that its efforts on growing Jeevansathi, which remains the #3 player in the market, continue. It is now burning more cash than 99acres and INFOE expects the trend to continue for another 4-5 quarters to drive volumes and establish themselves in select segments and regions. While competition sustains, INFOE believes it can run an efficient business, as it indicated that its productivity per employee was twice that of the largest player.

Zomato: **Market remains hyper-competitive:** Management commented that at-least in the near term, the market remained hyper-competitive. It concurs that the cash-burn was at elevated levels, but indicated that it showed no signs of abating. Sale of the UAE business was partly driven by the need for cash and partly as management focus on India grew increasingly more.

Policybazaar: **INFOE sees no need for an IPO in the near term:** With no investor keen on an immediate exit and Policybazaar having raised funds recently, INFOE indicated no need for an IPO from its point of view. Management firmly believes there is a clear runway for the company to grow strongly for several years and could look at increasing stake, should the right opportunity arise.

Figure 1: Business wise revenue metrics for INFOE

Revenue (Rs m)	2015	2016	2017	2018	2019ii	2020ii	2021ii	FY15-18	FY18-21ii
Naukri	4,449	5,289	5,954	6,688	7,905	9,217	10,747	15%	17%
99Acres	1,004	1,083	1,123	1,355	1,915	2,403	2,907	10%	29%
Others	662	804	945	1,113	1,204	1,385	1,592	19%	13%
Total	**6,115**	**7,176**	**8,022**	**9,155**	**11,024**	**13,004**	**15,247**	**14%**	**19%**
Growth (%)									
Naukri	20%	19%	13%	12%	18%	17%	17%		
99Acres	32%	8%	4%	21%	41%	25%	21%		
Others	16%	21%	18%	18%	8%	15%	15%		
Total	**21%**	**17%**	**12%**	**14%**	**20%**	**18%**	**17%**		
Revenue share									**Average**
Naukri	73%	74%	74%	73%	72%	71%	70%	73%	72%
99Acres	16%	15%	14%	15%	17%	18%	19%	15%	17%
Others	11%	11%	12%	12%	11%	11%	10%	11%	11%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Ebitda (Rs m)									
Naukri	2,279	2,794	3,340	3,715	4,390	5,119	5,969	18%	17%
99Acres	(374)	(980)	(510)	(277)	(383)	(481)	(581)		
Others	(85)	(458)	(555)	(464)	(521)	(253)	(173)		
Total	**1,820**	**1,356**	**2,275**	**2,973**	**3,486**	**4,385**	**5,214**	**18%**	**21%**
Margin									
Naukri	51%	53%	56%	56%	56%	56%	56%		
99Acres	-37%	-90%	-45%	-20%	-20%	-20%	-20%		
Others	-13%	-57%	-59%	-42%	-43%	-18%	-11%		
Total	**30%**	**19%**	**28%**	**32%**	**32%**	**34%**	**34%**		
Ebitda share									**Average**
Naukri	125%	206%	147%	125%	126%	117%	114%	151%	121%
99Acres	-21%	-72%	-22%	-9%	-11%	-11%	-11%	-31%	-11%
Others	-5%	-34%	-24%	-16%	-15%	-6%	-3%	-20%	-10%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company, IIFL Research

SoTP-based valuation; maintain ADD: We roll forward our target price to FY21ii and forecast 18%/20% revenue/EPS Cagr over FY19ii-21ii. We rate INFOE as ADD and value it using the sum-of-the-parts (SoTP) methodology. We value Naukri on 25x EV/Ebitda, other verticals on EV/Sales, and Zomato/Policybazaar on the latest deal value. While Naukri has been showing a continuous pick-up in growth, sustained growth in 99acres could drive valuations higher. Maintain ADD, on limited near-term upside.

Figure 2: Using SoTP-based methodology, our 12-month TP stands at Rs1,990, led by a robust performance from 99acres and sustained growth in the Naukri business

Businesses (Rs m)	Valuation Metric	FY21ii metric	Multiple	Valuation	Per Share
Naukri	EV/EBITDA	5,969	25.0X	149,224	1,217
99Acres	EV/Sales	2,907	7.0X	20,352	166
Jeevansaathi	EV/Sales	987	5.0X	4,937	40
Shiksha	EV/Sales	605	5.0X	3,025	25
Canvera/Applect	EV/Sales	877	5.0X	4,387	36
Zomato (26.3% stake)	Last Round	39,570	0.9X	35,613	290
Policybazaar (14.7% stake)	Last Round	9,962	0.9X	8,966	73
Other Investments	Book value	1,069	1.0X	1,069	9
Total Business Enterprise Value				**227,573**	**1,860**
Less: Net Debt/Min. Interest				16,343	130
Total Equity Value				**243,917**	**1,990**
Shares outstanding				**123**	
Target Price				**1,990**	
Potential upside				**4%**	

Source: Company, Bloomberg, IIFL Research

Background: Info Edge's naukri.com, the leading online portal for recruitments in India, was launched in 1997. Naukri.com allows candidates to post their CVs free of charge on the website. The portal derives revenue from recruiters by charging for access to its database of CVs. Display of advertisements on naukri.com is the other source of revenue along with posting of job classifieds by recruiters. It also operates Quadrangle, a brick-and-mortar executive search service. The company also has other classified based portals, jeevansathi.com (matrimony) and 99acres.com (real estate). Info Edge's other key online initiatives include shiksha.com, Zomato.com and allcheckdeals.com. Recently, Info Edge invested in companies in emerging areas of the Internet such as group buying, fashion retail and photography.

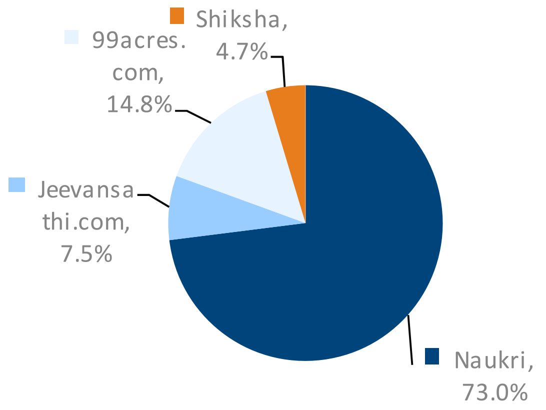
Management

Name	Designation
Sanjeev Bikhchandani	Founder & Exec. Chairman
Hitesh Oberoi	MD & CEO
Chintan Thakkar	CFO

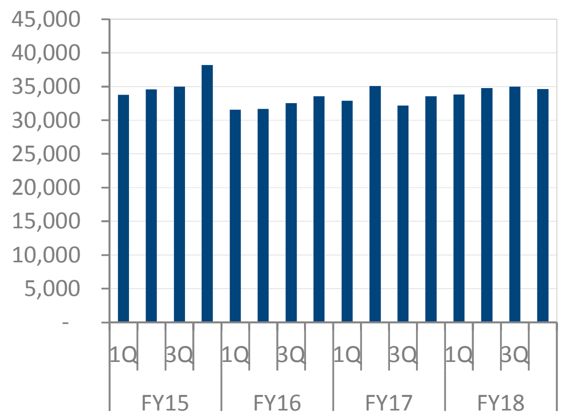
Source: Company

LinkedIn, Monster.com, Timesjob.com, Magicbricks.com, Bharatmatrimony.com:

Revenue break-up - FY18



Rev. per customer (qa, INR)



Assumptions

Y/e 31 Mar, Parent	FY17A	FY18A	FY19ii	FY20ii	FY21ii
Standalone revenue growth (%)	11.8	14.1	20.4	18.0	17.2
Standalone EBITDA margins (%)	18.9	28.4	32.5	31.6	33.7
Income tax rate - Standalone (%)	31.1	32.3	35.2	28.3	30.0

Source: Company, IIFL Research

PE Chart

EV/Ebitda

Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY17A	FY18A	FY19ii	FY20ii	FY21ii
Revenues	**8,022**	**9,155**	**11,024**	**13,004**	**15,247**
Ebitda	2,276	2,974	3,486	4,385	5,214
Depreciation and amortisation	(241)	(215)	(214)	(260)	(305)
Ebit	2,036	2,758	3,272	4,125	4,910
Non-operating income	625	971	1,093	1,132	1,308
Financial expense	(1)	(1)	(1)	(1)	(1)
PBT	2,660	3,728	4,364	5,256	6,216
Exceptionals	363	(913)	(160)	0	0
Reported PBT	3,023	2,815	4,204	5,256	6,216
Tax expense	(978)	(991)	(1,190)	(1,577)	(1,865)
PAT	2,046	1,824	3,014	3,679	4,351
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	**2,046**	**1,824**	**3,014**	**3,679**	**4,351**

Ratio analysis

Y/e 31 Mar, Parent	FY17A	FY18A	FY19ii	FY20ii	FY21ii
Per share data (Rs)					
Pre-exceptional EPS	14.8	19.7	25.5	30.0	35.5
DPS	4.5	5.5	8.9	10.9	12.9
BVPS	163.3	171.8	185.8	202.8	222.9
Growth ratios (%)					
Revenues	11.8	14.1	20.4	18.0	17.2
Ebitda	68.0	30.6	17.2	25.8	18.9
EPS	34.3	32.9	29.6	17.6	18.3
Profitability ratios (%)					
Ebitda margin	28.4	32.5	31.6	33.7	34.2
Ebit margin	25.4	30.1	29.7	31.7	32.2
Tax rate	32.3	35.2	28.3	30.0	30.0
Net profit margin	25.5	19.9	27.3	28.3	28.5
Return ratios (%)					
ROE	9.5	11.8	14.3	15.4	16.7
ROCE	14.1	18.2	19.9	22.1	23.8
Solvency ratios (x)					
Net debt-equity	0.0	0.0	0.0	0.0	0.0
Net debt to Ebitda	0.0	0.0	0.0	0.0	0.0
Interest coverage	NM	NM	NM	NM	NM

Source: Company, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY17A	FY18A	FY19ii	FY20ii	FY21ii
Cash & cash equivalents	13,550	15,619	14,149	16,346	19,203
Inventories	0	0	0	0	0
Receivables	75	44	53	63	73
Other current assets	1,375	439	529	624	732
Creditors	456	538	712	777	874
Other current liabilities	3,861	4,653	5,662	6,494	7,564
Net current assets	**10,684**	**10,911**	**8,356**	**9,763**	**11,570**
Fixed assets	586	506	592	632	687
Intangibles	16	23	23	23	23
Investments	7,409	8,263	12,369	12,869	13,369
Other long-term assets	1,151	1,383	1,456	1,596	1,700
Total net assets	**19,845**	**21,087**	**22,796**	**24,882**	**27,349**
Borrowings	4	3	3	3	3
Other long-term liabilities	11	9	9	9	9
Shareholders' equity	**19,831**	**21,074**	**22,784**	**24,870**	**27,337**
Total liabilities	**19,845**	**21,087**	**22,796**	**24,882**	**27,349**

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY17A	FY18A	FY19ii	FY20ii	FY21ii
Ebit	2,036	2,758	3,272	4,125	4,910
Tax paid	(978)	(991)	(1,190)	(1,577)	(1,865)
Depreciation and amortization	241	215	214	260	305
Net working capital change	1,256	1,842	1,084	792	1,049
Other operating items	28	(1,147)	(232)	(140)	(104)
Operating cash flow before interest	2,582	2,677	3,148	3,460	4,294
Financial expense	0	0	0	0	0
Non-operating income	624	970	1,092	1,131	1,307
Operating cash flow after interest	**3,207**	**3,647**	**4,241**	**4,591**	**5,601**
Capital expenditure	**177**	**(142)**	**(300)**	**(300)**	**(360)**
Long-term investments	(1,238)	(854)	(4,106)	(500)	(500)
Others	0	0	0	0	0
Free cash flow	**2,146**	**2,650**	**(165)**	**3,791**	**4,741**
Equity raising	489	218	0	0	0
Borrowings	0	(1)	0	0	0
Dividend	(653)	(799)	(1,305)	(1,593)	(1,884)
Net chg in cash and equivalents	1,981	2,069	(1,470)	2,198	2,857

Source: Company, IIFL Research

Events Calendar – March 2019

IIFL Institutional Equities

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2
4	5	6	7	8	9
11	12 Feb CPI: 2.60% Jan IIP: 1.70%	13	14 Feb WPI: 2.93%	15 Feb Exports: 2.44% Feb Imports: 5.40%	16
18	19	20 Feb CPI: (AL/RL)	21	22	23
25	26	27	28	29 Feb CPI: IW	30

Black: Quarterly results, Blue: Economic data, Red: India Holiday

Events

IIFL Institutional Equities

	Jan-Mar 19	Apr-Jun 19	Jul-Sep 19	Oct-Dec 19
Economics / Politics	• RBI's Monetary Policy meeting (Jan, Mar) • 3QFY19 Quarterly GDP • **Union Budget – 1 February, 2019**	• RBI's Monetary Policy meeting (Apr, Jun) • 4QFY19 Quarterly GDP • **General Elections**	• RBI's Monetary Policy meeting (Jul, Sep) • 1QFY20 Quarterly GDP	• RBI's Monetary Policy meeting (Jul, Sep) • 2QFY20 Quarterly GDP
Auto	• Auto volumes – 1st day of the month	• Auto volumes – 1st day of the month	• Auto volumes – 1st day of the month	• Auto volumes – 1st day of the month
Cement	• 1mtpa expansion of TN Cement in Alangulam, Tamilnadu • 2mtpa grinding expansion of UltraTech in Bara, Madhya Pradesh • 1.2mtpa grinding expansion of JSW Cement in Jajpur, Odisha	• 1mtpa grinding expansion of Ramco Cement in Kolaghat, West Bengal • 2mtpa grinding expansion of Shree Cement in Kharsawan, Jharkhand • 3mtpa clinker expansion of Wonder Cement in Nimbahera, Rajasthan	• 2.5mtpa expansion of Chettinad Cement in Guntur, Andhra Pradesh • 2mtpa grinding expansion of UltraTech in Bara, Madhya Pradesh	• 2.6mtpa clinker expansion of JK Cement in Mangrol, Rajasthan • 2mtpa grinding expansion of JK Cement in Rajasthan • 2.6mtpa expansion of Penna Cement in Boyareddypalli, Andhra Pradesh • 2mtpa grinding expansion of Shree Cement in Pune, Maharashtra • 2.5mtpa grinding unit expansion of Wonder Cement in Dhar, Madhya Pradesh • 1.2mtpa grinding expansion of Emami Cement in Bihar • 3mtpa grinding expansion of Shree Cement in Cuttack, Odisha
FMCG		• HUL Analyst meet	• Nestle Analyst meet	
Media	• TRAI deadline for implementing new tariff structure – 31st March			
Metals	• NMDC – Karnataka high court verdict on royalty payable by Donimalai mine	• Tata Steel – Completion of Thyssenkrupp JV for European operations • Tata Steel – Completion of 70% divestment of South East Asia operations	• Hindalco – Completion of Aleris acquisition	
Oil & Gas	• IOCL Ennore LNG terminal Commissioning	• RIL Petcoke gasification commissioning, GAIL Kochi – Mangalore Pipeline Completion		
Telecom		• Bharti Rights Issue April 2019 • JIO asset sale through InvIT – May 2019 • DoT, NCLT approval for Indus Infratel merger by June 2019	• VIL Rights issue – 2Q 2019	

Disclosure : Published in 2019, © IIFL Securities Limited (Formerly 'India Infoline Limited') 2019

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SELL - Stock expected to give a return 10%+ below the average return on a debt instrument over a 1-year horizon.

Add - Stock expected to give a return 0-10% over the average return on a debt instrument over a 1-year horizon.

Reduce - Stock expected to give a return 0-10% below the average return on a debt instrument over a 1-year horizon.

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