

# Mahanagar Gas

 Estimate change 

 TP change 

 Rating change 

|                       |            |
|-----------------------|------------|
| Bloomberg             | MAHGL IN   |
| Equity Shares (m)     | 99         |
| M.Cap.(INRb)/(USDb)   | 79 / 1.1   |
| 52-Week Range (INR)   | 1284 / 781 |
| 1, 6, 12 Rel. Per (%) | -7/-37/-44 |
| 12M Avg Val (INR M)   | 653        |

## Financials & Valuations (INR b)

| Y/E March      | FY22  | FY23E | FY24E |
|----------------|-------|-------|-------|
| Sales          | 35.6  | 54.9  | 48.5  |
| EBITDA         | 9.2   | 12.2  | 12.8  |
| Adj. PAT       | 6.0   | 8.0   | 8.2   |
| Adj. EPS (INR) | 60.4  | 81.1  | 83.3  |
| EPS Gr. (%)    | -3.6  | 34.3  | 2.6   |
| BV/Sh.(INR)    | 364.2 | 412.9 | 462.8 |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | -0.1 | -0.3 | -0.3 |
| RoE (%)    | 17.5 | 20.9 | 19.0 |
| RoCE (%)   | 17.5 | 20.9 | 19.1 |
| Payout (%) | 38.1 | 40.0 | 40.0 |

## Valuation

|                |      |      |     |
|----------------|------|------|-----|
| P/E (x)        | 12.7 | 9.5  | 9.2 |
| P/BV (x)       | 2.1  | 1.9  | 1.7 |
| EV/EBITDA (x)  | 7.7  | 5.3  | 5.0 |
| Div. Yield (%) | 3.0  | 4.2  | 4.3 |
| FCF Yield (%)  | 3.4  | 13.0 | 4.0 |

## Shareholding pattern (%)

| As On    | Mar-22 | Dec-21 | Mar-21 |
|----------|--------|--------|--------|
| Promoter | 32.5   | 32.5   | 32.5   |
| DII      | 27.3   | 29.1   | 27.2   |
| FII      | 25.0   | 25.3   | 31.1   |
| Others   | 15.2   | 13.1   | 9.2    |

FII Includes depository receipts

**CMP: INR764**
**TP: INR1,000 (+31%)**
**Buy**

## Margin pressure persists, volume recovery on track

- MAHGL reported a miss on our estimates. Although total volumes were in line at 3.2mmscmd (+10% YoY, -4% QoQ), EBITDA/scm was higher at INR7.6 (est. INR10.1 and INR3.4 in 3QFY22). EBITDA stood at INR2.2b (27% lower than our estimate, -32% YoY).
- Sales volumes were lower due to the impact of COVID-19 in Jan'22 and high LNG prices on account of geopolitical tensions in Europe. A recovery in sales volumes was seen in Mar'22 as it rose 14% v/s Jan'22 levels.
- Spot LNG prices fell to USD24.5/mmBtu in Apr'22 v/s USD29.4/mmBtu in 3QFY22 and USD35.4/mmBtu in Mar'22. Cooling of these prices will result in a further volume recovery, with an improvement in EBITDA/scm from FY22 levels. The company raised CNG prices in Jan'22.
- We reiterate that margin in the CNG segment will come under pressure:**
  - The APM gas price revision for 1HFY23 stands at USD6.1/mmBtu – the highest since the adoption of the gas pricing formula in CY14. Moreover, there is likely to be a further increase in APM gas prices in 2HFY23E.
  - OMCs demanding higher single-digit commissions on CNG sales will further test its ability to pass on the price increase to its end-consumers. Notably, ~65% of CNG volumes for MAHGL accrue from OMC outlets.
  - Due to likely infusion of high-cost non-APM gas for priority sector sales.
- Considering the above, it is unlikely that MAHGL will maintain EBITDA margin at higher levels (of FY21).** We keep our FY23-24 margin assumption unchanged at INR10/scm. We revise our FY23/FY24 revenue estimates upwards by 22%/17% due to better per unit realizations, led by better price pass through (due to an increase in gas costs).
- The stock trades at 9x FY24E EPS of INR83. Valuing it at 12x FY24E EPS, we arrive at our TP of INR1,000 per share. **We maintain our Buy rating on MAHGL owing to its relatively cheaper valuations.**

## Volumes and revenue in line, miss on margin

- Total volumes were in line at 3.2mmscmd (+10% YoY, -4% QoQ). CNG volumes stood at 2.3mmscmd (5% lower than our estimate, +13% YoY, -5% QoQ). Total PNG volumes stood at 0.9mmscmd (6% higher than our estimate, +3% YoY, -2% QoQ).
- EBITDA/scm was below our estimate (of INR10.1) at INR7.6. EBITDA was also a miss v/s our estimate at INR2.2b (27% lower than our estimate, -32% YoY, +109% QoQ). Reported PAT stood at INR1.3b (31% lower than our estimate, -38% YoY, +132% QoQ).
- EBITDA stood at INR9.2b (flat YoY), with EBITDA/scm at INR8.4 in FY22 (v/s INR11.6 in FY21). Reported PAT stood at INR6b (-4% YoY). Total volumes stood at 3mmscmd (+36% YoY). CNG volumes stood at 2.1mmscmd (+49% YoY), and total PNG volumes stood at 0.9mmscmd (+11% YoY).
- The company declared a final dividend of INR15.5/share in FY22 (in addition to the INR9.5/share of the interim dividend already declared).

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

 Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- The company added 14 new CNG stations (taking its total count to 290), 107 PNG-I/C customers (taking its total count to 4,339) and 125km of steel and PE pipeline (a total of 6,221km). For Raigad GA, 23 CNG stations are operational, with 26.4km of the pipeline laid in 4QFY22 (taking its total to 346km).
- MAHGL completed the MWP targets set by PNGRB in 4QFY22. It is currently the only company to meet its target set by PNGRB for new GAs.
- The stock trades at 9x FY24E EPS of INR83. Valuing it at 12x FY24E EPS, we arrive at our TP of INR1,000. We maintain our **Buy** rating.

**Standalone quarterly earnings**

| Y/E March                     | (INR m)      |              |              |              |              |              |               |               |               |               |               |            |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|------------|
|                               | FY21         |              |              |              | FY22         |              |               |               | FY21          | FY22E         | FY22          | Var.       |
|                               | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q            | 4QE           |               |               | 4Q            | (%)        |
| <b>Net Sales</b>              | <b>2,618</b> | <b>5,067</b> | <b>6,664</b> | <b>7,177</b> | <b>6,155</b> | <b>8,301</b> | <b>10,278</b> | <b>10,868</b> | <b>21,525</b> | <b>35,602</b> | <b>11,118</b> | <b>-2</b>  |
| YoY Change (%)                | -65.4        | -35.3        | -10.5        | 4.5          | 135.1        | 63.8         | 54.2          | 51.4          | -27.6         | 65.4          | 54.9          |            |
| <b>EBITDA</b>                 | <b>800</b>   | <b>2,211</b> | <b>3,167</b> | <b>3,162</b> | <b>3,040</b> | <b>3,018</b> | <b>1,031</b>  | <b>2,155</b>  | <b>9,340</b>  | <b>9,243</b>  | <b>2,938</b>  | <b>-27</b> |
| EBITDA/SCM                    | 7.9          | 11.6         | 12.4         | 12.1         | 13.9         | 10.5         | 3.4           | 7.6           | 11.6          | 8.4           | 10.1          | -25        |
| Margins (%)                   | 30.6         | 43.6         | 47.5         | 44.1         | 49.4         | 36.4         | 10.0          | 19.8          | 43.4          | 26.0          | 26.4          |            |
| Depreciation                  | 423          | 425          | 441          | 448          | 453          | 473          | 482           | 555           | 1,737         | 1,963         | 499           | 11         |
| Interest                      | 15           | 20           | 17           | 19           | 17           | 20           | 15            | 23            | 72            | 75            | 19            |            |
| Other Income                  | 245          | 184          | 204          | 172          | 186          | 226          | 218           | 227           | 805           | 857           | 131           | 73         |
| <b>PBT</b>                    | <b>607</b>   | <b>1,950</b> | <b>2,913</b> | <b>2,866</b> | <b>2,756</b> | <b>2,751</b> | <b>752</b>    | <b>1,804</b>  | <b>8,336</b>  | <b>8,063</b>  | <b>2,552</b>  | <b>-29</b> |
| Tax                           | 155          | 507          | 741          | 738          | 716          | 708          | 184           | 486           | 2,140         | 2,093         | 644           | -25        |
| Rate (%)                      | 25.5         | 26.0         | 25.4         | 25.8         | 26.0         | 25.7         | 24.5          | 26.9          | 25.7          | 26.0          | 25.2          |            |
| <b>Reported PAT</b>           | <b>453</b>   | <b>1,443</b> | <b>2,172</b> | <b>2,128</b> | <b>2,041</b> | <b>2,043</b> | <b>568</b>    | <b>1,318</b>  | <b>6,196</b>  | <b>5,970</b>  | <b>1,908</b>  | <b>-31</b> |
| <b>Adj. PAT</b>               | <b>453</b>   | <b>1,443</b> | <b>2,172</b> | <b>2,128</b> | <b>2,041</b> | <b>2,043</b> | <b>568</b>    | <b>1,318</b>  | <b>6,196</b>  | <b>5,970</b>  | <b>1,908</b>  | <b>-31</b> |
| YoY Change (%)                | -73.4        | -46.7        | 16.7         | 27.7         | 351.0        | 41.5         | -73.9         | -38.1         | -21.9         | -3.6          | -10.3         |            |
| Margins (%)                   | 17.3         | 28.5         | 32.6         | 29.6         | 33.2         | 24.6         | 5.5           | 12.1          | 28.8          | 16.8          | 17.2          |            |
| <b>Sales Volumes (mmscmd)</b> |              |              |              |              |              |              |               |               |               |               |               |            |
| CNG                           | 0.5          | 1.3          | 1.9          | 2.0          | 1.6          | 2.2          | 2.4           | 2.3           | 1.4           | 2.1           | 2.4           | -5         |
| PNG - Domestic                | 0.4          | 0.5          | 0.5          | 0.5          | 0.5          | 0.5          | 0.5           | 0.5           | 0.5           | 0.5           | 0.4           | 19         |
| PNG - Industrial/Commercial   | 0.2          | 0.3          | 0.4          | 0.4          | 0.4          | 0.4          | 0.4           | 0.4           | 0.3           | 0.4           | 0.4           | -5         |
| PNG - Total                   | 0.6          | 0.8          | 0.9          | 0.9          | 0.8          | 0.9          | 0.9           | 0.9           | 0.8           | 0.9           | 0.8           | 6          |
| <b>Total Volumes</b>          | <b>1.1</b>   | <b>2.1</b>   | <b>2.8</b>   | <b>2.9</b>   | <b>2.4</b>   | <b>3.1</b>   | <b>3.3</b>    | <b>3.2</b>    | <b>2.2</b>    | <b>3.0</b>    | <b>3.2</b>    | <b>-2</b>  |

**Operational highlights**

| Volume (mmscmd)               | 1QFY21      | 2QFY21      | 3QFY21      | 4QFY21      | 1QFY22      | 2QFY22      | 3QFY22      | 4QFY22      | YoY (%)    | QoQ (%)    |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| <b>CNG (mmscmd)</b>           | <b>0.48</b> | <b>1.28</b> | <b>1.88</b> | <b>2.02</b> | <b>1.55</b> | <b>2.23</b> | <b>2.39</b> | <b>2.28</b> | <b>13</b>  | <b>-5</b>  |
| CNG (YoY)                     | -78%        | -42%        | -15%        | 2%          | 223%        | 75%         | 27%         | 13%         |            |            |
| <b>PNG (mmscmd)</b>           | <b>0.63</b> | <b>0.80</b> | <b>0.89</b> | <b>0.87</b> | <b>0.85</b> | <b>0.89</b> | <b>0.91</b> | <b>0.89</b> | <b>3</b>   | <b>-2</b>  |
| PNG (YoY)                     | -21%        | 0%          | 7%          | 8%          | 34%         | 12%         | 3%          | 3%          |            |            |
| <b>Total Volumes (mmscmd)</b> | <b>1.11</b> | <b>2.07</b> | <b>2.77</b> | <b>2.89</b> | <b>2.40</b> | <b>3.12</b> | <b>3.30</b> | <b>3.17</b> | <b>10</b>  | <b>-4</b>  |
| Total Volumes (YoY)           | -62%        | -31%        | -9%         | 4%          | 115%        | 51%         | 19%         | 10%         |            |            |
| <b>EBITDA/SCM (INR)</b>       | <b>7.9</b>  | <b>11.6</b> | <b>12.4</b> | <b>12.1</b> | <b>13.9</b> | <b>10.5</b> | <b>3.4</b>  | <b>7.6</b>  | <b>-38</b> | <b>123</b> |

## Key takeaways from the management meet

### Operational Highlights

- The adverse residual effect of COVID-19 along with the geopolitical tensions in Europe affected the performance in 4QFY22 for MAHGL.
  - With imported R-LNG prices at new highs.
  - Lower sales volumes were seen in 4QFY22.
  - But recovery was seen in Mar'22 as gas sales volumes rose by 14% v/s Jan'22.
- APM gas allocation to the priority sector was 15-17% less which was met by purchasing gas at the market price for 4QFY22.
- For FY22, shortfall for the priority sector allocation was 8-9%.
- An upward revision of domestic CNG and PNG prices were done by the company in Jan'22.
- From INR63.50/kg to INR66.0/kg and to INR39.5/scm respectively; currently CNG prices stand at INR76/kg.

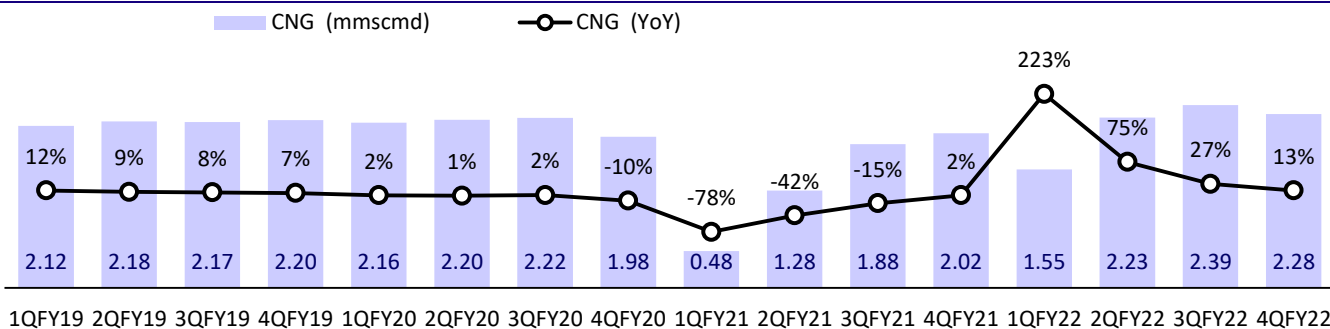
### 4QFY22 updates

- It Added 14 new CNG stations (290 in total now), 107 PNG-I/C customers (4,339 in total now) and 125km of steel and PE pipeline (6,221km in total now).
  - For Raigad GA: 23 CNG stations are operational, 26.4km of the pipeline laid in 4QFY22 (346km in total now).
- MAHGL is in the process of granting LOIs for three Composite Dispensing Units (CDUs). These should be completed in six-to-eight months once LOIs is granted.
- The company completed its MWP targets set by PNGRB in 4QFY22.
  - MAHGL would be the only company to meet its target set by PNGRB for the new GAs at the moment.
- To reduce dependence on spot LNG, the company had entered into a term contract of 18 months during 3QFY22.
  - It has also entered into 2 other term contract for a period of 5 years and 6 years in 4QFY22.
  - The gas contracts are for domestic gas with RIL, one with GSPC and the 3rd with GAIL.

### Other highlights and capex guidance for FY23

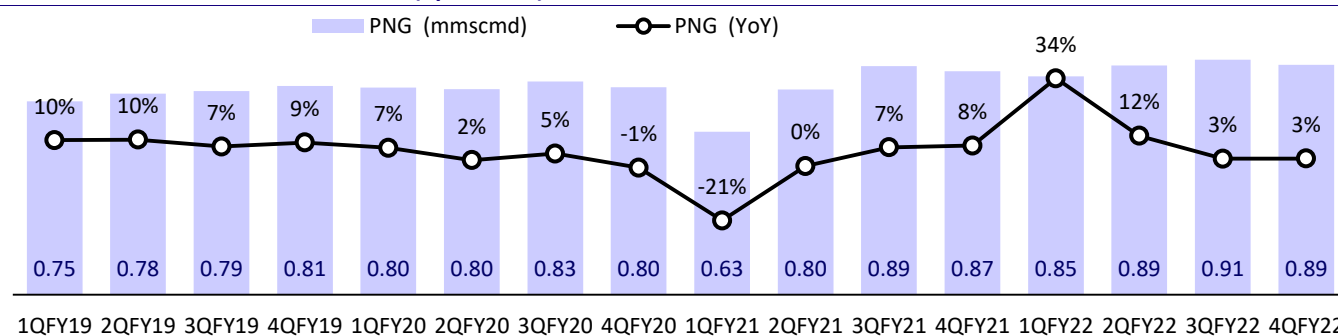
- Price realizations are likely to recover due to cooling of spot LNG prices and pooling of prices as announced by the Government of India.
- Average PNG I/C prices for FY22 were at INR47/scm and INR55-60/scm respectively.
- Current BEST fleet stands at 2500 buses and additional 600 buses are from private operators
- Management has guided for a volume growth of 7-8% in FY23E.
- Capex for FY22 the company incurred INR6b.
  - **For FY23, guidance stands at INR6-7b.**

**Exhibit 1: CNG volumes down 5% QoQ (up 13% YoY) to 2.28mmscmd**



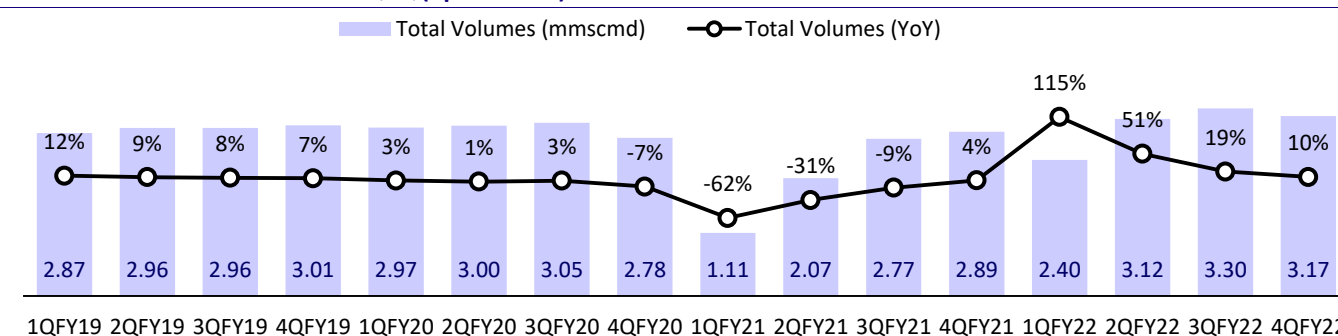
Source: Company, MOFSL

**Exhibit 2: PNG volumes down 2% QoQ (up 3% YoY) to 0.89mmscmd**



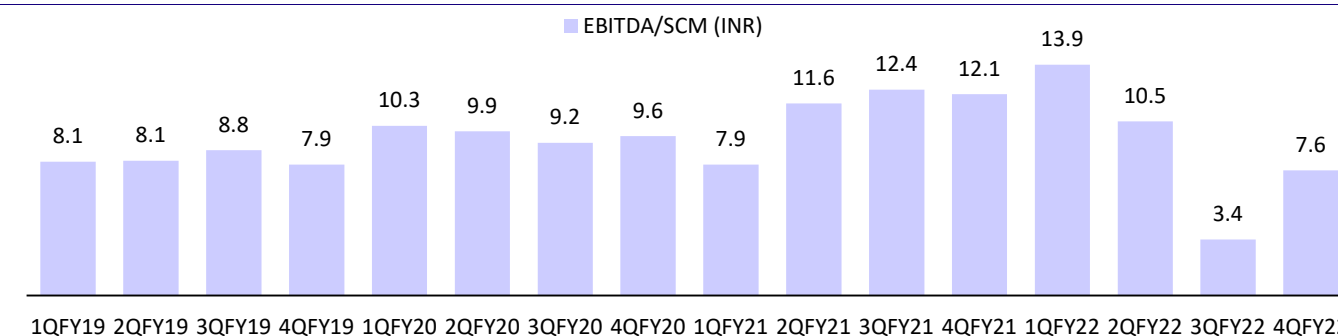
Source: Company, MOFSL

**Exhibit 3: Total volumes down 4% QoQ (up 10% YoY) to 3.17mmscmd**



Source: Company, MOFSL

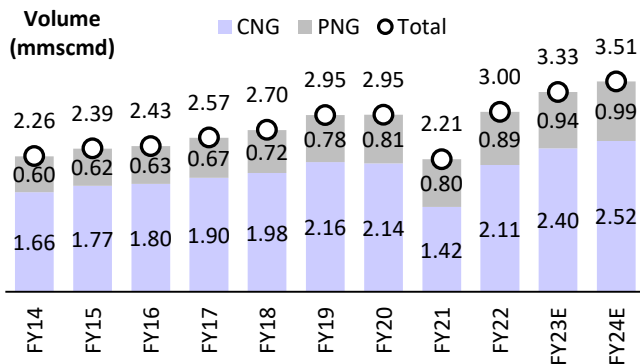
**Exhibit 4: EBITDA/scm recovers from 2QFY22 lows to INR7.6/scm (up 123% QoQ, but down 38% YoY)**



Source: Company, MOFSL

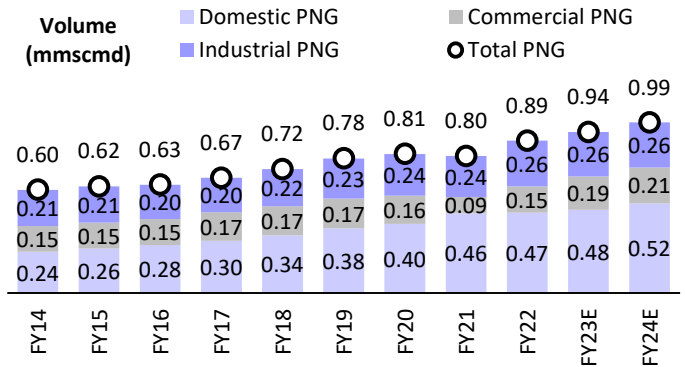
## Story in charts

**Exhibit 5: Volume growth snapshot**



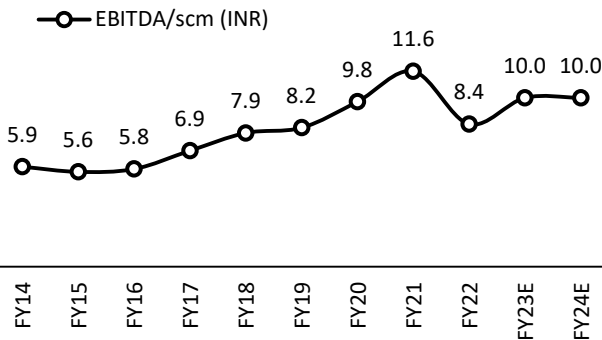
Source: Company, MOFSL

**Exhibit 6: PNG segment-wise volumes**



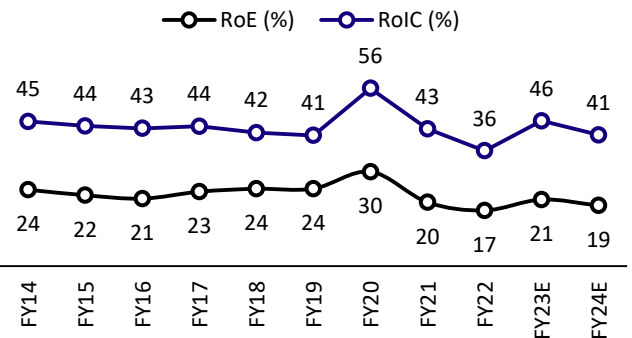
Source: Company, MOFSL

**Exhibit 7: Expect EBITDA/scm to be ~10mmscmd over FY23-24**



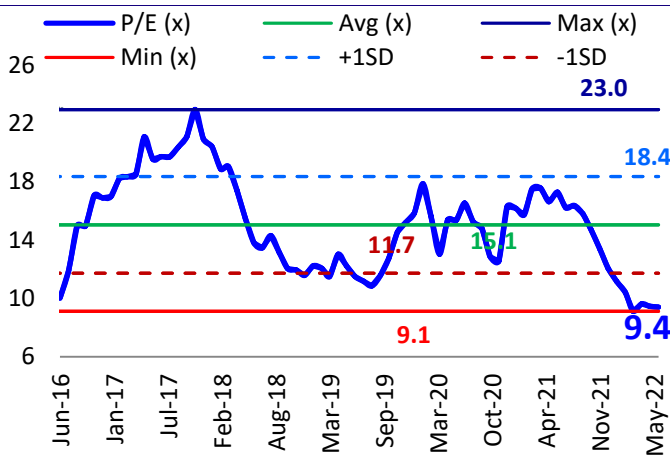
Source: Company, MOFSL

**Exhibit 8: RoE to hover ~20%**



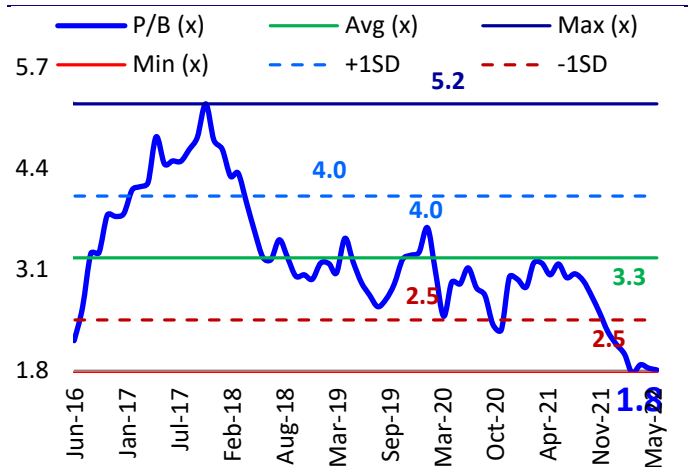
Source: Company, MOFSL

**Exhibit 9: One-year forward P/E trades at a 38% discount to its long-term average of 9.4x**



Source: Company, MOFSL

**Exhibit 10: One-year forward P/B trades at a discount of ~45% to its long-term average of 3.3x**



Source: Company, MOFSL

## Financials and valuations

### Standalone - Income Statement

(INR m)

| Y/E March                           | FY17          | FY18          | FY19          | FY20          | FY21          | FY22          | FY23E         | FY24E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>20,340</b> | <b>22,330</b> | <b>27,911</b> | <b>29,721</b> | <b>21,525</b> | <b>35,602</b> | <b>54,949</b> | <b>48,492</b> |
| Change (%)                          | -2.1          | 9.8           | 25.0          | 6.5           | -27.6         | 65.4          | 54.3          | -11.8         |
| <b>EBITDA</b>                       | <b>6,442</b>  | <b>7,806</b>  | <b>8,855</b>  | <b>10,528</b> | <b>9,340</b>  | <b>9,243</b>  | <b>12,159</b> | <b>12,805</b> |
| Margin (%)                          | 31.7          | 35.0          | 31.7          | 35.4          | 43.4          | 26.0          | 22.1          | 26.4          |
| Depreciation                        | 951           | 1,112         | 1,259         | 1,617         | 1,737         | 1,963         | 2,152         | 2,432         |
| <b>EBIT</b>                         | <b>5,490</b>  | <b>6,694</b>  | <b>7,595</b>  | <b>8,911</b>  | <b>7,603</b>  | <b>7,281</b>  | <b>10,006</b> | <b>10,373</b> |
| Int. and Finance Charges            | 10            | 3             | 3             | 65            | 72            | 75            | 83            | 83            |
| Other Income                        | 527           | 574           | 777           | 990           | 805           | 857           | 789           | 706           |
| <b>PBT bef. EO Exp.</b>             | <b>6,007</b>  | <b>7,265</b>  | <b>8,369</b>  | <b>9,835</b>  | <b>8,336</b>  | <b>8,063</b>  | <b>10,712</b> | <b>10,995</b> |
| <b>PBT after EO Exp.</b>            | <b>6,007</b>  | <b>7,265</b>  | <b>8,369</b>  | <b>9,835</b>  | <b>8,336</b>  | <b>8,063</b>  | <b>10,712</b> | <b>10,995</b> |
| Total Tax                           | 2,072         | 2,487         | 2,905         | 1,900         | 2,140         | 2,093         | 2,696         | 2,768         |
| Tax Rate (%)                        | 34.5          | 34.2          | 34.7          | 19.3          | 25.7          | 26.0          | 25.2          | 25.2          |
| <b>Reported PAT</b>                 | <b>3,934</b>  | <b>4,779</b>  | <b>5,464</b>  | <b>7,935</b>  | <b>6,196</b>  | <b>5,970</b>  | <b>8,016</b>  | <b>8,228</b>  |
| <b>Adjusted PAT</b>                 | <b>3,934</b>  | <b>4,779</b>  | <b>5,464</b>  | <b>7,935</b>  | <b>6,196</b>  | <b>5,970</b>  | <b>8,016</b>  | <b>8,228</b>  |
| Change (%)                          | 26.5          | 21.5          | 14.3          | 45.2          | -21.9         | -3.6          | 34.3          | 2.6           |
| Margin (%)                          | 19.3          | 21.4          | 19.6          | 26.7          | 28.8          | 16.8          | 14.6          | 17.0          |

### Standalone - Balance Sheet

(INR m)

| Y/E March                           | FY17          | FY18          | FY19          | FY20          | FY21          | FY22          | FY23E         | FY24E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                | 988           | 988           | 988           | 988           | 988           | 988           | 988           | 988           |
| Total Reserves                      | 17,413        | 19,966        | 23,001        | 28,539        | 31,336        | 34,985        | 39,795        | 44,731        |
| <b>Net Worth</b>                    | <b>18,400</b> | <b>20,954</b> | <b>23,989</b> | <b>29,527</b> | <b>32,324</b> | <b>35,973</b> | <b>40,783</b> | <b>45,719</b> |
| Total Loans                         | 27            | 12            | 0             | 176           | 168           | 206           | 206           | 206           |
| Deferred Tax Liabilities            | 1,376         | 1,748         | 2,048         | 1,607         | 1,773         | 2,008         | 2,008         | 2,008         |
| <b>Capital Employed</b>             | <b>19,804</b> | <b>22,714</b> | <b>26,037</b> | <b>31,310</b> | <b>34,264</b> | <b>38,187</b> | <b>42,996</b> | <b>47,933</b> |
| Gross Block                         | 14,775        | 18,159        | 21,732        | 25,024        | 27,918        | 34,048        | 41,476        | 46,961        |
| Less: Accum. Deprn.                 | 1,727         | 2,839         | 4,098         | 5,716         | 7,452         | 9,415         | 11,568        | 14,000        |
| <b>Net Fixed Assets</b>             | <b>13,047</b> | <b>15,320</b> | <b>17,634</b> | <b>19,309</b> | <b>20,466</b> | <b>24,633</b> | <b>29,908</b> | <b>32,962</b> |
| Capital WIP                         | 4,115         | 3,566         | 3,697         | 4,865         | 5,603         | 6,159         | 3,732         | 3,246         |
| <b>Total Investments</b>            | <b>4,667</b>  | <b>6,877</b>  | <b>6,540</b>  | <b>11,215</b> | <b>10,250</b> | <b>10,883</b> | <b>10,883</b> | <b>10,883</b> |
| Rights to use assets                | 0             | 0             | 0             | 1,183         | 1,228         | 1,504         | 1,504         | 1,504         |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>4,413</b>  | <b>4,340</b>  | <b>6,539</b>  | <b>4,708</b>  | <b>8,465</b>  | <b>9,158</b>  | <b>19,027</b> | <b>18,590</b> |
| Inventory                           | 238           | 240           | 191           | 186           | 222           | 275           | 446           | 372           |
| Account Receivables                 | 945           | 914           | 996           | 685           | 1,275         | 1,840         | 2,841         | 2,507         |
| Cash and Bank Balance               | 1,361         | 919           | 2,988         | 2,295         | 5,119         | 4,652         | 12,050        | 12,454        |
| Cash                                | 74            | 150           | 265           | 154           | 282           | 825           | 8,223         | 8,627         |
| Bank Balance                        | 1,287         | 769           | 2,723         | 2,141         | 4,837         | 3,827         | 3,827         | 3,827         |
| Loans and Advances                  | 1,869         | 2,268         | 2,364         | 1,543         | 1,850         | 2,391         | 3,690         | 3,257         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>6,439</b>  | <b>7,389</b>  | <b>8,373</b>  | <b>9,971</b>  | <b>11,747</b> | <b>14,151</b> | <b>22,058</b> | <b>19,252</b> |
| Account Payables                    | 1,201         | 1,100         | 1,524         | 1,318         | 1,559         | 2,719         | 4,413         | 3,681         |
| Other Current Liabilities           | 5,031         | 6,089         | 6,637         | 8,390         | 9,839         | 11,076        | 17,095        | 15,086        |
| Provisions                          | 207           | 199           | 212           | 263           | 350           | 356           | 549           | 485           |
| <b>Net Current Assets</b>           | <b>-2,026</b> | <b>-3,049</b> | <b>-1,834</b> | <b>-5,263</b> | <b>-3,282</b> | <b>-4,993</b> | <b>-3,030</b> | <b>-662</b>   |
| <b>Appl. of Funds</b>               | <b>19,804</b> | <b>22,714</b> | <b>26,037</b> | <b>31,310</b> | <b>34,264</b> | <b>38,187</b> | <b>42,997</b> | <b>47,933</b> |

## Financials and valuations

### Ratios

| Y/E March                     | FY17        | FY18        | FY19        | FY20        | FY21        | FY22        | FY23E       | FY24E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |             |             |             |             |             |             |
| <b>EPS</b>                    | <b>39.8</b> | <b>48.4</b> | <b>55.3</b> | <b>80.3</b> | <b>62.7</b> | <b>60.4</b> | <b>81.1</b> | <b>83.3</b> |
| Cash EPS                      | 49.5        | 59.6        | 68.1        | 96.7        | 80.3        | 80.3        | 102.9       | 107.9       |
| BV/Share                      | 186.3       | 212.1       | 242.8       | 298.9       | 327.2       | 364.2       | 412.9       | 462.8       |
| DPS                           | 19.0        | 21.5        | 20.0        | 35.0        | 23.0        | 23.0        | 32.5        | 33.3        |
| Payout (%)                    | 57.4        | 53.5        | 43.5        | 52.4        | 36.7        | 38.1        | 40.0        | 40.0        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |             |
| P/E                           | 19.3        | 15.9        | 13.9        | 9.6         | 12.3        | 12.7        | 9.5         | 9.2         |
| Cash P/E                      | 15.6        | 12.9        | 11.3        | 8.0         | 9.6         | 9.6         | 7.5         | 7.1         |
| P/BV                          | 4.1         | 3.6         | 3.2         | 2.6         | 2.4         | 2.1         | 1.9         | 1.7         |
| EV/Sales                      | 3.7         | 3.4         | 2.6         | 2.5         | 3.3         | 2.0         | 1.2         | 1.3         |
| EV/EBITDA                     | 11.6        | 9.6         | 8.3         | 7.0         | 7.6         | 7.7         | 5.3         | 5.0         |
| Dividend Yield (%)            | 2.5         | 2.8         | 2.6         | 4.5         | 3.0         | 3.0         | 4.2         | 4.3         |
| FCF per share                 | 28.1        | 38.8        | 32.6        | 56.6        | 47.2        | 26.0        | 100.2       | 31.1        |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |             |
| RoE                           | 23.4        | 24.3        | 24.3        | 29.7        | 20.0        | 17.5        | 20.9        | 19.0        |
| RoCE                          | 23.3        | 24.3        | 24.3        | 29.8        | 20.1        | 17.5        | 20.9        | 19.1        |
| RoIC                          | 43.9        | 41.9        | 41.0        | 55.8        | 43.1        | 36.2        | 45.6        | 41.2        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 1.4         | 1.2         | 1.3         | 1.2         | 0.8         | 1.0         | 1.3         | 1.0         |
| Asset Turnover (x)            | 1.0         | 1.0         | 1.1         | 0.9         | 0.6         | 0.9         | 1.3         | 1.0         |
| Inventory (Days)              | 4           | 4           | 3           | 2           | 4           | 3           | 3           | 3           |
| Debtor (Days)                 | 17          | 15          | 13          | 8           | 22          | 19          | 19          | 19          |
| Creditor (Days)               | 22          | 18          | 20          | 16          | 26          | 28          | 29          | 28          |
| <b>Leverage Ratio (x)</b>     |             |             |             |             |             |             |             |             |
| Current Ratio                 | 0.7         | 0.6         | 0.8         | 0.5         | 0.7         | 0.6         | 0.9         | 1.0         |
| Net Debt/Equity               | -0.1        | 0.0         | -0.1        | -0.1        | -0.2        | -0.1        | -0.3        | -0.3        |

### Standalone - Cash Flow Statement

(INR m)

| Y/E March                    | FY17          | FY18          | FY19          | FY20          | FY21          | FY22          | FY23E         | FY24E         |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax         | 6,007         | 7,265         | 8,369         | 9,835         | 8,336         | 8,063         | 10,712        | 10,995        |
| Depreciation                 | 951           | 1,112         | 1,259         | 1,617         | 1,737         | 1,963         | 2,152         | 2,432         |
| Direct Taxes Paid            | -1,861        | -2,284        | -2,709        | -2,380        | -2,065        | -2,122        | -2,696        | -2,768        |
| (Inc)/Dec in WC              | 601           | 822           | 366           | 1,369         | 602           | 1,640         | 5,436         | -1,964        |
| Others                       | -385          | -395          | -443          | -655          | -627          | -583          | -789          | -706          |
| <b>CF from Operations</b>    | <b>5,323</b>  | <b>6,521</b>  | <b>6,846</b>  | <b>9,852</b>  | <b>8,055</b>  | <b>9,037</b>  | <b>14,899</b> | <b>8,073</b>  |
| (Inc)/Dec in FA              | -2,545        | -2,692        | -3,625        | -4,258        | -3,395        | -6,473        | -5,000        | -5,000        |
| <b>Free Cash Flow</b>        | <b>2,778</b>  | <b>3,829</b>  | <b>3,221</b>  | <b>5,594</b>  | <b>4,660</b>  | <b>2,563</b>  | <b>9,899</b>  | <b>3,073</b>  |
| (Pur)/Sale of Investments    | -674          | -2,042        | 474           | -4,316        | 1,287         | -357          | 0             | 0             |
| Others                       | 585           | 547           | -1,234        | 1,026         | -2,331        | 1,440         | 789           | 706           |
| <b>CF from Investments</b>   | <b>-2,633</b> | <b>-4,187</b> | <b>-4,385</b> | <b>-7,548</b> | <b>-4,439</b> | <b>-5,390</b> | <b>-4,211</b> | <b>-4,294</b> |
| Dividend Paid                | -2,816        | -2,236        | -2,330        | -2,183        | -3,221        | -2,810        | -3,206        | -3,291        |
| <b>CF from Fin. Activity</b> | <b>-2,838</b> | <b>-2,258</b> | <b>-2,346</b> | <b>-2,416</b> | <b>-3,488</b> | <b>-3,103</b> | <b>-3,289</b> | <b>-3,374</b> |
| <b>Inc/Dec of Cash</b>       | <b>-148</b>   | <b>76</b>     | <b>115</b>    | <b>-112</b>   | <b>128</b>    | <b>543</b>    | <b>7,398</b>  | <b>404</b>    |
| Opening Balance              | 222           | 74            | 150           | 265           | 154           | 282           | 825           | 8,223         |
| <b>Closing Balance</b>       | <b>74</b>     | <b>150</b>    | <b>265</b>    | <b>154</b>    | <b>282</b>    | <b>825</b>    | <b>8,223</b>  | <b>8,627</b>  |

NOTES



| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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