

# Indraprastha Gas

Refer to important disclosures at the end of this report

## Earnings beat on lower than estimated gas cost, decision on Parikh panel recos awaited

<b>CMP</b>	<b>Target Price</b>
<b>Rs 418</b> as of (January 27, 2023)	<b>Rs 485 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (■)</b>	<b>16.1 %</b>

- IGL's Q3FY23 standalone EBITDA/PAT of Rs4.29/2.78bn (down 9%/10% YoY and 19%/33% QoQ) sizably traversed our estimates, led by a 21% beat in gross margins on lower-than-expected gas costs. Other Income was also higher than estimated.
- Gas sales volume rose 6% YoY (flat QoQ) to 8.12mmscmd (5% miss), with volumes for CNG up 8% YoY (5% miss) and for PNG up 1% (4% miss). Domestic PNG rose 13%, I/C PNG was down 4% and Trading was flat YoY. In 'kg' terms, CNG vol. was up 13% YoY.
- Gross margin fell 11% QoQ to Rs11.3/scm, with net realization up 4% and unit gas cost rising by 9%. Unit opex was in-line, at Rs5.6/scm. Hence, EBITDA/scm was down 14% YoY/19% QoQ, at Rs5.7, much above our ~Rs4/scm estimate. LNG prices fell QoQ.
- We cut FY23E EPS by 4%, lowering margins but raising FY24E/25E EPS by 4%/6%, due to lower depreciation/higher Other Income. We roll over to Mar-25E with revised TP at Rs485 (8% up); retain BUY. Cabinet decision on the Parikh panel recos is the key trigger.

**Other Highlights:** IGL's CNG realization rose 3% QoQ due to price hikes taken in Oct-Dec '22. PNG realization rose 6%. CNG volume grew by 8% YoY (flat QoQ) to 558.8mmscmd. Current total volume is ~8.2mmscmd. Absolute opex was up 16% YoY (flat QoQ) at Rs4.2bn. Employee costs fell 8% YoY/12% QoQ to Rs438mn. Depreciation was up 1% QoQ to Rs925mn, while Other Income jumped 84% YoY to Rs557mn. CUGL/MNGL's gross PAT fell 16% YoY/20% QoQ to Rs1.12bn. Q3 consol. EPS was Rs4.8/sh (vs Rs5.4 YoY and Rs6.9 QoQ). The Board has declared interim dividend of Rs3/sh. 9M capex was Rs8.2bn, with addition of ~40 CNG ROs totaling 750 as on Dec'22 end.

**Management KTAs:** Q3 volume was impacted by festivals, school closures, etc. IGL sourced domestic ceiling-priced gas (2% of volume) which also supported margins. FY24E/25E volume guidance is maintained at 9/10mmscmd, with EBITDA/scm of Rs7-8, subject to the Parikh panel cap. Annual capex outlay is Rs13-15bn, and CNG station-adds at 125 (75 adds in FY23, albeit due to online conversions). Mgmt expects a favorable decision on the Parikh panel recos by 15-Mar-23. IGL hopes to partially pass-on lower gas prices and retain some margins. The SC has referred the Gurgaon case to the PNGRB, and a favorable decision could help IGL hit 0.5-0.8mmscmd in 1-2 years. Conversions have reduced, from the peak 16k-17k monthly rate to 13k-14k now. IGL's LNG mix (~2mmscmd) is: 50-60% Henry Hub pricing-linked, 30-35% crude-linked, and 5-10% spot gas. H2CY23 is likely to witness global gas-prices reducing, with rates seeing a cooling off since some weeks now. Majority of the capex would go into new GAs. IGL is open to inorganic opportunities.

**Valuation:** We value IGL on a DCF-SoTP basis, and maintain our BUY rating. Our Mar-24 TP of Rs485 implies a 15.7x Mar-25E target consol. P/E. **Key risks:** Adverse pricing, margin, & currency scenarios; high gas-prices; open access; EVs; and project delays.

### Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	49,408	77,100	1,42,216	1,61,314	1,79,927
EBITDA	14,830	18,811	20,725	24,285	26,770
EBITDA Margin (%)	30.0	24.4	14.6	15.1	14.9
APAT	10,057	12,896	14,778	17,405	19,223
EPS (Rs)	14.4	18.4	21.1	24.9	27.5
EPS (% chg)	(5.0)	28.2	14.6	17.8	10.4
ROE (%)	18.4	19.6	19.8	20.3	19.5
P/E (x)	29.1	22.7	19.8	16.8	15.2
EV/EBITDA (x)	18.0	14.0	12.2	10.1	8.9
P/BV (x)	5.0	4.2	3.7	3.2	2.8

Source: Company, Emkay Research

### Change in Estimates

EPS Chg FY23E/FY24E (%)	(4)/4
Target Price change (%)	7.8
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	21.1	24.9
Consensus	21.3	24.1
Mean Consensus TP (12M)	Rs 489	

### Stock Details

Bloomberg Code	IGL IN
Face Value (Rs)	2
Shares outstanding (mn)	700
52 Week H/L	452 / 321
M Cap (Rs bn/USD bn)	293 / 3.59
Daily Avg Volume (nos.)	19,58,529
Daily Avg Turnover (USD mn)	10.2

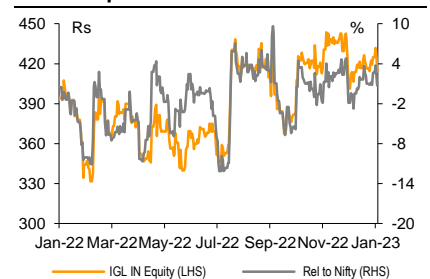
### Shareholding Pattern Dec '22

Promoters	45.0%
FIIs	21.8%
DIIIs	19.7%
Public and Others	13.5%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	1	(2)	18	6
<b>Rel. to Nifty</b>	3	(2)	11	4

### Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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## Exhibit 1: Actual vs. Estimates (Q3FY23)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	37,108	39,359	37,188	-6%	0%	
Adjusted EBITDA	4,285	2,983	4,294	44%	0%	Lower than expected non-APM gas costs
EBITDA Margin (%)	11.5%	7.6%	11.5%	397bps	-bps	
Adjusted Net Profit	2,783	1,810	2,947	54%	-6%	Other Income also higher vs est.

Source: Company, Emkay Research

## Exhibit 2: Detailed quarterly highlights

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY	QoQ	9MFY22	9MFY23	YoY
CNG Sales	17,791	19,480	27,052	29,794	30,687	72%	3%	42,348	87,533	107%
Less Excise	2,230	2,441	3,365	3,680	3,782	70%	3%	5,309	10,827	104%
PNG Sales	6,594	7,020	8,252	9,426	10,204	55%	8%	16,002	27,881	74%
<b>Net Revenues</b>	<b>22,155</b>	<b>24,059</b>	<b>31,939</b>	<b>35,540</b>	<b>37,108</b>	<b>67%</b>	<b>4%</b>	<b>53,040</b>	<b>1,04,587</b>	<b>97%</b>
Dec./(Inc.) in Stock In Trade	(11)	(8)	(22)	(7)	(4)			(29)	(33)	
Raw Material Cost	13,854	15,187	21,728	26,100	28,640	107%	10%	28,774	76,468	166%
Total COGS	13,842	15,178	21,706	26,094	28,636	107%	10%	28,745	76,435	166%
<b>Gross Profit</b>	<b>8,313</b>	<b>8,881</b>	<b>10,233</b>	<b>9,447</b>	<b>8,472</b>	<b>2%</b>	<b>-10%</b>	<b>24,296</b>	<b>28,152</b>	<b>16%</b>
Employee Cost	477	385	481	497	438	-8%	-12%	1,374	1,415	3%
Other Expenses	3,140	3,491	3,577	3,675	3,750	19%	2%	9,115	11,002	21%
Total OPEX	3,616	3,876	4,058	4,171	4,188	16%	0%	10,489	12,417	18%
Total Expenditure	17,459	19,055	25,763	30,265	32,823	88%	8%	39,234	88,852	126%
<b>EBITDA</b>	<b>4,696</b>	<b>5,005</b>	<b>6,175</b>	<b>5,275</b>	<b>4,285</b>	<b>-9%</b>	<b>-19%</b>	<b>13,807</b>	<b>15,735</b>	<b>14%</b>
Depreciation	835	753	857	914	925	11%	1%	2,418	2,696	11%
EBIT	3,861	4,252	5,318	4,361	3,360	-13%	-23%	11,389	13,039	14%
Interest	28	49	24	31	26	-8%	-15%	83	80	-3%
Other Income	304	434	307	1,100	557	84%	-49%	1,377	1,965	43%
PBT before exceptional	4,137	4,637	5,602	5,430	3,891	-6%	-28%	12,682	14,923	18%
Exceptional items	-	340	-	-	-			-	-	
<b>PBT</b>	<b>4,137</b>	<b>4,977</b>	<b>5,602</b>	<b>5,430</b>	<b>3,891</b>	<b>-6%</b>	<b>-28%</b>	<b>12,682</b>	<b>14,923</b>	<b>18%</b>
Current tax	992	1,236	1,384	994	964	-3%	-3%	2,963	3,341	13%
Deferred tax	59	125	10	275	145	145%	-47%	186	430	
Total tax	1,051	1,361	1,394	1,269	1,109	5%	-13%	3,148	3,771	20%
<b>Reported PAT</b>	<b>3,085</b>	<b>3,616</b>	<b>4,209</b>	<b>4,162</b>	<b>2,783</b>	<b>-10%</b>	<b>-33%</b>	<b>9,534</b>	<b>11,153</b>	<b>17%</b>
Rep. EPS (Rs)	4.4	5.2	6.0	5.9	4.0	-10%	-33%	13.6	15.9	17%
<b>Adjusted PAT</b>	<b>3,085</b>	<b>3,369</b>	<b>4,209</b>	<b>4,162</b>	<b>2,783</b>	<b>-10%</b>	<b>-33%</b>	<b>9,534</b>	<b>11,153</b>	<b>17%</b>
<b>Adj. EPS (Rs)</b>	<b>4.4</b>	<b>4.8</b>	<b>6.0</b>	<b>5.9</b>	<b>4.0</b>	<b>-10%</b>	<b>-33%</b>	<b>13.6</b>	<b>15.9</b>	<b>17%</b>
CUGL/MNGL Gross PAT	1,325	1,447	1,208	1,394	1,116	-16%	-20%	3,068	3,717	21%
CUGL/MNGL EPS Contri (Rs)	0.9	1.0	0.9	1.0	0.8	-16%	-20%	2.2	2.7	21%
<b>Consol. Adj. EPS ex Div. Adj. (Rs)</b>	<b>5.4</b>	<b>5.8</b>	<b>6.9</b>	<b>6.9</b>	<b>4.8</b>	<b>-11%</b>	<b>-31%</b>	<b>15.8</b>	<b>18.6</b>	<b>18%</b>
Shares O/S (mn)	700	700	700	700	700			700	700	
EBITDA margin	21%	21%	19%	15%	12%			26%	15%	
Standalone Rep. NPM	14%	15%	13%	12%	7%			18%	11%	
Effective tax rate	25%	27%	25%	23%	28%			25%	25%	
<b>Total Sales (mmscmd)</b>	<b>7.7</b>	<b>7.7</b>	<b>7.9</b>	<b>8.1</b>	<b>8.1</b>	<b>6%</b>	<b>0%</b>	<b>6.7</b>	<b>8.0</b>	<b>19%</b>
CNG Volumes (mmscm)	518	509	540	560	559	8%	0%	1,338	1,659	24%
PNG Volumes (mmscm)	186	188	178	184	188	1%	2%	516	550	7%
Domestic	45	51	44	46	51	13%	11%	131	141	8%
Industrial+Commercial	95	92	89	92	91	-4%	0%	260	272	5%
3rd party Trading	46	45	46	46	46	0%	-1%	126	137	9%
Gross Margin (Rs/scm)	11.8	12.7	14.3	12.7	11.3	-4%	-11%	13.1	12.7	-3%
<b>Adj. EBITDA/scm (Rs)</b>	<b>6.7</b>	<b>7.2</b>	<b>8.6</b>	<b>7.1</b>	<b>5.7</b>	<b>-14%</b>	<b>-19%</b>	<b>7.4</b>	<b>7.1</b>	<b>-4%</b>
CNG Real (Rs/kg)	49.0	53.5	69.1	72.5	74.8	53%	3%	44.9	72.2	61%
PNG Real (Rs/scm)	35.4	37.3	46.3	51.3	54.2	53%	6%	31.2	50.6	62%
Average Real (Rs/scm)	31.5	34.5	44.5	47.8	49.7	58%	4%	28.6	47.3	65%
Capex	3,480	4,890	3,000	2,400	2,840	-18%	18%	9,650	8,240	-15%

Source: Company, Emkay Research

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## Con-call Highlights

### Volumes and outlook:

- Expects to maintain healthy volume growth, with FY24/25 target unchanged at 9/10mmscmd, respectively. Q3FY23 CNG volume stands at 4.5mn-kg/day. Conversions have reduced, from the peak 16,000-17,000 monthly-rate to 13,000-14,000 currently (based on Parivahan data, including both, new and retro-fit). IGL's Q3 witnessed QoQ slowdown due to festivals, school holidays, etc, though the overall vehicles universe has seen growth.
- Core Gurgaon volume is currently at 0.18mmscmd, while 0.25mmscmd is traded to third-party. The Supreme Court (SC) has referred the Gurgaon case to the PNGRB and, if the outcome is a favorable decision, IGL is likely to hit 0.5-0.8mmscmd within 1-2 years. The PNGRB decision this time around will be final. The SC has kept validity of gas trading arrangements only till Sep-2023.
- In NCR, IGL aims to connect all industrial areas by Mar-23. 50-60% of the sales mix would be CNG in the new GAs. Ajmer+, Kaithal, and Karnal would see CNG stations being set up on highways, which offer good demand.
- Volume mix, currently, among vehicle types is: 20-22% buses (of which 8-10% is DTC & DIMTS), 40% private cars, and the remaining entails other means of transport like taxis, auto-rickshaws, LGVs, etc. GA-wise volume mix is: 65% Delhi, 21% Noida-Ghaziabad, 3% Rewari, 2% Gurgaon, and 0-1% each in other GAs.
- EV buses are being ordered by DTC (5,000, though DTC has also ordered CNG buses), although conversions so far have been only in 2Ws and 3Ws. IGL acknowledges the EV threat, but is focusing on other areas wrt buses, such as long-haul CNG buses. Delhi-Dehradun buses are already plying, while discussions with the state government of Rajasthan for Jaipur-Delhi are ongoing, with Haryana and UP roadways also being pursued for conversions. Company has permits for long haul. EVs cannot cover such long distances.
- IGL is also focusing on other CVs like dumpers, trash trucks, etc. Greater NCR is now seeing the diesel-ban expanding. Tractors is another area of growth. Overall, IGL does not see bus-sector volumes de-growing in coming 4-5 years at least.
- Online CNG station sales will improve. CNG trucks, CVs, etc are Rs0.7-0.8mn more costly than diesel vehicles. BS 6 new norms will, however, cause diesel vehicles to become more costly; though Company does not see any major impact from this as of now, it will need to mull on this. With development of the eco system, the CGD-CNG environment should turn healthier.

### Margins, gas costing and pricing:

- Company expects to clock Rs7-8 of EBITDA/scm in FY24, post approval of the Kirit Parikh Report (KPR) and APM prices being set at USD6.5/mmbtu. It expects the KPR decision by 15-Mar-2023.
- Reduction in APM gas-price, from USD8.6/mmbtu to USD6.5/mmbtu, would lead to Rs6/scm lower gas cost, thereby improving IGL's margins going ahead. Currently, average non-APM gas price (mostly LNG) is USD13-14/mmbtu, while the APM gas price (including pipeline charges) is USD10/mmbtu; with KPR approval, this would come down to USD7.2-7.5mmbtu and drive margins. IGL will pass-on some of this to customers and retain the remaining for boosting margins from current levels. IGL has kept prices low vs other CGD players.
- 20mmscmd of domestic gas is being allocated to the CGD priority sector; Company does not foresee any increase in this (if some gas is diverted from other sectors, it will still be favorable) and IGL would source more gas from the open market. Current share of domestic gas for IGL is 86-87% of priority and 76% of total volumes.
- H2CY23 is expected to see reduction in global gas prices, as rates have started cooling off since a few weeks already. Temperatures have already risen in the EU and heating

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requirements are down. Storages are 76% full, as of now. This should moderate prices going ahead, with possibly USD12-15/mmbtu LNG prices; this would also aid demand.

- IGL's LNG mix (~2mmscmd) is 50-60% Henry Hub pricing linked, 30-35% crude linked (Brent or JCC) and 5-10% spot gas (fluctuating, as other sources miss supply from time to time). Occasionally, spot prices are also cheaper. In Q3, IGL got some ceiling-priced domestic gas (2% of volumes) as well.
- IGL's pricing decision is based on market conditions and competing fuel economics with margins being also targeted. IGL does extensive LP modelling and analysis. There is also a volume vs margin trade-off. IGL took a CNG price-hike in Dec-2022 which should hence have a positive impact on margins in Q4FY23 as a whole.
- If KPR is not approved, Apr-23 would see a USD0.5-2/mmbtu rise in APM gas price, which should however stabilize by October, if current global rates prevail or APM gas price weakens.
- IGL's Q2FY23 gas cost was USD6.2/25 per mmbtu for domestic/LNG, while being USD8.5/14-15 for Q3; so, the decline in non-domestic gas provided some support to margins sequentially. IGL is looking to bid for new domestic gas as well, to reduce its reliance on LNG. Industrial PNG margins are at Rs4-5/scm, while domestic PNG margins stand at Rs3-5/scm.

### Projects and capex:

- IGL's capex run-rate will remain high for the next 3-5 years, as new areas would involve laying of steel pipelines (rim, etc), which is costly. Cost for a steel pipeline is Rs15-20mn/km, while that for MDPE is Rs2mn/km. Most capex will be in new areas, with the target being Rs13-16bn pa. Delhi will see some capex, towards improving the pipeline pressure and supply.
- 75 CNG stations are planned for FY23, with most being online, though considerable DB (daughter booster) will be converted online to lower the costs, which is now a focus area. 40 stations have been added till end-9MFY23; generally, the overall target is 125 stations.
- Expansion in various areas, including laying of steel pipelines, should lead to more online stations. The Ajmer pipeline would be charged shortly, and DB stations converted to online. Company is looking at 1.5mn DPNG connections here. The Meerut-Hapur DB stations would also become online.
- Company has commenced work in the Banda-Chitrakoot GA, where pipelines are been laid. Rapid expansion is happening in various GAs, including the likes of Meerut-Hapur, along with setting of steel pipelines in the Ajmer-Pali GA, etc.
- New PNGRB bidding would only come in hill areas (as only such areas remain). However, post 5 years of the PNGRB win, GAs can be sold; so IGL would be looking at such opportunities.

### Others:

- OMCs' commission is Rs5.94/kg of CNG currently, although this is still under discussion; but such provisions have been made by IGL. The discount being given to DTC buses is 6% of CNG RSP, as DTC provide fuelling facilities in the depot.
- CUGL volumes were flat in Q3FY23, at 0.33mmscmd and profits were down. MNGL recorded 9% volume growth to 1.1mmscmd, with profitability remaining intact.
- IGL has 250 COCO stations, while 30 sites are given for EV stations; the target overall is 500 EV stations. Capex is much lower than that for CNG stations, though financial models are evolving.
- Smart meters are substantially expensive, at 2-2.5x of the AMR meter cost, which itself is 2x the cost of a normal meter. Hence for IGL, there is a trade-off between cost and benefits. Work on its meter plant will be finalized in 3-4 weeks, though.

**Exhibit 3: Changes in assumptions**

	FY23E			FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
EBITDA/scm (Rs)	7.4	7.0	-6%	7.2	7.3	2%	7.2	7.4	2%
Sales Volumes (mmscmd)	8.2	8.1	-2%	9.3	9.0	-3%	10.2	9.9	-3%
Growth	18.0%	15.9%	-214bps	13.0%	11.5%	-150bps	9.7%	10%	50bps

Source: Company, Emkay Research

**Exhibit 4: Changes in estimates**

(Rs mn)	FY23E			FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	1,48,760	1,42,216	-4%	1,70,991	1,61,314	-6%	1,89,910	1,79,927	-5%
EBITDA	22,413	20,725	-8%	24,677	24,285	-2%	27,086	26,770	-1%
EBITDA Margins	15.1%	14.6%	-49bps	14.4%	15.1%	62bps	14.3%	14.9%	62bps
PAT	15,323	14,778	-4%	16,728	17,405	4%	18,113	19,223	6%
EPS (Rs)	21.9	21.1	-4%	23.9	24.9	4%	25.9	27.5	6%

Source: Company, Emkay Research

**Exhibit 5: DCF Valuation (Mar-24E)**

DCF Assumptions	Mar-2025E (Rs mn)	Core IGL	CUGL 50%	MNGL 50%	Consol
Risk Free Rate	7.0%	NPV Of FCF	1,37,728	2,849	16,458
Risk Premium	5.3%	Terminal Value	3,99,324	6,814	51,232
Beta	0.8	PV Of TV	1,14,112	1,947	14,640
<b>Cost Of Equity</b>	<b>11.0%</b>	<b>Total Value</b>	<b>2,51,841</b>	<b>4,796</b>	<b>31,098</b>
Cost Of Debt	8.0%	Less: Adj. Net Debt (Mar-24E)	-51,449	-1,116	751
Post Tax Cost Of Debt	6.0%	<b>Equity Value</b>	<b>3,03,289</b>	<b>5,912</b>	<b>30,347</b>
Average Debt:Equity Ratio	0%	No. Of Shares O/S (mn)	700	700	700
<b>WACC</b>	<b>11.0%</b>	<b>Target Price (Rs)</b>	<b>433</b>	<b>8</b>	<b>43</b>
<b>Terminal Growth Rate</b>					
IGL	2.0%				
CUGL	1.0%				
MNGL	1.0%				

Source: Company, Emkay Research

**Exhibit 6: PER-based valuation (Mar-25E EPS)**

(Rs/share)	FY20	FY21	FY22	FY23E	FY24E	FY25E
IGL's Core EPS	15.1	14.4	18.4	21.1	24.9	27.5
Less: CU/MNGL Div. Inc.	0.4	0.4	0.7	0.6	0.6	0.7
<b>IGL Adjusted EPS</b>	<b>14.7</b>	<b>14.0</b>	<b>17.8</b>	<b>20.6</b>	<b>24.2</b>	<b>26.8</b>
CUGL/MNGL EPS Contri.	2.1	1.8	3.2	3.5	3.8	4.2
<b>Consol. EPS</b>	<b>16.8</b>	<b>15.8</b>	<b>21.0</b>	<b>24.1</b>	<b>28.0</b>	<b>31.0</b>
Implied Target Multiple (x)						15.7
<b>DCF Target Price</b>						<b>485</b>

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>49,408</b>	<b>77,100</b>	<b>1,42,216</b>	<b>1,61,314</b>	<b>1,79,927</b>
<b>Expenditure</b>	<b>34,578</b>	<b>58,289</b>	<b>1,21,491</b>	<b>1,37,029</b>	<b>1,53,157</b>
<b>EBITDA</b>	<b>14,830</b>	<b>18,811</b>	<b>20,725</b>	<b>24,285</b>	<b>26,770</b>
Depreciation	2,904	3,171	3,626	4,228	5,025
<b>EBIT</b>	<b>11,926</b>	<b>15,641</b>	<b>17,099</b>	<b>20,057</b>	<b>21,744</b>
Other Income	1,502	1,810	2,766	3,321	4,066
Interest expenses	113	132	109	110	111
<b>PBT</b>	<b>13,315</b>	<b>17,319</b>	<b>19,757</b>	<b>23,268</b>	<b>25,699</b>
Tax	3,258	4,762	4,979	5,864	6,476
Extraordinary Items	0	340	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>10,057</b>	<b>13,150</b>	<b>14,778</b>	<b>17,405</b>	<b>19,223</b>
<b>Adjusted PAT</b>	<b>10,057</b>	<b>12,896</b>	<b>14,778</b>	<b>17,405</b>	<b>19,223</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	1,400	1,400	1,400	1,400	1,400
Reserves & surplus	57,319	67,962	78,454	90,637	1,04,093
<b>Net worth</b>	<b>58,719</b>	<b>69,362</b>	<b>79,854</b>	<b>92,037</b>	<b>1,05,493</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>1,130</b>	<b>1,076</b>	<b>1,087</b>	<b>1,098</b>	<b>1,109</b>
Net deferred tax liability	2,422	2,737	3,078	3,420	3,762
<b>Total Liabilities</b>	<b>62,271</b>	<b>73,175</b>	<b>84,019</b>	<b>96,555</b>	<b>1,10,364</b>
<b>Net block</b>	<b>43,209</b>	<b>50,017</b>	<b>54,967</b>	<b>62,038</b>	<b>71,931</b>
<b>Investment</b>	<b>18,557</b>	<b>20,156</b>	<b>20,500</b>	<b>20,850</b>	<b>21,208</b>
<b>Current Assets</b>	<b>15,639</b>	<b>20,564</b>	<b>35,199</b>	<b>42,505</b>	<b>52,082</b>
Cash & bank balance	11,323	13,616	23,415	29,293	37,482
Other Current Assets	893	1,173	1,185	1,196	1,208
<b>Current liabilities &amp; Provision</b>	<b>23,603</b>	<b>31,349</b>	<b>43,879</b>	<b>47,793</b>	<b>51,916</b>
<b>Net current assets</b>	<b>(7,964)</b>	<b>(10,785)</b>	<b>(8,680)</b>	<b>(5,288)</b>	<b>166</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>62,271</b>	<b>73,175</b>	<b>84,019</b>	<b>96,555</b>	<b>1,10,364</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>11,813</b>	<b>15,508</b>	<b>16,990</b>	<b>19,947</b>	<b>21,634</b>
Other Non-Cash items	52	149	0	0	0
Chg in working cap	5,215	5,429	8,035	2,827	3,077
<b>Operating Cashflow</b>	<b>15,460</b>	<b>18,979</b>	<b>23,793</b>	<b>21,260</b>	<b>23,381</b>
Capital expenditure	(11,246)	(15,296)	(12,022)	(13,022)	(13,022)
<b>Free Cash Flow</b>	<b>4,214</b>	<b>3,683</b>	<b>11,771</b>	<b>8,238</b>	<b>10,359</b>
Investments	(15,612)	(1,599)	(344)	(350)	(357)
Other Investing Cash Flow	2,389	1,684	0	0	0
<b>Investing Cashflow</b>	<b>(22,967)</b>	<b>(13,401)</b>	<b>(9,599)</b>	<b>(10,052)</b>	<b>(9,314)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	169	(54)	11	11	11
Dividend paid (incl tax)	(1,960)	(2,519)	(4,286)	(5,221)	(5,767)
Other Financing Cash Flow	(1,065)	(579)	(11)	(11)	(11)
<b>Financing Cashflow</b>	<b>(2,970)</b>	<b>(3,285)</b>	<b>(4,394)</b>	<b>(5,331)</b>	<b>(5,878)</b>
<b>Net chg in cash</b>	<b>(10,477)</b>	<b>2,294</b>	<b>9,799</b>	<b>5,877</b>	<b>8,189</b>
Opening cash position	21,799	11,323	13,616	23,415	29,293
<b>Closing cash position</b>	<b>11,323</b>	<b>13,617</b>	<b>23,415</b>	<b>29,293</b>	<b>37,482</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EBITDA Margin	30.0	24.4	14.6	15.1	14.9
EBIT Margin	24.1	20.3	12.0	12.4	12.1
Effective Tax Rate	24.5	27.5	25.2	25.2	25.2
Net Margin	20.4	16.3	10.4	10.8	10.7
ROCE	23.2	25.8	25.3	25.9	24.9
ROE	18.4	19.6	19.8	20.3	19.5
RoIC	39.9	45.8	52.8	59.6	52.4

<b>Per Share Data (Rs)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	14.4	18.4	21.1	24.9	27.5
CEPS	18.5	22.5	26.3	30.9	34.6
BVPS	83.9	99.1	114.1	131.5	150.7
DPS	3.6	5.5	6.1	7.5	8.2

<b>Valuations (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
PER	29.1	22.7	19.8	16.8	15.2
P/CEPS	22.6	18.6	15.9	13.5	12.1
P/BV	5.0	4.2	3.7	3.2	2.8
EV / Sales	5.4	3.4	1.8	1.5	1.3
EV / EBITDA	18.0	14.0	12.2	10.1	8.9
Dividend Yield (%)	0.9	1.3	1.5	1.8	2.0

<b>Gearing Ratio (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Net Debt/ Equity	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.7)	(1.6)	(1.9)	(1.9)	(2.0)
Working Cap Cycle (days)	(21.6)	(22.5)	(29.4)	(29.0)	(28.9)

<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	(23.8)	56.0	84.5	13.4	11.5
EBITDA	(2.4)	26.8	10.2	17.2	10.2
EBIT	(5.9)	31.1	9.3	17.3	8.4
PAT	(11.5)	30.8	12.4	17.8	10.4

<b>Quarterly (Rs mn)</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>Q1FY23</b>	<b>Q2FY23</b>	<b>Q3FY23</b>
Revenue	22,155	24,059	31,939	35,540	37,108
EBITDA	4,696	5,005	6,175	5,275	4,285
<b>EBITDA Margin (%)</b>	<b>21.2</b>	<b>20.8</b>	<b>19.3</b>	<b>14.8</b>	<b>11.5</b>
PAT	3,085	3,369	4,209	4,162	2,783
<b>EPS (Rs)</b>	<b>4.4</b>	<b>4.8</b>	<b>6.0</b>	<b>5.9</b>	<b>4.0</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Dec-21</b>	<b>Mar-22</b>	<b>Jun-22</b>	<b>Sep-22</b>	<b>Dec-22</b>
Promoters	45.0	45.0	45.0	45.0	45.0
FIs	20.2	19.9	20.3	21.0	21.8
DIs	16.7	16.9	16.8	20.3	19.7
Public and Others	18.1	18.2	17.9	13.7	13.5

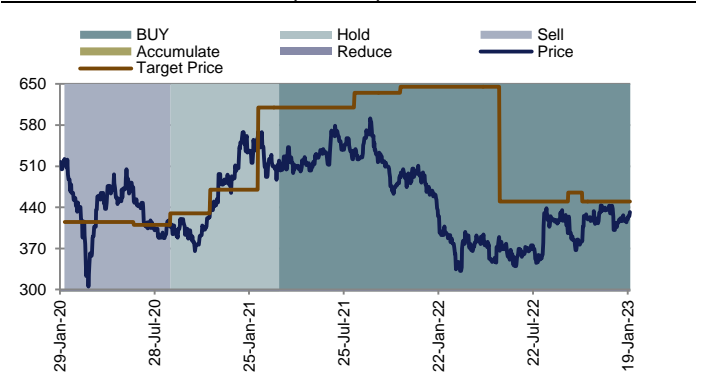
Source: Capitaline

## RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
01-Dec-22	434	450	12m	Buy	Sabri Hazarika
24-Oct-22	383	450	12m	Buy	Sabri Hazarika
02-Oct-22	397	465	12m	Buy	Sabri Hazarika
27-Sep-22	423	465	12m	Buy	Sabri Hazarika
10-Aug-22	380	450	12m	Buy	Sabri Hazarika
19-May-22	366	450	12m	Buy	Sabri Hazarika
23-Nov-21	494	645	12m	Buy	Sabri Hazarika
10-Nov-21	491	645	12m	Buy	Sabri Hazarika
29-Sep-21	519	635	12m	Buy	Sabri Hazarika
14-Aug-21	535	635	12m	Buy	Sabri Hazarika
26-Jul-21	547	610	12m	Buy	Sabri Hazarika
25-Jun-21	513	610	12m	Buy	Sabri Hazarika
23-Jun-21	519	610	12m	Buy	Sabri Hazarika
18-Jun-21	532	610	12m	Buy	Sabri Hazarika
29-May-21	514	610	12m	Buy	Sabri Hazarika
23-Apr-21	510	610	12m	Buy	Sabri Hazarika
23-Mar-21	519	610	12m	Buy	Sabri Hazarika
18-Feb-21	568	610	12m	Hold	Sabri Hazarika
11-Feb-21	569	610	12m	Hold	Sabri Hazarika
27-Nov-20	496	470	12m	Hold	Sabri Hazarika
11-Nov-20	448	470	12m	Hold	Sabri Hazarika
28-Sep-20	404	430	12m	Hold	Sabri Hazarika
27-Aug-20	407	430	12m	Hold	Sabri Hazarika
18-Jun-20	450	410	12m	Sell	Sabri Hazarika
06-May-20	468	415	12m	Sell	Sabri Hazarika
07-Feb-20	511	415	12m	Sell	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY (Rs/share)



Source: Bloomberg, Company, Emkay Research



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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 28 Jan 2023 11:56:51 (SGT)

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