

Gujarat Gas

HOLD

Downgrade from BUY

Difficult environment to force difficult choices

Rs481

Gujarat Gas (GUJGA) faces a tough choice: prioritise volume growth or maintain margins over the next 12 months. The conversion of about 55% of available units in its major consumption hub of Morbi to dual fuel use poses a challenge. GUJGA has already lowered prices in the region to remain competitive and margins in FY23 held up due to lower gas costs, increase in propane prices, and reduced volumes. However, we believe FY24E presents greater challenges as Asian LPG prices have dropped by a significant percentage from May to July 2023, affecting propane prices. These price changes may impact Q2FY24E pricing and pose material challenges for GUJGA. Pursuing volume growth may require a price reduction of Rs3-4/scm in Q2FY24E, which could significantly impact margins for the company in FY24E. Keeping in mind the equation between propane and LNG prices over the next 12-18 months, we believe downside risks to earnings are possible, and hence, now factor in some of these in our FY24/25E EPS. Revised EPS estimates are thus 21.6/13.1% lower vs previous estimates and TP also reduces to Rs494/sh (from Rs585). Downgrade the stock to HOLD (from BUY), with risk reward turning unfavourable at current levels.

- ▶ **Chasing volumes may be a risky bet in a weak pricing environment:** The sustained decline in LPG prices (hence, propane prices at Morbi) is a major driver of volume pressure for GUJGA over the next 12-18 months. We believe while the management is keen on prioritising volumes, the pricing to do that may be steep, with our scenario suggesting a Rs3/scm cut for H2FY24E can lead to a cut in EBITDA/scm to Rs5.5/scm vs Rs6.7scm in H1FY24E (vs EBITDA/scm of Rs7.8/scm in FY23).
- ▶ **FY24E price mix between propane and gas is not in favour of margin boost:** Extrapolating the current weakness in LPG prices (LPG prices have declined to US\$400/t for Aug'23 vs US610/t six months ago) to the next 12-18 months, equivalent propane prices for the key region of Morbi (44% of GUJGA volumes) may trend at Rs29-30/scm. This necessitates further reduction of Rs5-6/scm in industrial prices of GUJGA which may dent margins materially over H2FY24E, even assuming a moderate US\$14-16/MMBtu spot LNG price during that period.
- ▶ **Valuations are not cheap, risk reward not in favour; downgrade to HOLD:** Despite the recent 6% fall in the stock price (last 4 months), GUJGA does not present a compelling risk-reward ratio, in our view. We have taken cognisance of the weakness in operating environment and have revised our FY24/25E EPS estimates down by 21/13%, respectively, to factor in lower margins. Consequently, long term volume growth and margin assumptions also see a downgrade, leading to a reduction in TP to Rs494/sh. Downgrade to **HOLD**.

Market Cap	Rs331bn/US\$4bn	Year to March	FY22	FY23	FY24E	FY25E
Reuters/Bloomberg	GGAS.BO/GUJGA IN	Revenue (Rs mn)	1,64,562	1,67,594	1,69,068	2,05,547
Shares Outstanding (mn)	688.4	Net Income (Rs mn)	12,947	15,255	13,260	16,505
52-week Range (Rs)	532/438	EPS (Rs)	18.8	22.2	19.3	24.0
Free Float (%)	29.1	% Chg YoY	2%	18%	-13%	24%
FII (%)	4.7	P/E (x)	25.6	21.7	25.0	20.1
Daily Volume (US\$/'000)	7,206	CFPS (Rs)	24.4	28.4	26.2	31.7
Absolute Return 3m (%)	4.2	EV/E (x)	16.0	13.4	14.7	11.7
Absolute Return 12m (%)	8.1	Dividend Yield (%)	0.4%	1.4%	1.0%	1.2%
Sensex Return 3m (%)	9.8	RoCE (%)	29%	29%	22%	24%
Sensex Return 12m (%)	22.2	RoE (%)	26%	24%	18%	19%

Please refer to important disclosures at the end of this report

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Company update; Target
price, rating and
earnings revision

Oil & Gas and
Petrochemicals

Target price: Rs494

Earnings revision

(%)	FY24E	FY25E
Sales	-3.0%	4.0%
EBITDA	-18.3%	-11.0%
EPS	-21.6%	-13.1%

Target price revision

Rs494 from Rs585

Shareholding pattern

	Dec '22	Mar '23	Jun '23
Promoters	60.9	60.9	60.9
Institutional investors	17.7	18	17.8
MFs and others	9.4	9.8	8.4
FIs/ Banks	0.0	0.0	0.0
Insurance	2.9	3.2	4.7
FII	5.4	5.0	4.7
Others	21.4	21.1	21.3

Source: www.nseindia.com

ESG disclosure score

Year	2021	2022	Chg
ESG score	28.4	28.4	0
Environment	1.6	1.6	0
Social	17.4	17.4	0
Governance	66.1	66.1	0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

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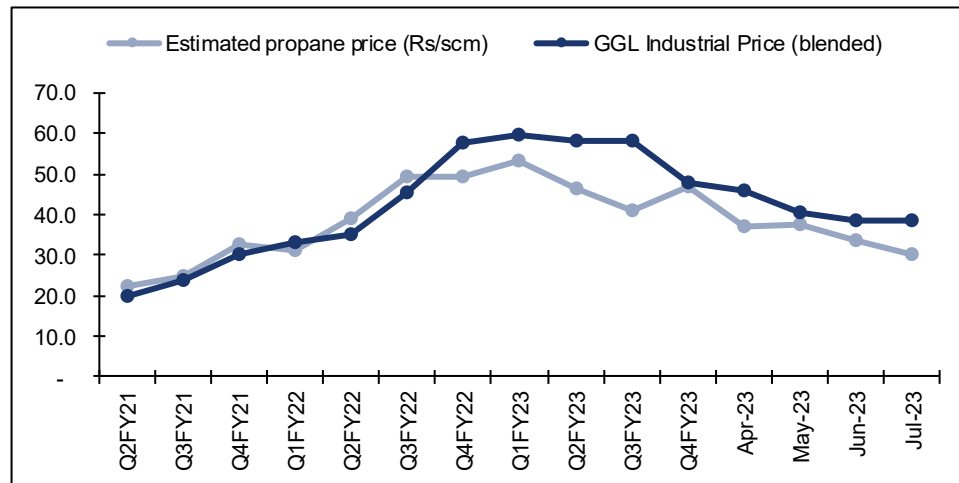
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A lot of bad news in recent months

Propane to gas economics has turned unfavourable

The recent trends in propane to gas prices have turned unfavourable for gas, with sharply expanding discounts of LPG to Brent causing a sharp decline in propane prices in the Morbi region, while industrial segment gas prices have followed the suit – this has created twin pressures on GUJGA to try to protect its margins while also keeping prices competitive enough not to hemorrhage volume growth.

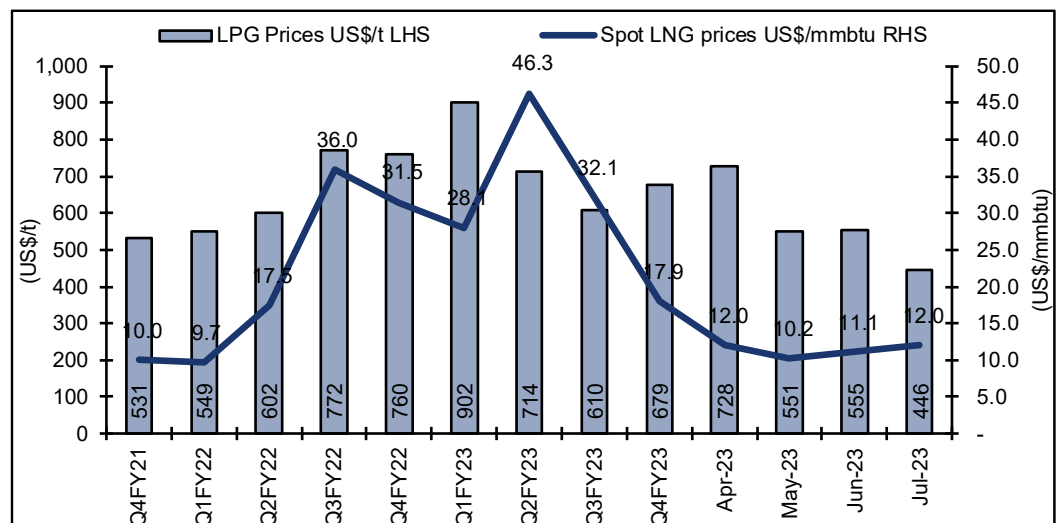
Chart 1: Propane vs gas prices have been stressed for GUJGA



Source: Saudi Aramco LPG prices, Company data, I-Sec research

The price differential has been exacerbated in recent months, thanks to the unusually high discount to Brent seen for LPG price vs crude prices. From a historical average of US\$18-19/bbl, LPG discounts have expanded to a historical high of US\$35/bbl in the last month – this has translated to LPG prices applicable for India declining from a high of US\$790/t (in Mar'23) to US\$446/t (in Jul'23) and may further decline to US\$390-400/t in Aug'23. This implies propane prices can further decline to Rs3-5/scm over the next 2 months.

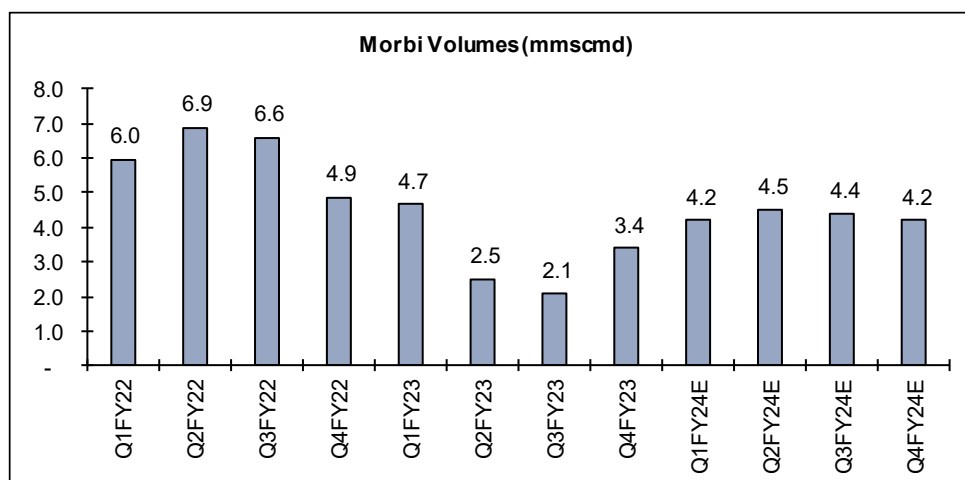
Chart 2: LPG and spot LNG price trends over recent months



Source: Saudi Aramco LPG prices, Reuters, I-Sec research

This anomaly in pricing has meant that 450/900 units in Morbi are now likely to use propane alongside/in place of gas at Morbi. This implies that of the ~8.5mmscmd potential gas equivalent demand in the region, ~4.5-5mmscmd is now at risk whenever propane prices turn favourable relative to GUJGA's industrial gas prices.

Chart 3: Estimated Morbi volumes to remain weak in FY24E



Source: Company data, I-Sec research

Even with spot LNG prices remaining in US\$15-20/mmbtu range and likely to remain so for the rest of FY24E, bear case estimates suggest >4mmscmd of a potential 8mmscmd of gas equivalent demand may be running on propane in FY24E.

We downgrade GUJGA due to:

Propane prices show little signs of recovery

The current pricing trends for LPG reflect weak forecast over the next 12 months with limited demand from petrochemical segment and muted refined product demand in the near term. Our calculations suggest if LPG discounts revert to their historical norms of US\$30/bbl, with crude@US\$80/bbl levels, price competitiveness of gas may improve substantially as LPG prices at that level rise to US\$580/t levels, >US\$150/t higher than the current levels of (Rs400/t). However, futures prices for the next 12 months indicate a return to normalcy is far from certain and far from imminent – this creates material uncertainties for GUJGA margins beyond H1FY24E, as the reduction needed to match propane prices is well below the current levels of industrial prices for Morbi.

Table 1: Propane prices (derived from LPG prices) can trade at a significant discount to GUJGA's Morbi prices over the next 12 months

	Current Scenario	Case - I	Case - II	Case - III
Crude price	75.0	75.0	80.0	85.0
LPG Discount	40.0	30.0	30.0	25.0
LPG price	35.0	45.0	50.0	60.0
LPG prices US\$/t	406.0	522.0	580.0	696.0
Price Rs/kg	31.7	40.7	45.2	54.3
Adjustment for India	34.5	44.4	49.3	59.2
Price converted to Rs/scm	29.6	38.1	42.3	50.8
GGL Current Industrial price	38.4	38.4	38.4	38.4

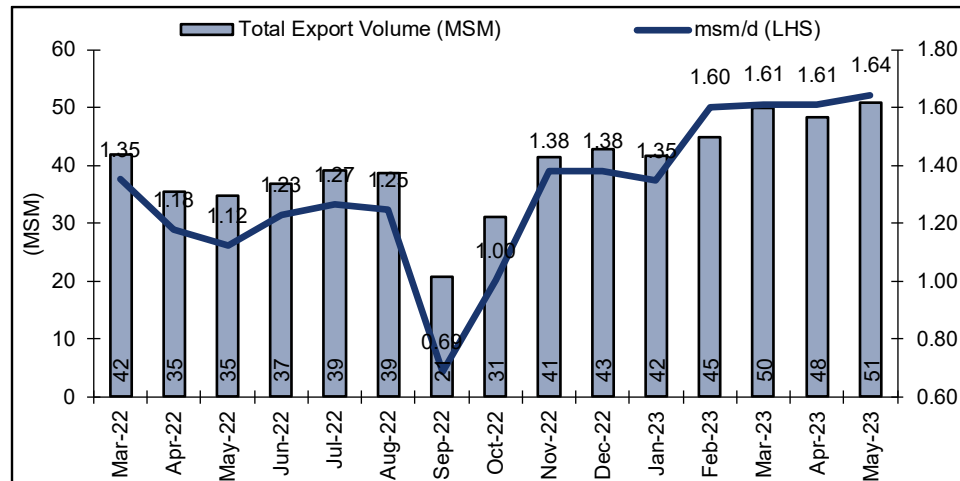
Source: Saudi Aramco LPG prices, Company data, I-Sec research

While the trends in crude prices, refined product spreads and the state of demand supply in global markets all remain in flux, we now factor in a prolonged period of weakness in propane markets for FY24E. This underpins our lower margin estimates for FY24/25E vs earlier in this note.

Morbi activity levels looking up, can deliver volumes in the long run

There has been an addition of ~150-200 new units in and around the Morbi region in FY22-23, with greater momentum from new markets for ceramic exports like Europe. While domestic demand for ceramics remains steady as of now, overall export data has been growing strongly over the last 12 months, providing some comfort on overall demand for gas and gas equivalent propane over the next 2-3 years. Having said that, relative economics of gas vs propane remains in favour of propane, and so, we believe incremental volumes may not really benefit GUJGA, at least in near to medium term.

Chart 4: Growth in tiles export volumes due to softer LNG and propane prices

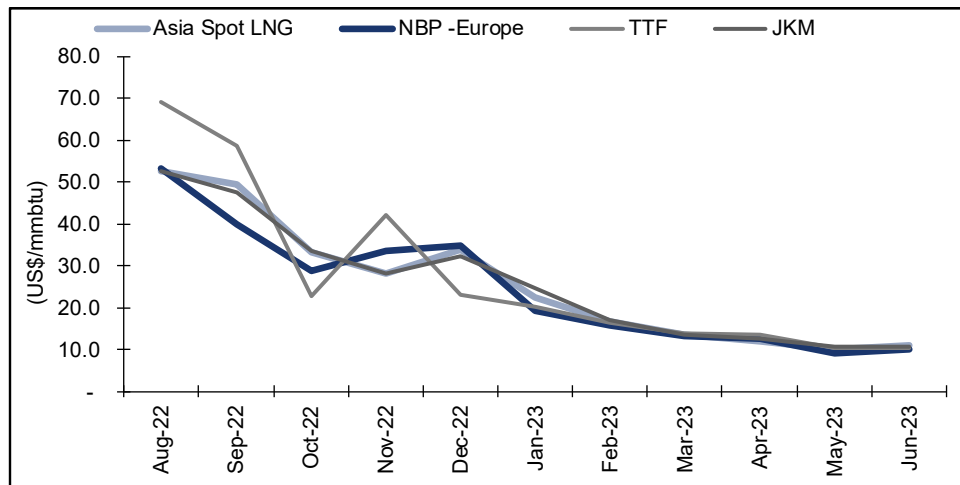


Source: Ministry of Commerce and Industry, I-Sec building materials research team, I-Sec research

Spot LNG prices are near-bottom levels, likely to steadily increase over the rest of FY24E

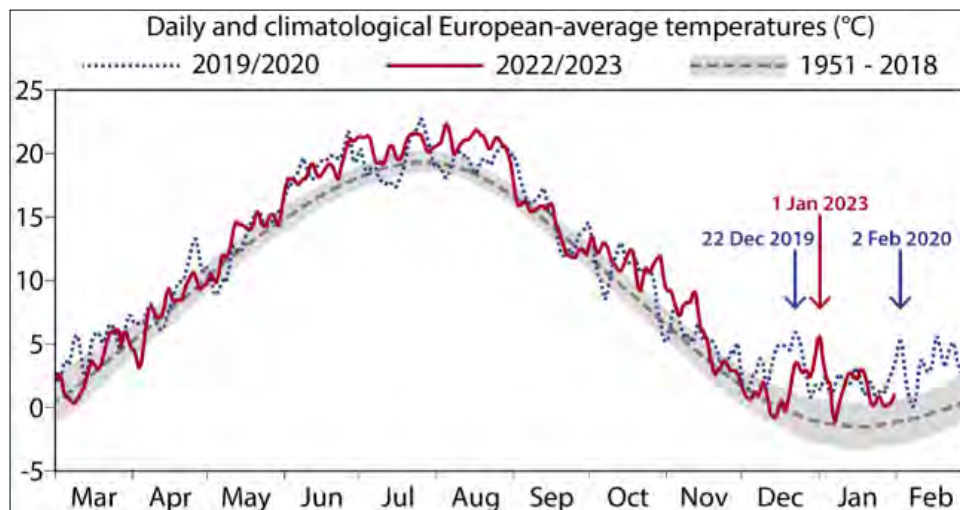
One of the factors that has helped GUJGA tide over the troubles at Morbi and propane have been steadily declining spot LNG prices (prices are down to average US\$11.1/MMBtu over the last 3 months’ – Apr-Jun’23 vs average price of US\$24.6/MMBtu in the preceding 6 months – Oct’22-Mar’23). Sharply ahead of the estimated inventory buildup in Europe and a milder winter have meant that the expected boost to prices in the winter of CY22 just did not happen. Additionally, the pace of withdrawals in Europe has been slower than estimated, with average inventory levels as of June end at 74% vs 5-year average levels of 63%. This has kept prices at subdued levels of \$11-12/mmbtu in the past 3 months.

Chart 5: Global gas prices have reduced over the past 12 months...



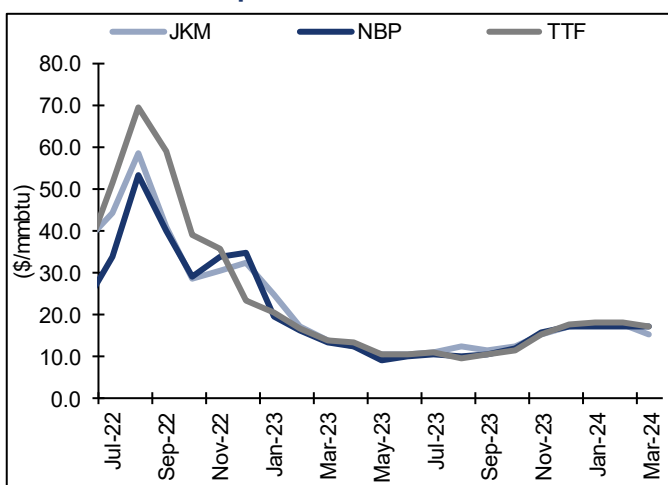
Source: Bloomberg, I-Sec research

Chart 6: ...with temperatures across EU above historical averages



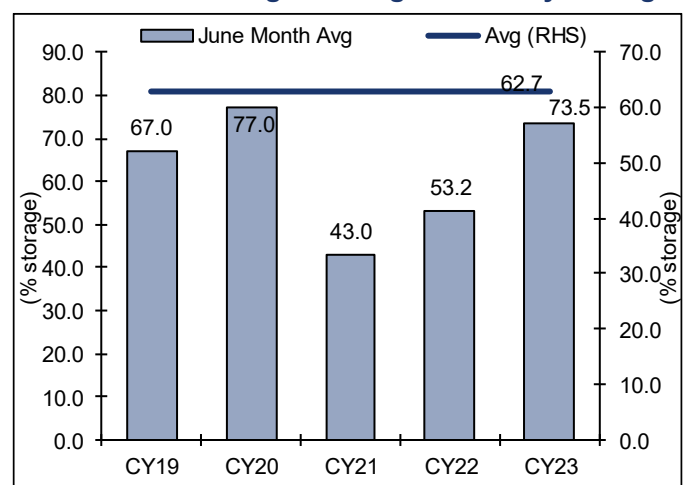
Source: Copernicus Climate Change Service/ECMWF, I-Sec research

Chart 7: Futures prices indicate a muted trend...



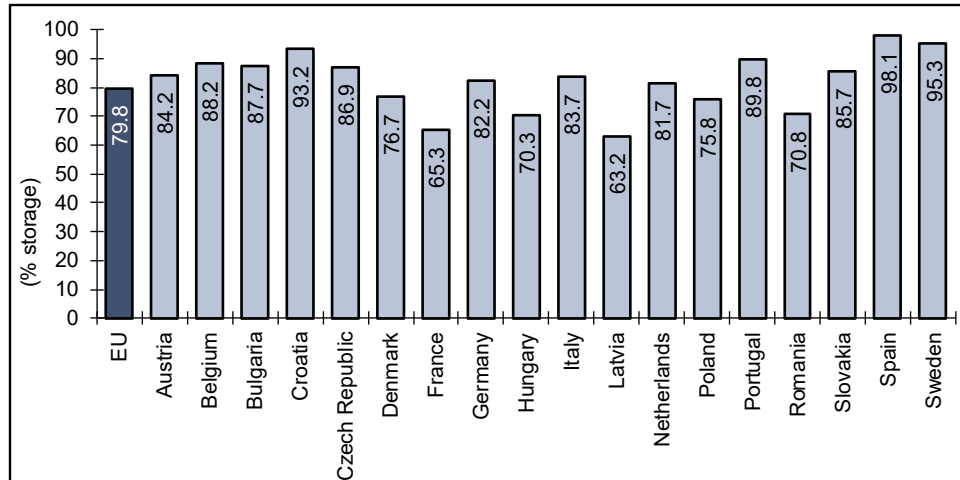
Source: Bloomberg, CME, I-Sec research, Note: July- 23 onwards are future prices

Chart 8: ...with EU gas storage above 5-year avg



Source: GIE -AGSI, I-Sec research

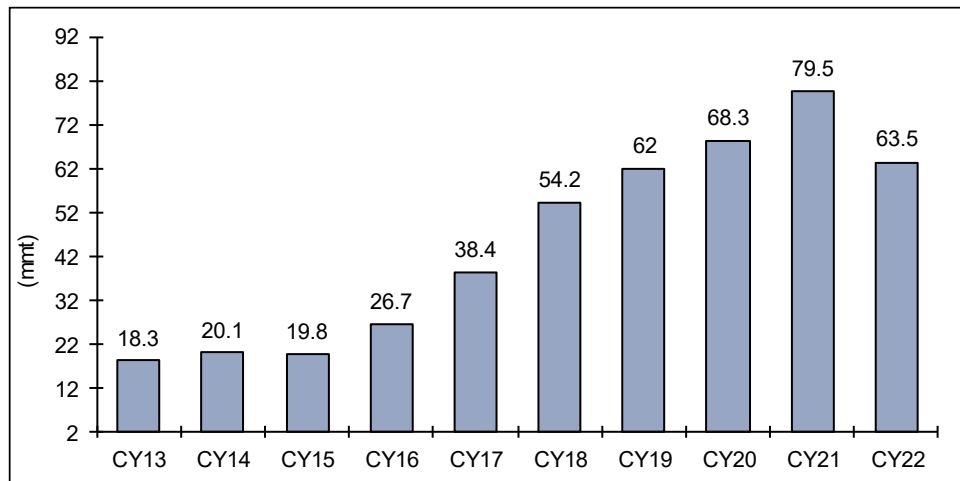
Chart 9: EU country-wise storage as on Jul 9, '23



Source: GIE -AGSI, I-Sec research

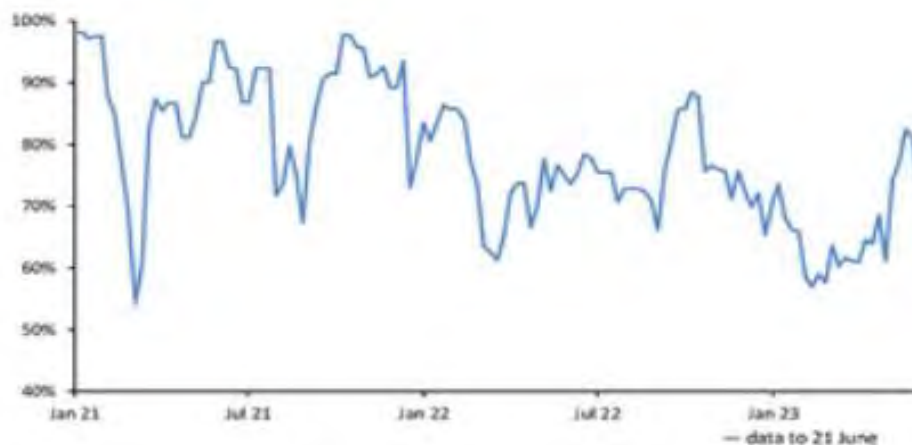
Having said that, we see European countries returning to the gas market in a big way over the next couple of months, which should provide renewed momentum to LNG markets over H2FY24E. Additionally, Chinese demand momentum has been slower than estimated and we expect some normalcy to return on that front soon. Futures prices of spot LNG seem to indicate a small increase in prices over the next 9-12 months, but our sense is the pace and the extent of the same is underestimated as of now and factor a bigger spike in spot LNG prices in our estimates. This creates further pressure on margins for GUJGA in the absence of any leeway to increase prices over FY24E.

Chart 10: China LNG imports declined by 20% in CY22



Source: Kpler, Energy Intelligence, IEA, I-Sec research

Chart 11: China PDH (propane hydrogenation) operating level rates well below historical levels



Source: Argus, I-Sec research

Table 2: World natural gas demand (in bcm) by region and key countries – Asia (specially China) estimated to grow stronger relative to RoW in CY23E

in bcm	CY19	CY20	CY21	CY22	CY23	CY23/CY22
Africa	164	161	169	163	167	2.5%
Asia Pacific	829	834	891	876	903	3.1%
<i>of which China</i>	<i>307</i>	<i>325</i>	<i>367</i>	<i>364</i>	<i>388</i>	<i>6.6%</i>
Central and South America	156	142	153	149	148	-0.7%
Eurasia	608	584	634	610	602	-1.3%
<i>of which Russia</i>	<i>482</i>	<i>460</i>	<i>501</i>	<i>475</i>	<i>467</i>	<i>-1.7%</i>
Europe	590	576	609	522	505	-3.3%
Middle East	543	547	562	575	598	4.0%
North America	1104	1079	1091	1147	1117	-2.6%
<i>of which United States</i>	<i>886</i>	<i>868</i>	<i>874</i>	<i>921</i>	<i>890</i>	<i>-3.4%</i>
World	3999	3924	4109	4042	4041	0.0%

Source: IEA Gas market report, I-Sec research

Table 3: World natural gas production (in bcm) by region and key countries

in bcm	CY19	CY20	CY21	CY22	CY23	CY23/CY22
Africa	252	241	262	254	266	4.7%
Asia Pacific	630	626	651	659	666	1.1%
<i>of which China</i>	<i>174</i>	<i>189</i>	<i>205</i>	<i>218</i>	<i>228</i>	<i>4.6%</i>
Central and South America	167	150	148	151	153	1.3%
Eurasia	921	866	961	873	825	-5.5%
<i>of which Russia</i>	<i>738</i>	<i>692</i>	<i>762</i>	<i>672</i>	<i>620</i>	<i>-7.7%</i>
Europe	249	230	222	229	226	-1.3%
Middle East	668	669	693	712	734	3.1%
North America	1174	1154	1189	1240	1258	1.5%
<i>Of which United States</i>	<i>968</i>	<i>954</i>	<i>984</i>	<i>1021</i>	<i>1041</i>	<i>2.0%</i>
World	4061	3936	4125	4119	4128	0.2%

Source: IEA Gas market report, I-Sec research

Margins see downgrades for both FY24E & FY25E

For FY24E, assuming domestic gas costs at US\$6.5/MMBtu and spot LNG prices at US\$16-18/MMBtu for the remaining 9 months, we believe EBITDA margin of Rs6.6/scm is possible subject to no reduction in sales realisation. However, given the reality of propane prices and the stated objective to retain volumes, blended gas prices may need to see a reduction of Rs2-3/scm over the next 6 months. Therefore, while we make only marginal changes in our volume estimates for FY24E, EBITDA margin estimates are now assumed at a conservative Rs6.1/scm for FY24E and Rs7.0/scm for FY25E (*vs Rs7.4/scm and Rs7.7/scm for FY24E & FY25E earlier*).

Table 4: Volume and margin assumptions for FY24E

<i>Number of Days #</i>		91	92	92	90	365
	Units	Q1FY24E	Q2FY24E	Q3FY24E	Q4FY24E	FY24E
Volumes	mmscmd	9.5	9.8	9.8	9.9	9.8
APM	US\$/mmbtu	7.3	7.3	7.3	7.3	7.3
Non APM domestic	US\$/mmbtu	7.3	7.3	7.3	7.3	7.3
LNG - BG Contract	US\$/mmbtu	11.4	12.1	12.3	13.1	12.2
LNG - BG Contract Fixed average	US\$/mmbtu	12.2	12.9	13.2	14.0	13.1
LNG- PLNG	US\$/mmbtu	11.7	12.4	12.6	13.3	12.5
Domestic Gas R Series	US\$/mmbtu	7.9	8.4	8.6	9.1	8.5
Vedanta (Cairn)	US\$/mmbtu	-	-	-	-	-
LNG - other short term	US\$/mmbtu	13.0	13.8	16.8	18.7	15.6
Weighted Ave cost of gas	US\$/mmbtu	10.4	11.0	11.8	12.4	12.3
Weighted Ave cost for Industrial	US\$/mmbtu	11.7	12.4	13.7	14.8	15.4
Overall Gas cost	Rsmn	29,894	33,016	35,552	36,827	1,35,289
Sales Prices						
Domestic	Rs/scm	44.5	44.5	47.0	47.0	45.9
CNG	Rs/scm	46.7	46.7	49.0	49.0	47.9
Industrial retail + commercial	Rs/scm	46.0	44.8	48.0	51.0	47.4
Net Revenue	Rsmn	39,881	40,874	43,554	44,759	1,69,068
Gross margin	Rsmn	9,987	7,858	8,002	7,932	33,779
Gross margin	Rs/scm	11.5	8.7	8.9	8.9	9.5
Est Opex	Rs./scm	3.4	3.4	3.4	3.4	3.4
EBITDA/scm	Rs/scm	8.1	5.3	5.4	5.5	6.1
Assumptions for crude price	US\$/bbl	78.0	83.0	85.0	90.0	84.0
Assumptions for INR/USD	INR	82.2	82.5	82.5	82.5	82.5

Source: Company data, I-Sec research

We have created the following sensitivities scenarios with regards to change in volume and realisation impacting GUJGA's margins:

1. FY24E is our base case assumption
2. Scenario 1 – annual volume to reduce by 0.2mmscmd
3. Scenario 2 – realisation to reduce by Rs2/scm with no change in volume
4. Scenario 3 – realisation to reduce by Rs2/scm with volume increasing by 0.25mmscmd.

Table 5: Margin sensitivities – significant downside risks exist to our revised EPS estimates for FY24E

		FY24 Base	Scenario 1	Scenario 2	Scenario 3
Segmental Volume	mmscmd				
Total volume	mmscmd	9.8	9.6	9.8	10.0
Domestic	mmscmd	0.7	0.7	0.7	0.7
CNG	mmscmd	2.6	2.6	2.6	2.6
Industrial	mmscmd	6.4	6.2	6.4	6.6
Morbi	mmscmd	4.3	4.1	4.3	4.5
Non Morbi	mmscmd	2.1	2.1	2.1	2.1
Average Gas cost	Rs/scm	37.9	37.6	37.9	38.3
Blended Relaisation	Rs/scm	47.4	47.4	45.4	45.4
Gross Margin	Rs/scm	9.5	9.8	7.5	7.1
Gross Margin	Rs mn	33,779.0	34,279.4	26,690.2	25,915.8
EBITDA	Rs mn	21,610.6	22,111.1	14,521.8	13,747.4
EPS	Rs/sh	19.3	19.8	11.5	10.7

Source: Company data, I-Sec research

Table 6: Sensitivity of spot LNG price – increase/decrease by US\$2/mmbtu on margins

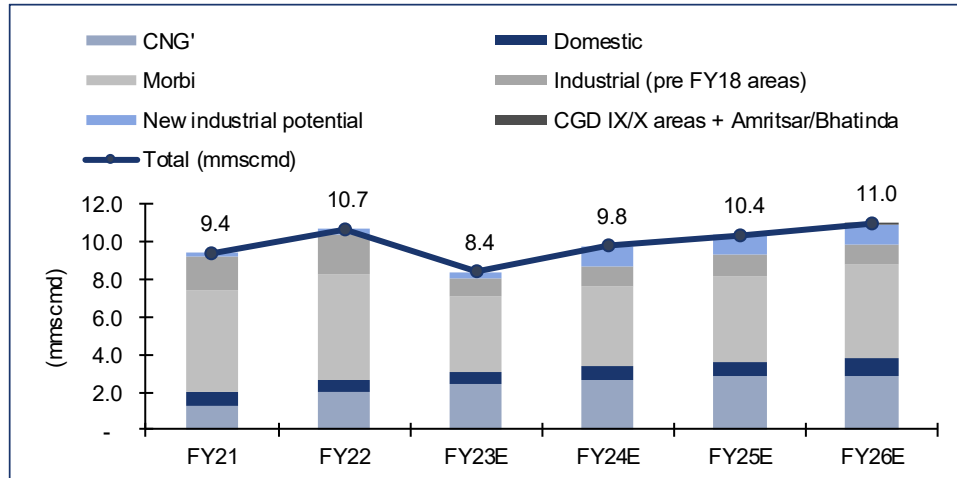
		FY24 Base	Scenario 1	Scenario 2
Segmental Volume	mmscmd			
Total volume	mmscmd	9.8	9.8	9.8
Spot LNG	Rs/scm	14.1	12.1	16.1
Average Gas cost	Rs/scm	37.9	36.1	39.7
Blended Realization	Rs/scm	47.4	47.4	47.4
Gross Margin	Rs/scm	9.5	11.3	7.7
Gross Margin	Rs mn	33,779.0	40,433.4	27,363.9

Source: Company data, I-Sec research

Longer term volume growth prospects remain material

Leaving aside the near-term stress and uncertainty around the volumes and margin trajectory, we believe the longer term growth prospects of Gujarat Gas remain the best among peers, with a good mix of large industrial heavy areas along with newer urban areas with more CNG potential. Our sense is GUJGA has the building blocks in place to continue to grow its volumes at a steady pace of 10-11% over the next 5-7 years and if gas demand continues to find new avenues of consumption, driven by new use-cases (commercial vehicle adoption, new industrial uses) and regulatory support (more stringent pollution norms particularly in the erstwhile industrial areas of Gujarat still using other liquid fuels), this growth can see upside risks. Our medium-term forecast used in base case as per DCF methodology assumes volume CAGR of ~9.4% over FY23-26E.

Chart 12: Significant volume growth in prospect

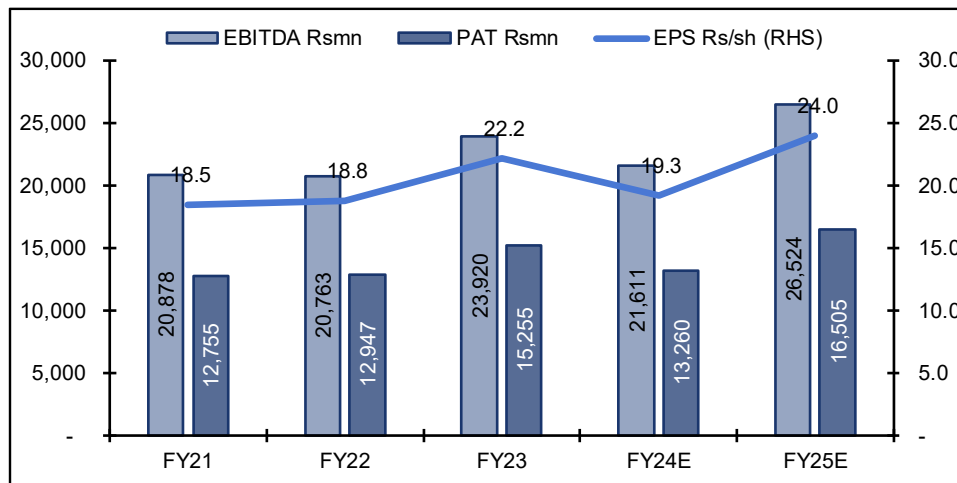


Source: Company data, I-Sec research

Financials and valuations: Near-term stress offsets long-term picture

Given the muted operational metrics, our revised estimates imply EBITDA CAGR of 5.3% over FY23-25E and PAT CAGR of 4.0% over FY23-25E, driven by a relatively weak EPS trend over FY24E.

Chart 13: Earnings growth to remain weak in FY24E and recover in FY25E



Source: Company data, I-Sec research

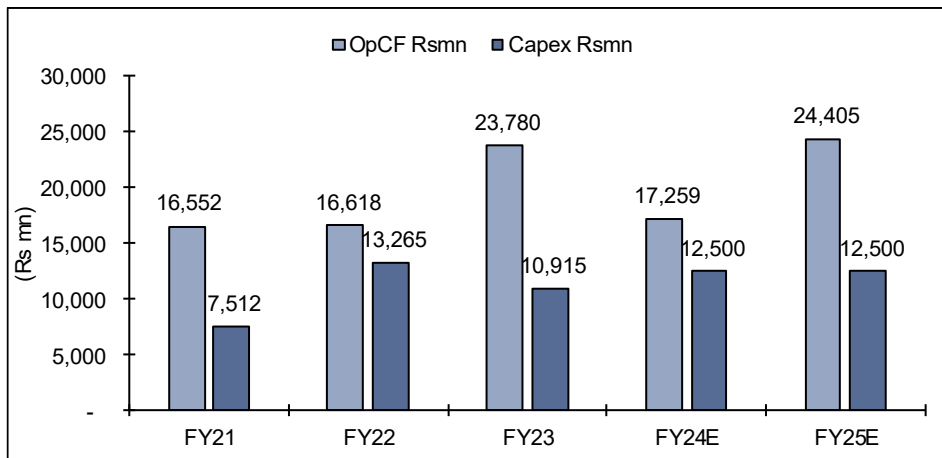
We have factored in a materially lower volume trajectory vs our earlier estimates, owing to the unfavourable propane to gas economics in the near term and hence, our FY24E and FY25E earnings have been revised downwards by 21.6% and 13.1%, respectively, with our target price also reducing by 16% to Rs494/sh.

Table 7: Sharp downward revision in EPS estimates for FY24/25E

	OLD		NEW		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Volumes (mmscmd)	9.8	10.7	9.8	10.4	-1%	-3%
Gross Margin Rs/scm	10.8	11.1	9.5	10.5	-12%	-5%
EBITDA/scm	7.4	7.7	6.1	7.0	-18%	-8%
EBITDA Rsmn	26,463	29,815	21,611	26,524	-18%	-11%
PAT Rsmn	16,916	18,985	13,260	16,505	-22%	-13%
EPS Rs/scm	24.6	27.6	19.3	24.0	-22%	-13%

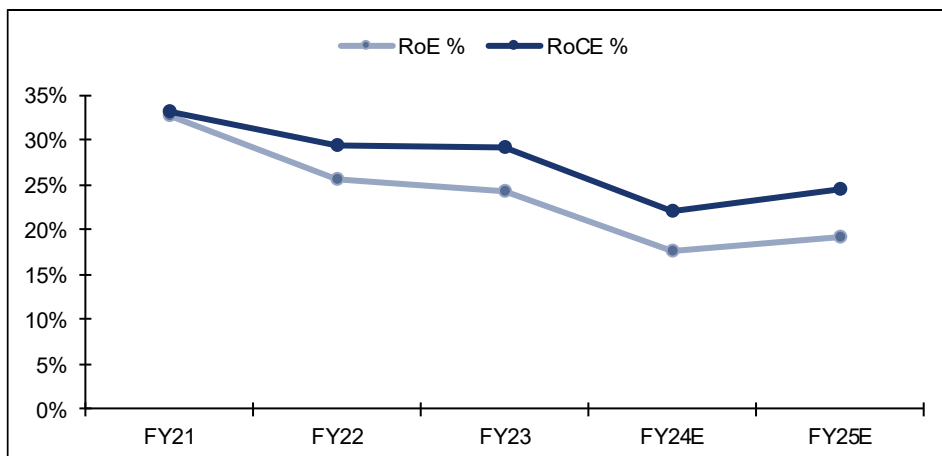
Source: Company data, I-Sec research

Chart 14: Capex to remain elevated over FY24-25E



Source: Company data, I-Sec research

Chart 15: Return ratios to moderate



Source: Company data, I-Sec research

Valuation summary – unfavourable environment creates material risks

We value GUJGA on DCF methodology, with WACC of 10.9%, terminal growth of ~4.3% and long term EBITDA/scm of Rs7.1/scm. This delivers a target price of Rs494/sh (vs Rs585/sh earlier) implying a 3% upside on CMP.

Table 8: DCF - valuation summary (Rs mn)

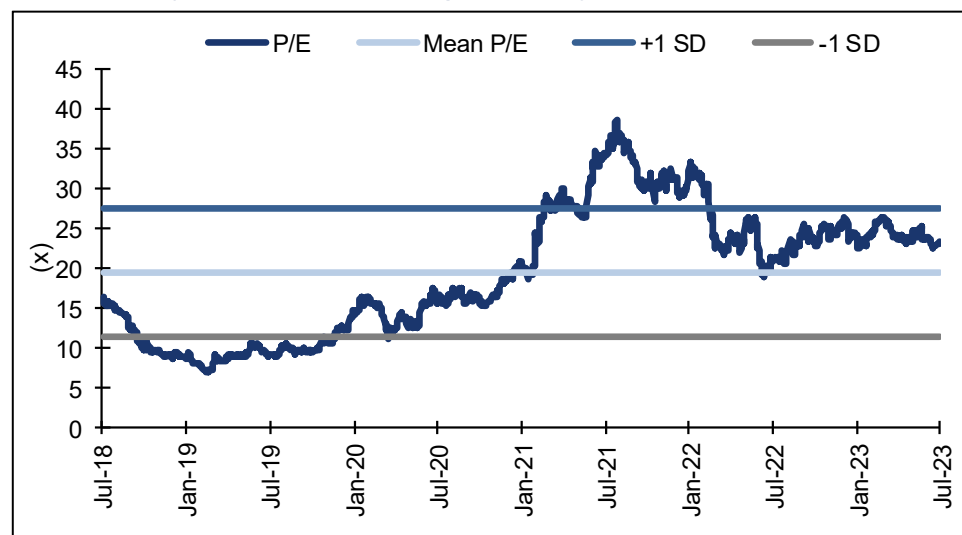
DCF	FY23	FY24E	FY25E	FY26E	FY27E	FY28E...	...FY34E
Volumes mmscmd	8.4	9.8	10.4	11.0	12.3	13.6	20.9
yoy growth	-21.6%	16.7%	6.0%	6.0%	11.7%	11.0%	4.5%
EBITDA/Scm	7.8	6.1	7.0	7.1	7.1	7.1	7.1
EBIT	19,637	16,803	21,191	23,152	26,007	29,176	47,540
PBT	20,247	17,599	21,906	22,323	25,231	28,541	49,108
NOPAT	15,302	13,369	16,571	16,494	18,683	21,195	37,138
FCF	8,718	5,676	9,403	9,197	11,849	18,676	42,511
NPV	7,859	4,613	6,890	6,075	7,056	10,026	12,252
Year		1.0	2.0	3.0	4.0	5.0	11.0
Disc factor		0.9	0.8	0.7	0.7	0.6	0.3
NPV		5,117	7,642	6,739	7,827	11,122	13,591
NPV total	1,25,790						
TV	6,69,430						
PV of Terminal value	2,14,018						
Total NPV potential	3,39,808						
Target Price	494						
CMP	481						
Upside (downside) %	3%						

Source: Company data, I-Sec research

Risks to recommendation

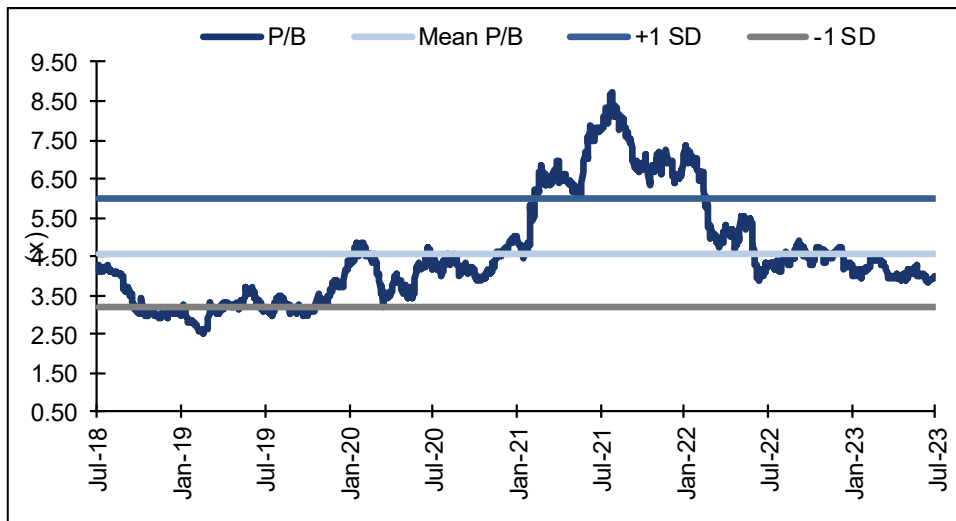
Key upside risks: 1) Softer than estimated LNG prices, 2) sharp spike in propane prices, 3) aggressive development of new areas, 4) regulatory action favouring gas usage in key operating areas for GUJGA.

Chart 16: Gujarat Gas' P/E trading above 5-year band



Source: Company data, I-Sec research

Chart 17: Gujarat Gas' P/B trading below 5-year band



Source: Company data, I-Sec research

Price chart



Source: Bloomberg

Financial summary

Table 9: Profit and loss statement
(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Operating Income (Sales)	1,64,562	1,67,594	1,69,068	2,05,547
Operating Expenses	1,43,799	1,43,674	1,47,457	1,79,024
EBITDA	20,763	23,920	21,611	26,524
% margins	13%	14%	13%	13%
Depreciation & Amortisation	3,849	4,283	4,808	5,333
Gross Interest	568	404	82	42
Other Income	909	1,013	878	757
Recurring PBT	17,135	20,247	17,599	21,906
Less: Taxes	4,278	4,992	4,339	5,401
Net Income (Reported)	12,858	15,255	13,260	16,505
Recurring Net Income	12,947	15,255	13,260	16,505

Source: Company data, I-Sec research

Table 10: Balance sheet
(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Assets				
Total Current Assets	14,689	19,792	20,226	28,865
of which cash & cash eqv.	211	6,810	8,050	15,544
Total Current Liabilities & Provisions	24,730	27,750	26,906	31,308
Net Current Assets	(10,041)	(7,958)	(6,680)	(2,443)
Investments	4,642	5,964	6,464	6,964
Net Fixed Assets	66,299	73,364	81,056	88,224
Capital Work-in-Progress	9,923	9,831	9,831	9,831
Total Assets	62,746	72,740	82,210	94,115
Liabilities				
Borrowings (Includes cash deposits)	6,753	1,523	1,023	523
Deferred Tax Liability	8,077	8,461	8,461	8,461
Equity Share Capital	1,377	1,377	1,377	1,377
Face Value per share (Rs)	2	2	2	2
Reserves & Surplus	54,616	68,579	78,524	90,903
Net worth	55,993	69,956	79,901	92,280
Total liabilities	62,746	72,740	82,210	94,115

Source: Company data, I-Sec research

Table 11: Quarterly trend
(Rs mn, year ending March 31)

	Jun'22	Sept'22	Dec'22	Mar'23
Net sales	51,701	39,765	36,843	39,286
% growth (YoY)	71.7%	10.0%	-28.4%	-15.9%
EBITDA	6,066	6,427	5,823	5,603
Margin (%)	11.7%	16.2%	15.8%	14.3%
Other income	190	185	320	320
Add: Extraordinaries				
Net profit	3,811	4,039	3,713	3,694

Source: Company data, I-Sec research

Table 12: Cashflow statement
(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Operating Cashflow	21,076	24,336	21,611	26,524
Working Capital Changes	(95)	4,052	(12)	3,282
Operating Cash flow	16,618	23,780	17,259	24,405
Capital Commitments	(13,265)	(10,915)	(12,500)	(12,500)
Free Cashflow	3,353	12,865	4,759	11,905
Cashflow from Investing Activities	(13,308)	(10,397)	(12,122)	(12,243)
Inc (Dec) in Borrowings	(4,193)	(4,779)	(500)	(500)
Inc (Dec) in marketable investments	-	-	(500)	(500)
Dividend paid	(1,560)	(1,624)	(3,315)	(4,126)
Cash flow from Financing Activities	(6,284)	(6,784)	(3,897)	(4,668)
Chg. in Cash & Bank balance	(2,975)	6,599	1,240	7,493

Source: Company data, I-Sec research

Table 13: Key ratios
(Year ending March 31)

	FY22	FY23	FY24E	FY25E
Per Share Data (in Rs.)				
EPS(Basic Recurring)	18.8	22.2	19.3	24.0
Recurring Cash EPS	24.4	28.4	26.2	31.7
Dividend per share (DPS)	2.0	6.7	4.8	6.0
Book Value per share (BV)	81.3	101.6	116.1	134.0
Growth Ratios (%)				
Operating Income	67%	2%	1%	22%
EBITDA	-1%	15%	-10%	23%
Recurring Net Income	2%	18%	-13%	24%
Recurring EPS	2%	18%	-13%	24%
Recurring CEPS	4%	16%	-8%	21%
Valuation Ratios (% YoY)				
P/E	25.6	21.7	25.0	20.1
P/BV	5.9	4.7	4.1	3.6
EV / EBITDA	16.0	13.4	14.7	11.7
EV / Operating FCF	99.3	24.9	66.7	26.0

Operating Ratios

Other Income / PBT (%)	5%	5%	5%	3%
Effective Tax Rate (%)	25%	25%	25%	25%
D/E Ratio (%)	12%	2%	1%	1%
Net D/E Ratio	3%	-16%	-17%	-24%

Return/Profitability Ratios (%)

Recurring Net Income Margins	8%	9%	8%	8%
RoCE	29%	29%	22%	24%
RoNW	26%	24%	18%	19%
Dividend Payout Ratio	11%	30%	25%	25%
Dividend Yield	0%	1%	1%	1%
EBITDA Margins	13%	14%	13%	13%

Source: Company data, I-Sec research

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