

**HOLD** Gujarat Gas**Weak set of numbers amid LNG terminal investment**

Oil &amp; Gas ▶ Result Update ▶ August 4, 2023

**TARGET PRICE (Rs): 480**

**Gujarat Gas (GGL) reported weak earnings in Q1FY24, due to 12% lower than expected volumes at 9.2mmscmd, on slower Morbi recovery, despite price cuts undertaken to remain competitive vs propane. EBITDA/scm fell 34% QoQ to Rs4.6 — a 7% miss. EBITDA/PAT clocked an 18%/27% miss to our estimate, at Rs3.9bn and Rs2.2bn. GGL also announced a non-core investment of Rs1bn for 7.87% stake in GSPC LNG (Mundra LNG terminal). Current Morbi volumes are at ~4mmscmd, while Mgmt. expects 5mmscmd going ahead, as demand improves owing to better IPNG vs propane economics. EBITDA/scm guidance is maintained at Rs4.5-5.5. We have cut FY24E/25E earnings by 12%/13%, to factor-in the 2-3% lower volume and the 8-9% lower unit margin, based on Q1 rate/guidance. We retain HOLD and revise down our TP by >9% to Rs480/sh.**

**Gujarat Gas: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	98,664	1,64,562	1,67,594	1,62,837	1,82,116
EBITDA	20,842	20,763	23,920	22,119	24,758
Adj. PAT	12,682	12,946	15,255	13,877	15,783
Adj. EPS (Rs)	18.4	18.8	22.2	20.2	22.9
EBITDA margin (%)	21.1	12.6	14.3	13.6	13.6
EBITDA growth (%)	27.5	(0.4)	15.2	(7.5)	11.9
Adj. EPS growth (%)	6.3	1.4	18.7	(9.0)	13.7
RoE (%)	32.8	25.8	24.2	18.5	18.5
RoIC (%)	26.0	22.8	24.1	19.7	20.3
P/E (x)	24.7	24.2	20.5	22.6	19.8
EV/EBITDA (x)	15.3	15.4	12.9	13.7	12.1
P/B (x)	7.0	5.6	4.5	3.9	3.5
FCFF yield (%)	2.8	0.9	4.2	2.3	2.8

Source: Company, Emkay Research

**Result Highlights**

Morbi volumes improved by 15% QoQ to 4.0mmscmd in Q1 (down 15% YoY). CNG was up 7% YoY/3% QoQ, at 2.6mmscmd. Domestic PNG was up 9% YoY/down 28% QoQ to 0.6mmscmd, while commercial PNG was down 7% QoQ. Employee costs rose 10% YoY/5% QoQ and Other Expenditure grew 13% YoY/3% QoQ at Rs2.47bn. Opex/scm fell by 2% QoQ to Rs3.6 (up 19% YoY), but was higher than our estimate. Depreciation rose 5% QoQ and interest costs were up 22% to Rs74mn. Other income rose 26% YoY to Rs239mn (down 25% QoQ). GGL added 46,000 DPNG connections, 225 commercial customers and 36 industrial customers (volume of 109mscmd) in Q1, while the signed volume of 0.427mmscmd has yet to be commissioned. CNG station base remained largely unchanged QoQ at >800.

**Management takeaways**

Current Morbi IPNG volume is ~4mmscmd (5mmscmd near-term target), while another ~3mmscmd is catered to by propane. Peak Morbi potential is 8-8.5mmscmd. GGL's IPNG price in Morbi is Rs38-38.5/scm, as of Aug-23 vs. propane at Rs34-35/scm; but, with the recent Arab Gulf price hike to USD470/mt, IPNG will become cheaper in Sep-23. GGL expects propane prices to go up in the upcoming winter, thus improving IPNG economics and supporting its volumes. Ahmedabad Rural is a major focus area for volume growth, with 0.5mmscmd already and >1mmscmd in 5 years. Gas volume in new GAs (mostly CNG) should rise from the current 0.5-0.6 to >1mmscmd by CY25. It is currently selling 0.1mmscmd in Thane-Palghar, with industrial market of 0.4-0.5mmscmd. APM shortfall in the priority mix was 10% and was met mostly via HP-HT gas & some spot LNG. GGL incurred capex of Rs2-2.5bn in Q1, while annual capex would be Rs10-12bnpa for the coming 3 years. Equity closure of GSPC LNG is at its fag end, with Rs12-12.5bn being raised (of the Rs13bn requirement).

**Valuation**

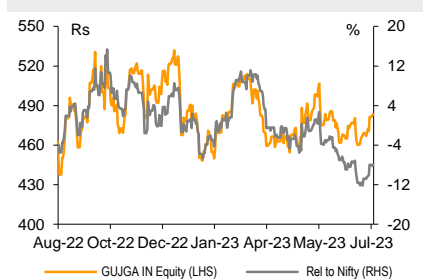
We value GGL using DCF analysis. Our TP implies 20.9x Mar-25E target P/E. Key risks: Adverse oil-gas prices, currency, regulations, competition, and operational issues.

Target Price – 12M	Mar-24
<b>Change in TP (%)</b>	<b>(9.4)</b>
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	5.5
CMP (03-Aug-23) (Rs)	455.1

Stock Data	Ticker
52-week High (Rs)	539
52-week Low (Rs)	430
Shares outstanding (mn)	688.4
Market-cap (Rs bn)	313
Market-cap (USD mn)	3,786
Net-debt, FY24E (Rs mn)	-9,198
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	697.2
ADTV-3M (USD mn)	8.4
Free float (%)	25.0
Nifty-50	19,382
INR/USD	82.7
<b>Shareholding, Jun-23</b>	
Promoters (%)	60.9
FPIs/MFs (%)	4.5/13.3

**Price Performance**

(%)	1M	3M	12M
Absolute	(4.1)	(3.6)	(1.7)
Rel. to Nifty	(4.4)	(10.0)	(11.8)

**1-Year share price trend (Rs)****Sabri Hazarika**

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## Exhibit 1: Actuals vs. Estimates (Q1FY24)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	37,815	40,891	37,762	-8%	0%	Lower volumes
Adjusted EBITDA	3,880	4,733	5,503	-18%	-29%	Lower margins
EBITDA Margin	10.3%	11.6%	14.6%	-131bps	-431bps	
Adjusted Net Profit	2,151	2,932	3,548	-27%	-39%	Lower Other Income

Source: Company, Emkay Research

## Exhibit 2: Quarterly Summary

Rs mn	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY	QoQ	FY22	FY23	YoY
Net Sales	51,701	39,765	36,843	39,286	37,815	-27%	-4%	1,64,562	1,67,594	2%
Dec./(Inc.) in Stock In Trade	-42	30	-32	16	14			-72	-28	
Raw Material Cost	43,015	30,654	28,313	30,781	30,931	-28%	0%	1,34,441	1,32,762	-1%
Purchases	-	-	-	-	-			-	-	
Total COGS	42,973	30,684	28,280	30,797	30,945	-28%	0%	1,34,369	1,32,734	-1%
<b>Adjusted Gross Profit</b>	<b>8,728</b>	<b>9,081</b>	<b>8,563</b>	<b>8,489</b>	<b>6,870</b>	<b>-21%</b>	<b>-19%</b>	<b>30,194</b>	<b>34,860</b>	<b>15%</b>
Employee Cost	472	503	486	495	520	10%	5%	1,909	1,956	2%
Other Expenses	2,190	2,150	2,253	2,391	2,470	13%	3%	7,522	8,984	19%
OPEX	2,662	2,653	2,739	2,886	2,990	12%	4%	9,431	10,940	16%
<b>Adjusted EBITDA</b>	<b>6,066</b>	<b>6,427</b>	<b>5,823</b>	<b>5,603</b>	<b>3,880</b>	<b>-36%</b>	<b>-31%</b>	<b>20,763</b>	<b>23,920</b>	<b>15%</b>
Depreciation	1,032	1,064	1,093	1,094	1,151	12%	5%	3,849	4,283	11%
EBIT	5,035	5,363	4,731	4,509	2,729	-46%	-39%	16,914	19,637	16%
Interest Cost	136	131	76	61	74	-46%	22%	568	404	-29%
Other Income	190	185	320	318	239	26%	-25%	907	1,013	12%
PBT Before Exceptional Items	5,089	5,418	4,974	4,766	2,894	-43%	-39%	17,253	20,247	17%
Exceptional Items	-	-	-	-	-			-119	-	
PBT	5,089	5,418	4,974	4,766	2,894	-43%	-39%	17,134	20,247	18%
Current Tax	1,221	1,307	1,208	898	647	-47%	-28%	4,160	4,634	11%
Deferred Tax	57	72	54	176	96	70%	-45%	117	358	205%
Total Tax	1,278	1,379	1,261	1,074	743	-42%	-31%	4,278	4,992	17%
<b>Reported PAT</b>	<b>3,811</b>	<b>4,039</b>	<b>3,713</b>	<b>3,692</b>	<b>2,151</b>	<b>-44%</b>	<b>-42%</b>	<b>12,856</b>	<b>15,255</b>	<b>19%</b>
Reported EPS (Rs)	5.5	5.9	5.4	5.4	3.1	-44%	-42%	18.7	22.2	19%
Adjusted PAT	3,811	4,039	3,713	3,692	2,151	-44%	-42%	12,947	15,255	18%
Adjusted EPS (Rs)	5.5	5.9	5.4	5.4	3.1	-44%	-42%	18.8	22.2	18%
Shares O/S (mn)	688	688	688	688	688	0%	0%	688	688	0%
EBITDA Margin	12%	16%	16%	14%	10%			13%	14%	
NPM	7%	10%	10%	9%	6%			8%	9%	
Effective Tax Rate	25%	25%	25%	23%	26%			25%	25%	
<b>Sales Volume (mmscmd)</b>	<b>9.8</b>	<b>7.6</b>	<b>7.3</b>	<b>8.9</b>	<b>9.2</b>	<b>-5%</b>	<b>4%</b>	<b>10.7</b>	<b>8.4</b>	<b>-22%</b>
Industrial PNG	6.6	4.5	4.1	5.4	5.9	-11%	10%	7.9	5.1	-35%
Commercial PNG	0.1	0.1	0.1	0.1	0.1	0%	-7%	0.1	0.1	13%
Domestic PNG	0.6	0.7	0.7	0.8	0.6	9%	-28%	0.7	0.7	1%
CNG	2.4	2.3	2.4	2.5	2.6	7%	3%	2.0	2.4	23%
Average Realisation (Rs/scm)	58.3	56.7	54.9	49.3	45.1	-23%	-9%	42.2	54.8	30%
<b>Gross Margin (Rs/scm)</b>	<b>9.8</b>	<b>13.0</b>	<b>12.8</b>	<b>10.6</b>	<b>8.2</b>	<b>-17%</b>	<b>-23%</b>	<b>7.7</b>	<b>11.4</b>	<b>47%</b>
Opex (Rs/scm)	3.0	3.8	4.1	3.6	3.6	19%	-2%	2.4	3.6	48%
<b>EBITDA/scm (Rs)</b>	<b>6.8</b>	<b>9.2</b>	<b>8.7</b>	<b>7.0</b>	<b>4.6</b>	<b>-32%</b>	<b>-34%</b>	<b>5.3</b>	<b>7.8</b>	<b>47%</b>

Source: Company, Emkay Research; Note: Some numbers may not fully match with annual tables due to different adjustment methods in the detailed Emkay annual model, averaging discrepancies, and past revisions

## Concall Highlights

- Gujarat Gas's (GGL's) Morbi IPNG volume stood at 4.01mmscmd in Q1FY24. Currently too it is ~4mmscmd, while another ~3mmscmd is catered to by propane. Hence, overall Morbi market stands at 7-7.5mmscmd, while peak rate is 8-8.5mmscmd. 50% of the Morbi market has capability to make a seamless shift, depending on favorable gas vs propane fuel economics. GGL has adjusted IPNG selling prices in Morbi in Q1, to push volumes, as LNG prices have cooled down (it tries to balance the volume-margin trade-off and source cheap gas). It also benefitted from the lower domestic gas price. Margin took a temporary drop, with EBITDA at Rs4.73/scm. There was some impact from cyclone Biparjioy also.
- The recent hike in customs duty on propane, from 2.75% to 19.25% wef 1-Jul-23, has helped GGL become more competitive with propane players. GGL's IPNG price in Morbi is Rs38-38.5/scm as of August 2023 as against propane at Rs34-35/scm (including import duty, but excluding VAT), but with the recent Arab Gulf price hike in propane to USD470/mt, IPNG will become cheaper in September 2023. GGL expects propane prices to go up in the upcoming winter which will improve IPNG economics and support volumes. Some increase in LNG prices may also happen, but could be lower than that of propane.
- GGL expects Morbi volumes to touch 5mmscmd going ahead, with modest margin expansion as well. As ceramic plants involve a continuous process with some production risk and manpower restrictions, customers could still prefer IPNG over propane due to its convenience (propane has trucking risks, infra needs, advance payment, etc), even if it is slightly more expensive (the hurdle rate for the same is unclear, though). New plants are mostly dual-fuel. There is a cost to switching from IPNG to propane. GGL's IPNG price is Rs10/scm higher in non-Morbi regions (2mmscmd volumes), but it depends on their propensity to consume and prices linked to alternate fuels.
- Ahmedabad Rural is a major focus area for volume growth. It can start with 0.5mmscmd already and go up to >1mmscmd in 5 years. PNGRB has extended GGL's marketing and infra exclusivity in Ahmedabad Rural GA from June 2023 to March 2027. Thane District (incl. Palghar, Vasai, etc) is also attractive. Dahej and Silvassa too are promising. The combined gas demand of the Surat, Ankleshwar and Bharuch areas is ~1.8mmscmd, but many industries have moved to cheaper polluting fuels like coal, petcoke and FO. If NGT cracks them, then GGL's gas volumes could grow. Outside Morbi, a few large IPNG customers have switched to propane.
- Gas volumes in new GAs (mostly CNG) should rise, from the current 0.5-0.6mmscmd to >1mmscmd by CY25. GGL is currently selling 0.1mmscmd in Thane-Palghar, with industrial market of 0.4-0.5mmscmd there. Rajasthan GAs (Sirohi+ and Dungarpur) are mainly dependent on priority volumes (current CNG volume of 0.03mmscmd), while Abu Road (RJ) has commercial demand, besides highways. Share of CNG in sales mix would increase going ahead. Some rolling mills are also being set up. Punjab will also grow. GGL estimates LNG demand from long haul trucking to improve. Long-term EBITDA/scm guidance is maintained at the Rs4.5-5.5 range.
- GGL's APM shortfall in the priority mix was 10%, which was mostly met through HP-HT gas, with some spot LNG as well. Overall gas sourcing mix is APM/non-APM/long term LNG/short term LNG at 32/20/34/14% of the basket. Within the I-CPNG basket, QatarGas/BG/RIL/Vedanta gas volume was 0.9-1/2-2.5/0.7/variable (in mmscmd). GGL sourced spot LNG at USD12-13/mmbtu price in Q1, but is currently lower at USD10.5-11/mmbtu. The BG contract would expire in CY25, though its renewal or a fresh contract would be evaluated closer to expiry. Company is interested in long-term LNG deals as well as domestic auctions. Cheaper spot LNG would also be used.
- GGL attributed GSPC LNG investment as strategic in nature, as it consumes 4.0-4.5mmscmd imported LNG from Mundra (selling to Morbi, etc) and utilises ~20% of Mundra LNG terminal capacity. Rising demand from long-haul vehicles and nearby clusters (incl the Saurashtra area) should help sell volumes and GGL will get access to reload and storage facilities. Equity closure of GSPC LNG is at its fag end, with Rs12-12.5bn being raised (of the Rs13bn requirement). The state government of Gujarat and GMB are major shareholders (GMB is not a related party to GGL).

- GGL currently has a pipeline network of 36,000km, 4,300 industrial customers, and 14,000 commercial customers. It has expanded to >800 CNG stations from 400 stations, in the last 3 years, with 169 CNG stations in new GAs (9th & 10th round ones). Palghar grew by 12%. GGL plans to add 60-70 new CNG stations each in FY24 and FY25, with focus on Ahmedabad Rural. In Q1FY24, 33,000 (3% QoQ increase) vehicles converted to CNG and the universe stood at 0.5-0.6mn of 4Ws, 0.2-0.25mn 3Ws, >22,000 LCVs & buses, thus totaling to ~0.85mn. CNG is up to 45-50% cheaper than alternate fuels.
- GGL incurred capex of Rs2-2.5bn in Q1, while annual capex would be Rs10-12bnpa for the next 3 years, largely to be funded through internal accruals (some bridge debt may be taken if needed; debt currently zero) and spent equally among old GAs, new GAs and CNG infra. There is need to improve the steel pipeline infrastructure. GGL has successfully completed pilot hydrogen blending with NTPC, and plans to increase the blending rate. CARE and ICRA too have upgraded GGL's rating to AAA, in line with CRISIL.

**Exhibit 3: Change in assumptions**

	FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance
EBITDA/scm (Rs)	6.7	6.1	-8%	6.9	6.3	-9%
Volumes (mmscmd)	10.0	9.8	-2%	11.2	10.8	-3%
Growth	20%	18%	-250bps	11%	10%	-100bps

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	1,66,284	1,62,837	-2%	1,87,656	1,82,116	-3%
EBITDA	24,662	22,119	-10%	27,935	24,758	-11%
EBITDA Margins	14.8%	13.6%	-125bps	14.9%	13.6%	-129bps
PAT	15,779	13,877	-12%	18,160	15,783	-13%
EPS (Rs)	22.9	20.2	-12%	26.4	22.9	-13%

Source: Company, Emkay Research

**Exhibit 5: DCF-based valuation (Mar-24E)**

DCF Assumptions		Mar-25E (Rs mn)
Risk Free Rate	7.0%	NPV Of FCF
Risk Premium	5.3%	1,47,331
Beta	0.7	Terminal Value
Cost Of Equity	10.7%	5,74,023
Cost Of Debt	9.0%	PV Of TV
Post Tax Cost Of Debt	6.8%	1,69,714
Average Debt:Equity Ratio	0.0%	<b>Total Value</b>
<b>WACC</b>	<b>10.7%</b>	<b>3,17,044</b>
Terminal Growth Rate	3.0%	Less: Adjusted Net Debt (Y/E)
		-13,361
		<b>Equity Value</b>
		<b>3,30,405</b>
		No. Of Shares O/S (mn)
		688
		<b>Target Price (Rs)</b>
		<b>480</b>

Source: Company, Emkay Research

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

(Rs)	FY20	FY21	FY22	FY23	FY24E	FY25E
Adjusted EPS	13.1	18.4	18.8	22.2	20.2	22.9
Target Multiple (x)						20.9
<b>DCF Target Price</b>						<b>480</b>

Source: Company, Emkay Research

## Gujarat Gas: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>98,664</b>	<b>1,64,562</b>	<b>1,67,594</b>	<b>1,62,837</b>	<b>1,82,116</b>
Revenue growth (%)	(4.2)	66.8	1.8	(2.8)	11.8
<b>EBITDA</b>	<b>20,842</b>	<b>20,763</b>	<b>23,920</b>	<b>22,119</b>	<b>24,758</b>
EBITDA growth (%)	27.5	(0.4)	15.2	(7.5)	11.9
Depreciation & Amortization	3,436	3,849	4,283	4,779	5,261
<b>EBIT</b>	<b>17,406</b>	<b>16,914</b>	<b>19,637</b>	<b>17,340</b>	<b>19,497</b>
EBIT growth (%)	32.2	(2.8)	16.1	(11.7)	12.4
Other operating income	0	0	0	0	0
Other income	714	907	1,013	1,303	1,621
Financial expense	1,168	568	404	91	18
<b>PBT</b>	<b>16,953</b>	<b>17,253</b>	<b>20,247</b>	<b>18,552</b>	<b>21,100</b>
Extraordinary items	0	(119)	0	0	0
Taxes	4,272	4,278	4,992	4,675	5,317
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>12,682</b>	<b>12,856</b>	<b>15,255</b>	<b>13,877</b>	<b>15,783</b>
PAT growth (%)	6.3	1.4	18.7	(9.0)	13.7
<b>Adjusted PAT</b>	<b>12,682</b>	<b>12,946</b>	<b>15,255</b>	<b>13,877</b>	<b>15,783</b>
<b>Diluted EPS (Rs)</b>	<b>18.4</b>	<b>18.8</b>	<b>22.2</b>	<b>20.2</b>	<b>22.9</b>
Diluted EPS growth (%)	6.3	1.4	18.7	(9.0)	13.7
<b>DPS (Rs)</b>	<b>2.0</b>	<b>2.0</b>	<b>6.6</b>	<b>6.0</b>	<b>6.9</b>
<b>Dividend payout (%)</b>	<b>10.9</b>	<b>10.7</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>
EBITDA margin (%)	21.1	12.6	14.3	13.6	13.6
EBIT margin (%)	17.6	10.3	11.7	10.6	10.7
Effective tax rate (%)	25.2	24.8	24.7	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>13,021</b>	<b>12,720</b>	<b>14,796</b>	<b>12,970</b>	<b>14,584</b>
Shares outstanding (mn)	688.4	688.4	688.4	688.4	688.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	16,953	17,253	20,247	18,552	21,100
Others (non-cash items)	4,239	3,942	4,093	3,567	3,658
Taxes paid	(4,166)	(4,363)	(4,608)	(4,313)	(4,952)
Change in NWC	(437)	(95)	4,071	312	(42)
<b>Operating cash flow</b>	<b>16,588</b>	<b>16,618</b>	<b>23,803</b>	<b>18,118</b>	<b>19,764</b>
Capital expenditure	(7,554)	(13,663)	(10,865)	(11,255)	(11,255)
Acquisition of business	0	0	0	0	0
Interest & dividend income	432	329	499	1,303	1,621
<b>Investing cash flow</b>	<b>(6,124)</b>	<b>(12,935)</b>	<b>(10,413)</b>	<b>(9,952)</b>	<b>(9,635)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(11,150)	(4,378)	(5,024)	(1,000)	(300)
Payment of lease liabilities	(134)	(186)	(186)	(186)	(186)
Interest paid	(1,165)	(531)	(381)	(91)	(18)
Dividend paid (incl tax)	(863)	(1,375)	(1,379)	(4,163)	(4,735)
Others	(1,013)	(376)	(7)	0	0
<b>Financing cash flow</b>	<b>(14,192)</b>	<b>(6,660)</b>	<b>(6,791)</b>	<b>(5,254)</b>	<b>(5,052)</b>
Net chg in Cash	(3,728)	(2,978)	6,599	2,911	5,077
OCF	16,588	16,618	23,803	18,118	19,764
Adj. OCF (w/o NWC chg.)	17,025	16,713	19,732	17,805	19,806
FCFF	9,034	2,955	12,938	6,862	8,508
FCFE	8,298	2,716	13,033	8,074	10,111
OCF/EBITDA (%)	79.6	80.0	99.5	81.9	79.8
FCFE/PAT (%)	65.4	21.1	85.4	58.2	64.1
<b>FCFF/NOPLAT (%)</b>	<b>69.4</b>	<b>23.2</b>	<b>87.4</b>	<b>52.9</b>	<b>58.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	1,377	1,377	1,377	1,377	1,377
Reserves & Surplus	43,110	54,616	68,579	78,293	89,341
<b>Net worth</b>	<b>44,486</b>	<b>55,993</b>	<b>69,956</b>	<b>79,670</b>	<b>90,718</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	7,925	8,077	8,461	8,823	9,188
<b>Total debt</b>	<b>9,826</b>	<b>6,289</b>	<b>1,523</b>	<b>523</b>	<b>223</b>
<b>Total liabilities &amp; equity</b>	<b>62,237</b>	<b>70,359</b>	<b>79,940</b>	<b>89,015</b>	<b>1,00,129</b>
Net tangible fixed assets	54,883	59,678	66,742	72,924	78,614
Net intangible assets	3,779	4,039	4,039	4,039	4,039
Net ROU assets	1,728	2,582	2,582	2,582	2,582
Capital WIP	7,315	9,923	9,831	10,126	10,430
Goodwill	0	0	0	0	0
Investments [JV/Associates]	211	237	317	317	317
<b>Cash &amp; equivalents</b>	<b>3,189</b>	<b>211</b>	<b>6,810</b>	<b>9,721</b>	<b>14,798</b>
Current assets (ex-cash)	10,962	14,513	13,989	13,776	15,119
Current Liab. & Prov.	22,849	25,194	29,011	29,250	30,694
<b>NWC (ex-cash)</b>	<b>(11,887)</b>	<b>(10,681)</b>	<b>(15,022)</b>	<b>(15,473)</b>	<b>(15,575)</b>
<b>Total assets</b>	<b>62,237</b>	<b>70,359</b>	<b>79,940</b>	<b>89,015</b>	<b>1,00,129</b>
Net debt	6,637	6,077	(5,287)	(9,198)	(14,574)
Capital employed	62,237	70,359	79,940	89,015	1,00,129
<b>Invested capital</b>	<b>51,523</b>	<b>59,988</b>	<b>62,982</b>	<b>68,851</b>	<b>74,584</b>
BVPS (Rs)	64.6	81.3	101.6	115.7	131.8
Net Debt/Equity (x)	0.1	0.1	(0.1)	(0.1)	(0.2)
Net Debt/EBITDA (x)	0.3	0.3	(0.2)	(0.4)	(0.6)
Interest coverage (x)	0.1	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>29.3</b>	<b>26.9</b>	<b>27.5</b>	<b>22.1</b>	<b>22.3</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	24.7	24.2	20.5	22.6	19.8
P/CE(x)	19.4	18.7	16.0	16.8	14.9
P/B (x)	7.0	5.6	4.5	3.9	3.5
EV/Sales (x)	3.3	1.9	1.8	1.9	1.6
EV/EBITDA (x)	15.3	15.4	12.9	13.7	12.1
EV/EBIT(x)	18.4	18.9	15.7	17.5	15.3
EV/IC (x)	6.2	5.3	4.9	4.4	4.0
FCFF yield (%)	2.8	0.9	4.2	2.3	2.8
FCFE yield (%)	2.6	0.9	4.2	2.6	3.2
Dividend yield (%)	0.4	0.4	1.5	1.3	1.5
<b>DuPont-RoE split</b>					
Net profit margin (%)	12.9	7.9	9.1	8.5	8.7
Total asset turnover (x)	1.6	2.5	2.2	1.9	1.9
Assets/Equity (x)	1.6	1.3	1.2	1.1	1.1
<b>RoE (%)</b>	<b>32.8</b>	<b>25.8</b>	<b>24.2</b>	<b>18.5</b>	<b>18.5</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	13.2	7.7	8.8	8.0	8.0
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>26.0</b>	<b>22.8</b>	<b>24.1</b>	<b>19.7</b>	<b>20.3</b>
<b>Operating metrics</b>					
Core NWC days	9.6	10.5	5.4	5.4	5.4
<b>Total NWC days</b>	<b>9.6</b>	<b>10.5</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
Fixed asset turnover	1.2	1.8	1.6	1.4	1.5
Opex-to-revenue (%)	8.0	5.7	6.5	7.3	7.0

Source: Company, Emkay Research

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Date	CMP (INR)	TP (INR)	Rating	Analyst
03-Jul-23	475	530	Hold	Sabri Hazarika
11-May-23	488	530	Hold	Sabri Hazarika
30-Mar-23	470	520	Hold	Sabri Hazarika
14-Feb-23	475	520	Hold	Sabri Hazarika
11-Nov-22	481	520	Hold	Sabri Hazarika
04-Aug-22	444	540	Buy	Sabri Hazarika
11-May-22	537	630	Buy	Sabri Hazarika
10-Feb-22	648	670	Hold	Sabri Hazarika
23-Nov-21	648	630	Hold	Sabri Hazarika
29-Oct-21	622	630	Hold	Sabri Hazarika
26-Jul-21	715	520	Hold	Sabri Hazarika
23-Jun-21	653	520	Hold	Sabri Hazarika
02-Jun-21	567	520	Hold	Sabri Hazarika
29-May-21	511	520	Hold	Sabri Hazarika
23-Apr-21	546	520	Hold	Sabri Hazarika
22-Mar-21	510	520	Hold	Sabri Hazarika
04-Mar-21	544	520	Hold	Sabri Hazarika
18-Feb-21	478	475	Buy	Sabri Hazarika
05-Feb-21	380	475	Buy	Sabri Hazarika
27-Nov-20	349	375	Buy	Sabri Hazarika
06-Nov-20	313	375	Buy	Sabri Hazarika
28-Sep-20	302	365	Buy	Sabri Hazarika
05-Aug-20	308	365	Buy	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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