

Lower opex, higher marketing drive earnings beatOil & Gas ▶ Result Update ▶ **November 7, 2023****TARGET PRICE (Rs): 305**

HPCL's Q2FY24 SA EBITDA/PAT stood at Rs85.8/51.2bn, a sizable 27/63% beat to our estimate, led by marketing inventory gains of Rs12bn, at 14% higher than expected implied marketing margins and 27% lower than estimated Other Expenses. Marketing outperformance was similar to peers', while reported GRM was lower at USD13.3/bbl in Q2 vs. our estimate of USD17.0/bbl. Gross/net debt was flat QoQ, at Rs518/460bn. HPCL operated Vizag refinery at 11mmtpa capacity in Q2, with 13.5/15mmtpa expected from Q3/early-2024. Mgmt. guided to annual capex runrate of Rs140-150bn for coming 5yrs; while phase-wise Barmer refinery commissioning is anticipated in CY24. OMCs have clocked a strong H1 & are in a sweet spot, notwithstanding some macro risks. We raise FY24/25E EPS by 41%/21%, based on prevailing trends. We retain HOLD on the stock, and revise Sep-24E TP upwards (roll-over) by 13% to Rs305/sh.

HPCL: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	34,96,829	43,47,860	42,16,074	37,63,869	38,77,112
EBITDA	1,01,759	(1,13,306)	2,02,654	1,61,191	1,68,042
Adj. PAT	59,162	(1,32,046)	1,01,655	61,595	61,518
Adj. EPS (Rs)	41.7	(93.1)	71.6	43.4	43.4
EBITDA margin (%)	2.9	(2.6)	4.8	4.3	4.3
EBITDA growth (%)	(36.1)	(211.3)	0.0	(20.5)	4.2
Adj. EPS growth (%)	(38.7)	(240.6)	0.0	(43.5)	(0.1)
RoE (%)	15.8	(39.8)	32.5	16.7	15.1
RoIC (%)	9.4	(33.7)	15.8	9.2	8.6
P/E (x)	6.7	(3.0)	3.9	6.4	6.4
EV/EBITDA (x)	7.9	(9.0)	4.9	6.2	5.8
P/B (x)	1.0	1.4	1.1	1.0	0.9
FCFF yield (%)	6.4	(12.0)	6.8	4.4	6.6

Source: Company, Emkay Research

Result Highlights

HPCL's refining volume was up 6% QoQ at 5.8mmt, with a healthy 111% utilization at the 11mmtpa Vizag capacity. Core GRM stood at USD10.7/bbl (vs Emkay: USD12.0/bbl). Blended marketing margin was ~Rs6.3/kg vs. ~Rs10.5/4.9 per kg in Q1FY24/Q4FY23. Domestic marketing sales grew 2% YoY vs. industry growth of 5%, while overall sales growth was 3%, on higher exports. Petrol/diesel sales volume growth was 3%/flat YoY for HPCL vs. 6/4% for the industry. Pipeline volumes were up 11% YoY; Other Expenditure was down 12% YoY/22% QoQ to Rs35.6bn. Depreciation fell 9% QoQ to Rs12.4bn, while interest fell 1% to Rs5.8bn. Other Income was up 23% YoY at Rs3.4bn. Share of assoc./JV profits was flat QoQ at Rs7.0bn. H1 capex was Rs72.0bn.

Management KTAs

Vizag to operate at over 15mmtpa capacity post commissioning of resid upgradation (mechanical completion by Jan/Feb-24) and GRM could be up by ~USD3-4/bbl on the entire volume. Full Vizag expansion will improve distillate yield to 85-86%, from ~75% now, mainly led by HSD rising to 60% from 48-50%. Almost 72% of the physical works are complete at Barmer. Total Barmar project cost is Rs730bn, of which Rs370bn is already spent, while mechanical completion is expected by Mar-24, followed by petchem integration. HPCL's peak net debt is expected at Rs500bn vs. Rs460bn as of end Sep-23. HPCL's refinery yield at FY25-end is expected at 18%/50-55%/rest split between MS/HSD/other products. Regulatory approvals are awaited for the lubes unit, besides the evaluation of its listing/IPO/strategic partnership. Fundraise plans await clarity from GoI.

Valuation and Outlook

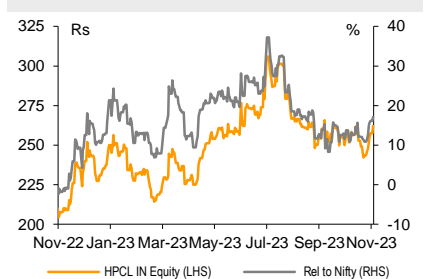
We value HPCL on SOTP-EV/EBITDA methodology, with investments at a 30% holdco discount. We rollover to Sep-25E, but realign our blended target EV/EBITDA to 5.5x, from 5.8x earlier. We maintain HOLD on the stock, with TP of Rs305/share. Outlook on OMCs seems relatively constructive. Key risks: Adverse commodity prices & downstream margins; currency movement; government policies; project issues.

Target Price – 12M	Sep-24
Change in TP (%)	13.1
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	9.6
CMP (07-Nov-23) (Rs)	278.7

Stock Data	Ticker
52-week High (Rs)	310
52-week Low (Rs)	204
Shares outstanding (mn)	1,418.5
Market-cap (Rs bn)	395
Market-cap (USD mn)	4,747
Net-debt, FY24E (Rs mn)	6,05,972
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	1,030.7
ADTV-3M (USD mn)	12.4
Free float (%)	45.0
Nifty-50	19,407
INR/USD	83.3
Shareholding, Sep-23	
Promoters (%)	54.9
FPIs/MFs (%)	13.3/22.6

Price Performance

(%)	1M	3M	12M
Absolute	8.1	4.1	32.8
Rel. to Nifty	9.5	5.1	24.5

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

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Exhibit 1: Actuals vs. Estimates (Q2FY24)

(Rs bn)	Actual	Estimates (Emkay)	Consensus Estimates	Variation		Comments
			(Bloomberg)	Emkay	Consensus	
Total Revenue	957.0	1,128.2	1,188.6	-15%	-19%	
Adjusted EBITDA	85.8	67.3	56.5	27%	52%	Higher marketing income and lower opex
EBITDA margin	9.0%	6.0%	4.8%	300bps	122bps	Lower D/A & interest
Adjusted Net Profit	51.2	31.5	32.2	63%	59%	

Source: Company, Emkay Research

Exhibit 2: Quarterly Summary

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ	H1FY23	H1FY24	YoY
Revenue	10,28,003	10,96,032	10,79,278	11,09,709	9,57,011	-7%	-14%	21,72,550	20,66,720	-5%
COGS	10,45,509	10,31,258	9,79,939	9,68,798	8,27,314	-21%	-15%	22,58,991	17,96,112	-20%
Gross Profit	(17,507)	64,774	99,339	1,40,910	1,29,697		-8%	(86,441)	2,70,607	
Opex	47,611	44,027	52,783	54,260	43,892	-8%	-19%	94,168	98,152	4%
Total Expenditure	10,93,120	10,75,284	10,32,722	10,23,058	8,71,206	-20%	-15%	23,53,159	18,94,265	-20%
EBITDA	(65,118)	20,748	46,556	86,651	85,805		-1%	(1,80,609)	1,72,455	
Depreciation	10,809	11,105	10,442	13,637	12,395	15%	-9%	21,754	26,032	20%
Interest	5,950	6,817	5,226	5,881	5,795	-3%	-1%	9,276	11,676	26%
Other Income	2,805	2,889	11,600	4,962	3,445	23%	-31%	6,202	8,407	36%
Exceptional Items	56,170	-	-	9,897	-			56,170	9,897	
Forex Gain/(Losses)	(6,031)	(4,031)	1,430	1,315	(3,635)			(15,485)	(2,321)	
PBT	(28,932)	1,684	43,918	83,306	67,424		-19%	(1,64,752)	1,50,730	
Tax	(7,211)	(40)	11,692	21,267	16,242	-24%		(41,061)	37,510	
PAT	(21,721)	1,724	32,226	62,039	51,182	-18%		(1,23,691)	1,13,221	
Adjusted PAT	(63,656)	1,724	32,226	54,668	51,182	-6%		(1,65,626)	1,05,850	
Adjusted EPS (Rs)	(45)	1	23	39	36	-6%		(117)	75	
Tax Rate	25%	-2%	27%	26%	24%			25%	25%	
Core EBITDA*	(38,118)	32,748	45,566	98,901	64,805	-34%		(1,45,709)	1,63,705	
Core PAT*	(38,949)	13,251	31,041	63,090	37,444	-41%		(1,27,562)	1,00,534	
Core EPS (Rs)*	(27.5)	9.3	21.9	44.5	26.4	-41%		(89.9)	70.9	
Refining Volumes (mmt)	4.5	4.8	5.0	5.4	5.8	28%	6%	9.3	11.2	20%
Reported GRM (USD/bbl)	8.4	9.1	14.0	7.4	13.3	59%	79%	12.7	10.5	-17%
Core GRM (USD/bbl)*	13.4	11.1	13.7	7.8	10.7	-20%	37%	14.1	9.3	-34%
Adjusted Refining EBITDA*	12,846	17,220	32,197	14,389	35,842	179%	149%	49,171	50,230	2%
Marketing Volumes (mmt)	10.4	11.3	11.1	11.9	10.7	3%	-9%	21.1	22.6	7%
Diesel	4.3	5.1	4.9	5.5	4.4	0%	-20%	9.3	9.8	6%
Petrol	2.2	2.2	2.2	2.3	2.2	3%	-5%	4.3	4.6	6%
Marketing Margin (Rs/mt)*	-2,740	3,681	4,884	10,482	6,335	-40%		-6,278	8,510	
Adjusted Marketing EBITDA*	-80,623	681	11,330	69,035	46,895	-32%		-2,35,168	1,15,930	
Marketing Inventory Gain/(Losses)*	-14,000	-6,300	-10	-11,000	12,000			-27,300	1,000	
Pipeline Volumes (mmt)	5.5	5.8	6.1	6.5	6.1	11%	-6%	11.3	12.6	12%
Implied Pipeline EBITDA*	2,660	2,847	3,028	3,227	3,068	15%	-5%	5,388	6,295	17%
Gross Debt	6,85,460	6,42,450	6,45,170	5,16,980	5,17,585	-24%	0%	6,85,460	5,17,585	-24%
Implied Net Debt	6,31,669	5,86,527	5,87,114	4,59,407	4,60,495	-27%	0%	6,31,669	4,60,495	-27%
Net Under-recovery	-	-	-	-	-			-	-	

Source: Company, Emkay Research; Note: * is estimated as marketing inventory figure and segmental EBITDA is not given; *Net debt includes only oil bonds and cash but no major STI is there for HPCL

Concall Key Takeaways

Refinery & Vizag Expansion

- The Vizag refinery operated at 11mmtpa capacity (CDU-4 with 9mmtpa capacity commissioned in March 2023) in Q2FY24 and clocked utilization of 116.7%. Mumbai refinery utilization was 105.7%.
- The Vizag refinery will operate at 13.5-13.7mmtpa nameplate capacity hereon (Q3FY24), as HPCL has commissioned a new HGU, SRU and a 3.05mmtpa FCHCU (expected to improve distillate yield by 5%). The Vizag resid upgradation project of 3.55mmtpa is under construction.
- Vizag will operate at over 15mmtpa capacity, after commissioning of the resid/bottoms upgradation project. The GRM increase from this would be USD3-4/bbl on the entire volume. Mechanical completion of the Vizag expansion is expected by Jan-Feb 2024.
- Full Vizag expansion will also improve distillate yield to 85-86%, from current levels of ~75%. This increase would mainly be on account of HSD rising to 60% from 48-50% now, while MS/LPG/naphtha will maintain current levels of 18%/5%/5%, and FO will be near zero. Pitch of ~2-3% would be produced for use in VAP, bitumen, cement and other industrial applications.
- Post the Vizag expansion, the refinery unit will have the highest diesel yield in the country and rank among the top-5 refineries in the world. HPCL does not expect any material change in crude sourcing post the Vizag expansion, which though will be able to process more heavy crude. HPCL has also signed a term contract with ONGC to supply crude for 3 years.
- HPCL's overall refinery opex is USD3-4/bbl in Q2, while it is expected to trend on similar lines post the Vizag expansion. In Q2, HPCL's refinery profit was USD3-4/bbl.
- HMEL's H1FY24 net profit stood at Rs17bn on 6.5mmt throughput and GRM of USD18/bbl (excl. petchem). Currently, petchem is operating at 70% utilization. Petchem profit will be reported as a separate segment. HPCL is sourcing natural gas for HMEL through the Mehsana-Bhatinda pipeline.

Barmer Project update & Slate details

- Almost 72% of the physical works are complete at Barmer (HRRL) and HPCL expects phase-wise commissioning in CY24. Barmer's GRMs are expected at ~USD20/bbl, and annualized EBITDA run-rate at ~Rs80bn can, including for the petchem business.
- The total project cost of Barmer is Rs730bn, of which Rs370bn capex is already done. Mechanical completion of refinery would be by Mar-24, which will then be followed by petchem integration.
- Total debt component of the project is Rs486bn, with the balance through equity. HPCL's equity contribution in Barmer is Rs180bn, of which Rs95bn has already been invested.
- Current debt of Barmer is Rs260bn in the books of HPCL Rajasthan Refinery (HRRL), but is not being reflected in the consolidated balance sheet, despite HPCL's 74% stake due to accounting norms on control clauses of the JV agreement. HPCL, along with the state government of Rajasthan, has provided sponsor support undertaking to Barmer debt.
- Currently, HPCL procures 43%/24%/34% MS from own refineries/HMEL/third-party, while HSD procurement is 47%/31%/21%. Post the Vizag expansion to 15mmtpa, HSD procurement would change to 61%/16%/23%, though post the Barmer commissioning, the entire HSD needs would be sourced from own refineries/HMEL/Barmer. However, MS requirement post the Barmer commissioning would be 49%/10%/29%/balance from own refineries/HMEL/Barmer/third-party.
- HPCL expects Barmer to reach 80% utilization post one year of commissioning. Barmer will have 26% petchem intensity—the highest in India.
- HPCL's refinery products yield at FY25-end is expected at 18%/50-55%/rest split between MS/HSD/other products.

Capex & Debt Outlook

- HPCL plans to invest Rs750bn towards capex in the next 5 years, of which 25-30% is towards renewables and the gas business, 20% in the refining business, and the remaining 50% towards downstream marketing, pipelines, etc.
- Most capex towards the Vizag expansion is already done, and Barmer is the only major project left, with all orders already in place.
- Annual capex run-rate is expected at Rs140-150bn for the next 5 years, with focus on renewables (mainly solar), gas, biofuels, crude to chemicals, VAP in refineries (bitumen, asphalt), etc.
- HPCL does not plan raising more debt and would utilise internal accruals for capex, while peak net debt is expected at Rs500bn vs. Rs460bn as of Sep-23 end (near peak debt).

Others highlights

- HPCL's crude/marketing-product inventory stood at 23/30 days as of end Sep-23, while marketing/refining inventory gains in Q2 were Rs12/9bn. MS/HSD volume growth was 5-6/2% YoY in H1.
- HPCL's F&L fell in H1, while it gained market share among PSU OMCs, as ROs crossed the 22,000 mark, catering to 93mn LPG customers.
- HPCL also completed two major pipeline projects, from Mangalore to Hyderabad (connecting to the import terminal at Mangalore) and Vijaywada to Dharmapuri in TN (for product evacuation from Vizag expansion). Both pipelines are operating optimally and will improve market position and lower cost.
- Company has started marketing petchem under its own brand, while Barmer commissioning will help to increase petchem exposure.
- HPCL has commissioned the 5mmtpa Chhara LNG terminal (which would mainly operate on the tolling model) and received good response for tolling arrangements; details will be shared later. HPCL plans to book some capacity for itself and will be sourcing and marketing this gas.
- Company also operates in the CGD business through 23 GAs and has sold 0.4mmtpa of CNG currently, with plans for 1mmtpa of CNG sales in the next 2-3 years. It also markets IPNG.
- Ethanol blending has touched the 12% mark (being the leader) with related marketing infra development as well. HPCL is also in the advanced stages of commissioning its first CBG plant in UP.
- Further, HPCL is in the advanced stages for forming a WOS to house the green businesses, while regulatory approvals are awaited for setting up a new company for the lubes business (targeted to be finalized by year-end). HPCL currently markets 500tmtpa of lubes, while it is evaluating listing/IPO/strategic partnership for the lubes unit. This lubes unit aims to be an independent unit, free from all influence. HPCL has also tied up with Caltex and opened a subsidiary in Dubai for overseas lubes sales.
- Company is engaging with multiple service providers in the EV value chain, and has ~2,500 charging stations currently along with tie-ups with Gogoro, Honda, etc. It is too soon to give economics now, but the ecosystem is being developed before committing more deeply.
- It is awaiting clarity from the GoI on the preference/rights issue, which was targeted to be concluded by FY24-end. HPCL intends to be shareholder-friendly and dividend will be stable going ahead.
- The Pipeline open-access order or directive has not yet been finalized. Will use solar power for running facilities.

Exhibit 3: Change in assumptions

	FY24E			FY25E			FY26E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
GRM (USD/bbl)	8.0	9.5	19%	8.5	8.5	0%	8.6
Marketing Margin (Rs/mt)	5,201	5,220	0%	4,814	4,795	0%	4,890
Growth	-519.2%	-519.1%	NM	-7.4%	-8.2%	NM	2.0%
Marketing Sales (mmt)	45	46	2%	46	47	2%	49
Growth	3.2%	5.5%	227bps	3.2%	3.0%	-20bps	3.0%

Source: Company, Emkay Research

Exhibit 4: Change in estimates

(Rs bn)	FY24E			FY25E			FY26E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	4,483	4,216	-6%	4,050	3,764	-7%	3,877
EBITDA	167	203	22%	156	161	4%	168
EBITDA Margin	3.7%	4.8%	109bps	3.8%	4.3%	44bps	4.3%
PAT	72	102	41%	51	62	21%	62
EPS (Rs)	50.7	71.6	41%	35.7	43.4	21%	43.4

Source: Company, Emkay Research

Exhibit 5: SOTP-based valuation

(Rs mn)	Basis	Sep-25E EBITDA	Multiple (x)	EV (Rs bn)	EV/sh (Rs)	Comments
Refining Standalone	EV/EBITDA	89	5.5	491	346	
Pipelines Standalone	EV/EBITDA	14	5.5	78	55	
Petrochemicals Standalone	EV/EBITDA	-		-	-	
Marketing Standalone	EV/EBITDA	61	5.5	336	237	
Core Business EV		165	5.5	905	638	Blended multiple at 5.5x
Less: Adj. Net Debt (Sep'24 End)				573	404	
Core Business Valuation				332	234	
Value of HMEL Stake	P/E			70	49	
Value of Listed Investments	TP/CMP			32	22	At 30% HoldCo Discount
Target Price-Fair Value					305	

Source: Company, Emkay Research

Exhibit 6: Schedule and Value of Listed Investments

Listed	Type	Basis of Valuation	TP/CMP (Rs/sh)	Equity Value (Rs bn)	HPCL Stake	Pro-rata Value (Rs bn)	HoldCo Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
MRPL	Financial	CMP*1.12x	122	215	17.0%	36	30%	25	17.9
Oil India	Financial	TP (Emkay)	330	358	2.5%	9	30%	6	4.4
Total Listed						45		32	22

Source: Company, Emkay Research; *1.12x is taken as 1 year forward over CMP

Exhibit 7: Value of HMEL-stake

Components	Basis	Sep-25E PAT (Rs bn)	Multiple (x)	Equity value	HPCL stake	Pro-rata value	Holdco Disc.	Contr. To SOTP	Per-Share value (Rs)
HPCL Mittal Energy (HMEL)	P/E	25	8.0	200	50%	100	30%	70	49

Source: Company, Emkay Research

HPCL: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	34,96,829	43,47,860	42,16,074	37,63,869	38,77,112
Revenue growth (%)	50.1	24.3	(3.0)	(10.7)	3.0
EBITDA	1,01,759 (1,13,306)	2,02,654	1,61,191	1,68,042	
EBITDA growth (%)	(36.1)	(211.3)	0.0	(20.5)	4.2
Depreciation & Amortization	39,691	43,300	53,412	64,162	70,648
EBIT	62,067 (1,56,605)	1,49,241	97,029	97,394	
EBIT growth (%)	(49.8)	(352.3)	0.0	(35.0)	0.4
Other operating income	0	0	0	0	0
Other income	22,743	20,691	21,565	23,195	25,454
Financial expense	9,727	21,319	32,404	37,879	40,604
PBT	75,083 (1,57,232)	1,38,402	82,346	82,244	
Extraordinary items	5,996	56,170	9,897	0	0
Taxes	18,211	(29,409)	36,741	20,751	20,725
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	63,826 (89,740)	1,09,058	61,595	61,518	
PAT growth (%)	(40.1)	(240.6)	0.0	(43.5)	(0.1)
Adjusted PAT	59,162 (1,32,046)	1,01,655	61,595	61,518	
Diluted EPS (Rs)	41.7 (93.1)	71.6	43.4	43.4	
Diluted EPS growth (%)	(38.7)	(240.6)	0.0	(43.5)	(0.1)
DPS (Rs)	14.0	0.0	26.9	15.2	15.2
Dividend payout (%)	31.1	0.0	35.0	35.0	35.0
EBITDA margin (%)	2.9	(2.6)	4.8	4.3	4.3
EBIT margin (%)	1.8	(3.6)	3.5	2.6	2.5
Effective tax rate (%)	30.5	(8.2)	31.9	25.2	25.2
NOPLAT (pre-IndAS)	43,158 (1,69,451)	1,01,639	72,578	72,850	
Shares outstanding (mn)	1,418.9	1,418.9	1,418.9	1,418.9	1,418.9

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	75,083	(1,57,232)	1,38,402	82,346	82,244
Others (non-cash items)	39,195	73,292	64,251	78,845	85,798
Taxes paid	(14,511)	(1,598)	(22,268)	(13,514)	(17,107)
Change in NWC	52,176	13,860	(166)	5,935	3,022
Operating cash flow	1,58,898 (33,595)	1,87,618	1,53,612	1,53,957	
Capital expenditure	(1,07,642)	(88,877)	(1,20,000)	(1,10,000)	(90,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	9,040	10,206	21,565	23,195	25,454
Investing cash flow	(1,25,653)	(1,10,977)	(1,00,556)	(88,947)	(66,710)
Equity raised/(repaid)	(10,404)	0	0	0	0
Debt raised/(repaid)	28,150	2,05,732	(20,000)	0	(24,000)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(16,712)	(31,101)	(32,404)	(37,879)	(40,604)
Dividend paid (incl tax)	(32,229)	(19,857)	(38,170)	(21,558)	(21,531)
Others	(3,112)	(7,775)	0	0	0
Financing cash flow	(34,306)	1,46,999	(90,574)	(59,437)	(86,135)
Net chg in Cash	(1,062)	2,427	(3,513)	5,228	1,112
OCF	1,58,898	(33,595)	1,87,618	1,53,612	1,53,957
Adj. OCF (w/o NWC chg.)	1,06,722	(47,455)	1,87,783	1,47,677	1,50,935
FCFF	51,255	(1,22,472)	67,618	43,612	63,957
FCFE	50,568	(1,33,584)	56,779	28,928	48,807
OCF/EBITDA (%)	156.2	29.6	92.6	95.3	91.6
FCFE/PAT (%)	79.2	148.9	52.1	47.0	79.3
FCFF/NOPLAT (%)	118.8	72.3	66.5	60.1	87.8

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	14,189	14,189	14,189	14,189	14,189
Reserves & Surplus	3,72,581	2,62,945	3,33,833	3,73,869	4,13,856
Net worth	3,86,770	2,77,134	3,48,022	3,88,059	4,28,046
Minority interests	0	0	0	0	0
Deferred tax liability (net)	59,783	30,110	44,584	51,821	55,439
Total debt	4,65,906	6,80,051	6,60,051	6,60,051	6,36,051
Total liabilities & equity	9,12,459	9,87,295	10,52,657	10,99,930	11,19,536
Net tangible fixed assets	5,20,442	6,24,492	8,27,896	9,28,461	9,47,448
Net intangible assets	8,223	8,223	8,223	8,223	8,223
Net ROU assets	42,671	42,671	42,671	42,671	42,671
Capital WIP	2,67,660	2,28,028	91,211	36,484	36,849
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,25,722	1,60,418	1,62,022	1,63,643	1,65,279
Cash & equivalents	55,025	57,075	54,079	59,829	61,468
Current assets (ex-cash)	4,81,868	4,23,943	4,12,890	3,73,884	3,84,219
Current Liab. & Prov.	5,89,152	5,57,555	5,46,336	5,13,264	5,26,622
NWC (ex-cash)	(1,07,284)	(1,33,612)	(1,33,446)	(1,39,381)	(1,42,403)
Total assets	9,12,459	9,87,295	10,52,657	10,99,930	11,19,536
Net debt	4,10,881	6,22,976	6,05,972	6,00,222	5,74,583
Capital employed	9,12,459	9,87,295	10,52,657	10,99,930	11,19,536
Invested capital	4,64,052	5,41,774	7,45,344	8,39,975	8,55,940
BVPS (Rs)	272.6	195.3	245.3	273.5	301.7
Net Debt/Equity (x)	1.1	2.2	1.7	1.5	1.3
Net Debt/EBITDA (x)	4.0	(5.5)	3.0	3.7	3.4
Interest coverage (x)	0.1	(0.2)	0.2	0.3	0.3
RoCE (%)	9.6	(14.3)	16.7	11.2	11.1

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	6.7	(3.0)	3.9	6.4	6.4
P/CE(x)	4.0	(4.5)	2.5	3.1	3.0
P/B (x)	1.0	1.4	1.1	1.0	0.9
EV/Sales (x)	0.2	0.2	0.2	0.3	0.3
EV/EBITDA (x)	7.9	(9.0)	4.9	6.2	5.8
EV/EBIT(x)	13.0	(6.5)	6.7	10.3	10.0
EV/IC (x)	1.7	1.9	1.3	1.2	1.1
FCFF yield (%)	6.4	(12.0)	6.8	4.4	6.6
FCFE yield (%)	12.8	(33.8)	14.4	7.3	12.3
Dividend yield (%)	5.0	0.0	9.7	5.5	5.4
DuPont-RoE split					
Net profit margin (%)	1.7	(3.0)	2.4	1.6	1.6
Total asset turnover (x)	4.0	4.6	4.1	3.5	3.5
Assets/Equity (x)	2.3	2.9	3.3	2.9	2.7
RoE (%)	15.8	(39.8)	32.5	16.7	15.1
DuPont-RoIC					
NOPLAT margin (%)	1.2	(3.9)	2.4	1.9	1.9
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	9.4	(33.7)	15.8	9.2	8.6
Operating metrics					
Core NWC days	15.1	11.7	9.8	9.8	9.8
Total NWC days	15.1	11.7	9.8	9.8	9.8
Fixed asset turnover	4.8	5.1	4.0	3.0	2.8
Opex-to-revenue (%)	5.0	4.4	5.0	6.1	6.3

Source: Company, Emkay Research

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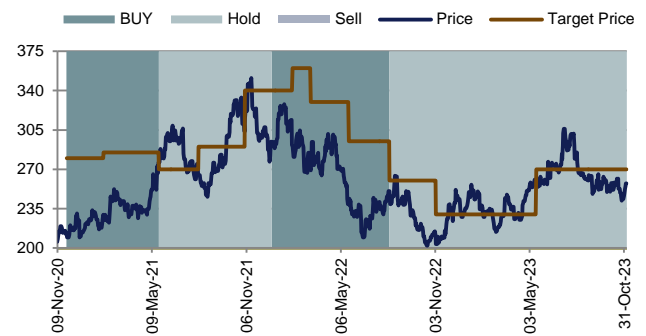
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
03-Aug-23	270	270	Hold	Sabri Hazarika
15-May-23	260	270	Hold	Sabri Hazarika
10-Feb-23	233	230	Hold	Sabri Hazarika
06-Dec-22	224	230	Hold	Sabri Hazarika
04-Nov-22	204	230	Hold	Sabri Hazarika
07-Sep-22	244	260	Hold	Sabri Hazarika
07-Aug-22	251	260	Hold	Sabri Hazarika
15-Jul-22	240	295	Buy	Sabri Hazarika
28-Jun-22	222	295	Buy	Sabri Hazarika
22-May-22	244	295	Buy	Sabri Hazarika
21-May-22	244	295	Buy	Sabri Hazarika
09-Mar-22	269	330	Buy	Sabri Hazarika
02-Feb-22	291	360	Buy	Sabri Hazarika
25-Dec-21	292	340	Buy	Sabri Hazarika
23-Nov-21	319	340	Hold	Sabri Hazarika
03-Nov-21	314	340	Hold	Sabri Hazarika
06-Aug-21	265	290	Hold	Sabri Hazarika
26-Jul-21	274	270	Hold	Sabri Hazarika
23-Jun-21	300	270	Hold	Sabri Hazarika
29-May-21	281	270	Hold	Sabri Hazarika
22-May-21	276	270	Hold	Sabri Hazarika
23-Apr-21	234	285	Buy	Sabri Hazarika
23-Mar-21	239	285	Buy	Sabri Hazarika
18-Mar-21	234	285	Buy	Sabri Hazarika
05-Feb-21	225	285	Buy	Sabri Hazarika
06-Jan-21	221	280	Buy	Sabri Hazarika
26-Nov-20	213	280	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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