

GRM-led beat; strong balance sheet; reasonable valuations

Oil & Gas ▶ Result Update ▶ January 30, 2024

TARGET PRICE (Rs): 600

BPCL logged Q3FY24 EBITDA of Rs62.5bn (Emkay: Rs28.1bn), primarily driven by higher-than-expected reported GRM of USD13.4/bbl (vs. our estimate of USD6.5/bbl) that was led by discounted Russian crude, elevated diesel spreads, and operational efficiencies. Marketing margins were largely in-line, while SA PAT came in at Rs34bn. Management reiterated its capex plans of Rs1.7trn up to CY28, with Bina expansion, Kochi PPU, and Mozambique E&P being key projects. Capex target for FY25 is Rs150bn, while Mgmt envisages closure of the rights issue by Mar-24 (subject to approval by the MOPNG). We remain constructive on BPCL, on a steady marketing outlook as general elections close in, and amid a healthy refining environment. We raise FY24E EPS by 29% and FY24E/25E EPS by 13-14% each, on better GRMs and below operating-line adjustments. We retain BUY, and raise Dec-24E TP by 10% to Rs600/sh.

BPCL: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	3,466,439	4,675,427	4,408,670	4,361,531	4,457,670
EBITDA	193,112	68,724	426,408	229,134	233,908
Adj. PAT	101,720	(16,918)	268,733	127,060	133,284
Adj. EPS (Rs)	47.8	(7.9)	126.2	59.7	62.6
EBITDA margin (%)	5.6	1.5	9.7	5.3	5.2
EBITDA growth (%)	7.8	(64.4)	520.5	(46.3)	2.1
Adj. EPS growth (%)	(41.3)	(83.5)	1,370.9	(53.8)	4.9
RoE (%)	16.6	(8.5)	43.9	17.9	16.9
RoIC (%)	12.3	5.7	30.2	13.7	14.2
P/E (x)	10.6	(63.5)	4.0	8.5	8.1
EV/EBITDA (x)	7.4	21.2	3.2	6.2	6.4
P/B (x)	2.1	2.1	1.6	1.4	1.3
FCFF yield (%)	9.4	2.7	14.3	0.6	(4.0)

Source: Company, Emkay Research

Result Highlights

Refinery throughput rose 5% QoQ to 9.9mmt (utilization at 112%). GRM for the Mumbai refinery fell to USD7.9/bbl (due to shutdown), Kochi's stood at USD14.0/bbl, while Bina's came in at USD20/bbl. Marketing inventory loss was Rs3.7bn in Q3 (vs Rs4.3bn built-in by us), but blended marketing margin at Rs4.1/kg slightly missed our estimate by 3%. Domestic sales volume rose 1% YoY vs. 2% for the industry, while overall volumes came at a marginal 1% beat. Petrol/diesel rose 4%/fell 3% YoY vs. industry's growth of 5%/1%. Opex was 9% higher than estimate at Rs73.3bn, up 18% QoQ due to Rs2bn one-off provision in employee expense. Interest cost fell 35% QoQ, while D/A rose 14%. Gross debt fell 29% QoQ to Rs160bn, as of end-Dec '23. 9MFY24 capex is Rs80.3bn.

Management KTAs

The CMD again highlighted *Project Aspire*, which entails capex of Rs1.5-1.7trn over the next 5 years (till 2028). Company expects refining and marketing margins to remain stable. Russian crude formed 40% of BPCL's crude imports in Q3FY24 (vs 40-44% QoQ). BPCL's premium to Singapore GRM is expected to continue till HSD spreads remain above USD20/bbl. BPCL's SA net debt stood at Rs60.3bn as of end-Dec '23, while consol. D/E is at ~0.6x currently with peak level of 1x expected in the next few years, assuming current margins prevail. BPCL has incurred capex of Rs80.2bn in 9MFY24 as against the FY24/25 target of Rs100/150bn. Its average crude inventory days are 15-20 and impact of refining gain/loss is not much (in Q3). Work is expected to resume by Jul-24, as *force majeure* gets lifted in Mozambique, with BPCL already tying up 1mmtpa, while project cash flows are expected from FY28. Bina petchem cashflows are expected from FY29. BPCL is working on the offer documents of the rights issue, which it intends to close by end-FY24; some formal approvals are pending with the MOPNG.

Valuation

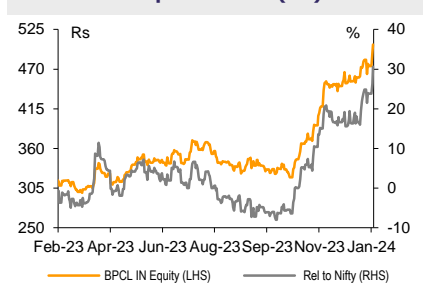
We value BPCL on an SOTP-EV/EBITDA based methodology, with investments at a 30% holdco discount. We roll over to Dec-25E, and retain our blended target EV/EBITDA at 6.1x. Key risks: Adverse commodity prices and downstream margins; currency movement; government policies; and project issues.

Target Price – 12M	Dec-24
Change in TP (%)	10.1
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	19.0
CMP (30-Jan-24) (Rs)	504.2

Stock Data	Ticker
52-week High (Rs)	518
52-week Low (Rs)	314
Shares outstanding (mn)	2,169.3
Market-cap (Rs bn)	1,094
Market-cap (USD mn)	13,160
Net-debt, FY24E (Rs mn)	306,797
ADTV-3M (mn shares)	9
ADTV-3M (Rs mn)	4,036.6
ADTV-3M (USD mn)	48.6
Free float (%)	44.0
Nifty-50	21,522
INR/USD	83.1
Shareholding, Dec-23	
Promoters (%)	53.0
FPIs/MFs (%)	14.2/22.1

Price Performance

(%)	1M	3M	12M
Absolute	11.9	45.3	50.5
Rel. to Nifty	13.0	29.3	23.4

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

sabri.hazarika@emkayglobal.com
+91 22 6612 1282

Harsh Maru

harsh.maru@emkayglobal.com
+91 22 6612 1336

Arya Patel

arya.patel@emkayglobal.com
+91 22 6612 1285

Exhibit 1: Actuals vs. Estimates (Q3FY24)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	1,154,942	1,058,863	1,052,000	9%	10%	
Adjusted EBITDA	62,546	28,109	44,354	123%	41%	Bttr GRMs
EBITDA margin	5.4%	2.7%	4.2%	276bps	120bps	
Adjusted Net Profit	33,973	6,709	32,700	406%	4%	Higher than expected other income and lower finance cost

Source: Company, Emkay Research

Exhibit 2: Quarterly Summary

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ	9MFY23	9MFY24	YoY
Revenue	1,191,581	1,181,121	1,121,295	1,029,856	1,154,942	-3%	12%	3,494,306	3,306,093	-5%
COGS	1,081,751	1,002,311	908,869	837,520	1,019,127	-6%	22%	3,329,832	2,765,517	-17%
Gross Profit	109,830	178,810	212,426	192,335	135,815	24%	-29%	164,474	540,576	229%
Opex	66,073	69,210	62,816	61,977	73,269	11%	18%	205,350	198,062	-4%
Total Expenditure	1,147,824	1,071,521	971,685	899,498	1,092,396	-5%	21%	3,535,182	2,963,579	-16%
EBITDA	43,758	109,600	149,610	130,358	62,546	43%	-52%	(40,876)	342,514	
Depreciation	15,820	15,958	16,093	15,998	18,244	15%	14%	47,517	50,336	6%
Interest	9,780	8,124	6,793	7,676	5,019	-49%	-35%	24,041	19,488	-19%
Other Income	4,519	7,330	4,675	7,712	6,801	50%	-12%	14,510	19,188	32%
Exceptional Items	-	(13,600)	8,487	-	-			55,820	8,487	
Forex Gain/(Losses)	(1,419)	1,937	245	(1,278)	(284)			(16,915)	(1,317)	
PBT	21,258	81,185	140,131	113,118	45,801	115%	-60%	(59,018)	299,050	
Tax	1,663	16,408	34,622	28,106	11,828	611%	-58%	(12,942)	74,557	
PAT	19,596	64,777	105,509	85,012	33,973	73%	-60%	(46,076)	224,493	
Adjusted PAT	19,596	78,377	99,118	85,012	33,973	73%	-60%	(87,599)	218,103	
Adjusted EPS (Rs)	9.2	36.8	46.5	39.9	16.0	73%	-60%	(41.1)	102.4	
Tax Rate	8%	20%	25%	25%	26%			22%	25%	
Core EBITDA^	59,578	127,730	166,310	98,388	63,236	6%	-36%	(16,506)	327,934	
Core PAT^	28,796	83,011	110,778	61,655	34,987	22%	-43%	(55,018)	207,420	
Core EPS (Rs)^	13.5	39.0	52.0	29.0	16.4	22%	-43%	(25.8)	97.4	
Refining Volumes (mmt)	9.4	10.6	10.4	9.4	9.9	5%	5%	27.9	29.6	6%
Reported GRM (USD/bbl)	15.9	20.6	12.6	18.5	13.4	-16%	-28%	20.2	14.7	-27%
Core GRM (USD/bbl)^	17.4	20.4	13.6	15.5	12.8	-26%	-17%	20.7	13.9	-33%
Adjusted Refining EBITDA	73,724	111,368	58,788	85,320	60,015	-19%	-30%	274,859	204,122	-26%
Marketing Volumes (mmt)	13.0	13.3	13.1	12.5	13.2	1%	6%	37.0	38.8	5%
Diesel	6.0	6.0	6.2	5.2	5.9	-3%	12%	16.9	17.3	2%
Petrol	2.4	2.4	2.5	2.5	2.5	4%	1%	7.2	7.5	5%
Marketing Margin (Rs/mt)	1,710	4,611	10,617	5,402	4,064	138%	-25%	(4,372)	6,705	
Adjusted Marketing EBITDA	(34,792)	(6,696)	85,716	40,124	(2,732)			(329,123)	123,108	
Marketing Inventory Gain/(Losses)	(7,520)	(19,130)	(10,700)	14,970	(3,690)			(15,070)	580	
Pipeline Volumes (mmt)^	9.9	10.0	10.3	9.8	10.4	5%	6%	27.8	30.5	10%
Implied Pipeline EBITDA^	4,825	4,928	5,107	4,915	5,263	9%	7%	13,389	15,284	14%
Gross Debt	402,556	358,548	279,394	225,680	160,168	-60%	-29%	402,556	160,168	-60%
Implied Net Debt*	347,644	294,754	145,836	22,359	60,350	-83%	170%	347,644	60,350	-83%
Net Under-recovery	-	-	-	-	-	-	-	-	-	-

Source: Company, Emkay Research; Note: ^ is estimated as refining inventory figure; segmental EBITDA and pipeline volumes not given; *Net debt is Rs60.3bn, as per the management, though this table is a generic calculation

Concall Key Takeaways

- BPCL CMD G Krishnakumar addressed BPCL's Q3FY24 post-earnings concall for the first time and reiterated the significance of *Project Aspire*, wherein Company plans to incur capex of Rs1.5-1.7trn over the next 5 years (till 2028). BPCL is also targeting net zero for both scope 1 & 2 emissions by 2040. Segmentally, capex would be for refinery-petchem/upstream/gas business/marketing infrastructure/RE+alternate fuel at Rs750/420/250/250/100bn, respectively (some flexibility could exist on segmental basis). BPCL evaluates capex projects with a minimum IRR threshold ranging at 12-15%.
- BPCL expects crude volatility to continue over the next one year, given geo-political and Red Sea issues, while it expects Brent to range at USD80-90/bbl in the near term. Company expects refining and marketing margins to remain stable, unless Red Sea issues escalate (above USD90 crude MM can be hit). It is also upbeat about petchem demand in India as well as overseas, and believes domestic demand could grow on the back of relatively low consumption per-capita in India, while prices could pose a challenge in the near term. BPCL's premium to Singapore GRM is expected to continue till HSD spreads remain above USD20/bbl, given the high % of HSD in Slate.
- BPCL undertook a planned 40-day shutdown of its Mumbai Refinery (MR) during Oct-Nov '23 (in Q3FY24), while fall in international product cracks resulted in lower GRMs QoQ. However, BPCL's present GRMs are at a premium to Singapore's due to optimization of product Slate, better feedstock sourcing, up to 100% high sulphur crude, and up to 50% Russian crude usage. Russian crude formed 40% of BPCL's crude imports in Q3FY24 (vs 40-44% QoQ). BPCL has long-term crude contracts for 50-55% of its requirements, while the rest is sourced through spot contracts, with Russian crude being part of the latter.
- Domestic sales grew 5.1% YoY in Q3, while BPCL's market share among OMCs in MS/HSD stood at 29.62%/29.71% in 9MFY24. BPCL clocked 11.53% ethanol blending during 9MFY24 and supplied E20 ethanol to 1,800 ROs. BPCL commissioned a pipeline from MR to Rasayani for product evacuation, while 2 more product pipelines are under construction – this would result in optimization of product placement costs. BPCL is also setting up 3 new depots in NE India, with land already acquired. It has entered into an MOU with a Tata Motors subsidiary for EV charging stations and with Trinity for 3W EVs. BPCL is the only company in India to supply BIS certified butyl acrylate, with imports now requiring mandatory BIS certification, which would support Kochi PDPP viability. Employee costs run-rate in Q3 was higher due to provision for post-retirement medical benefit of Rs2bn; while annual run-rate can be expected at Rs30-32bn (300-400 retirees p.a. and 500 new recruits).
- BPCL's SA net debt stood at Rs60.25bn as of end-Dec '23, while consol. D/E is at ~0.6x currently, with peak level of 1x expected in the next few years assuming current margins prevail. BPCL has incurred capex of Rs80.2bn in 9MFY24 as against the FY24 target of Rs100bn, while the FY25 capex target is Rs150bn.
- BPCL's key projects include the Rs490bn refinery cum petchem project at Bina Refinery (BR); the 400ktpa PP project at Kochi Refinery (KR), at Rs54.4bn and which has been approved by the Board in Aug-23 with usage of propylene as feedstock from KR. In terms of Mozambique E&P, work is expected to resume by Jul-24 as *force majeure* gets lifted; while all major work contracts remain intact, as the security situation has substantially improved. BPCL has spent USD720/900mn towards exploration/development at Mozambique, with gas output expected from FY28 on. Consortium has already tied up for 11mmtpa, of which BPCL has a tied up contract for 1mmtpa.
- BPCL's Russian crude supplies are not impacted by the Red Sea issue and the company is covered till Apr-24; freight impact is not being felt yet, as Russian cargos are on delivered basis, with discounts largely stable as of now. BPCL has planned shutdown at KR and BR for 15 days each in FY25, but exact timelines are still being worked out. The company's average crude inventory days are 15-20, and impact of refining gain/loss is not much (in Q3).
- The Bina expansion project would include refining capacity rising from 7.8mmtpa to 11mmtpa, with petchem products like HDPE, LLDPE, PP, Benzene, Toulene, and a little Bitumen. Better distillate yield could result in ~0.8mmtpa higher core output. Mgmt expects Bina petchem cashflows to come in FY29 onwards; while feedstock from BR could be a key differentiator compared with competition. Petchem demand is good in both, BR and KR.

- In term of Kochi petchem PDPP (propylene derivative) capacity of 329tmtpa, BPCL is operating this at 57% each in FY23 (0.197tmt) and Q1FY24, and at 60%-70% utilization over Q2-Q3FY24, with current gross deltas of USD250-300/mt and at peak of USD500/mt for 2 months. BPCL expects margins to improve going ahead, besides higher utilization, led by conditional import; its target utilization is 80-85%. Company would also undertake a small revamp in the KR PFCC for the same. PDPP profitability is part of the GRM at USD0.43/bbl. In Q3, gross profit was Rs1.2bn and net loss Rs1.45bn.
- BPCL is working towards developing an EV charging infrastructure on highway corridors; the intent is to cover more corridors for addressing range anxiety. Company expects YoY growth in MS (4-5%) and HSD (1.5-2%) sales going ahead, despite the EV transition. BPCL's marketing capex includes retail outlets, gas stations, pipelines, etc. BPCL has put out advertisements for ROs and received good response. Its throughput/outlet is the highest among PSUs, and the company makes a judicious selection of locations. BPCL has created a separate SBU for the retail business, with 125 convenience/grocery stores at its ROs and targets 3,000 such stores in 5 years, with the ongoing consolidation of the supply chain. There is EV charging and store synergy.
- BPCL has license to operate in 50 CGD GAs in total, with 25 GAs of BPCL and the rest through JVs. It has commenced business in 19 GAs and volumes are picking up, though breakeven is yet to be achieved. Company expects a sizable capex in the next 1-2 years for setting up infrastructure; post this, more volumes would flow, while PNG profitability would take up more time compared with CNG, which is quicker.
- BPCL is working on the offer documents of the rights issue, which it intends to close by end-FY24, while some formal requirements/approvals are pending with the MOPNG. The rights issue is for long-term equity requirements. Dividend payout will continue.

Exhibit 3: Change in assumptions

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
GRM (USD/bbl)	11.4	14.0	23%	9.0	9.5	6%	9.1	9.6	6%
Marketing Margin (Rs/mt)	5,899	6,217	5%	4,801	4,965	3%	4,899	5,066	3%
Growth	NM	NM	NM	-18.6%	-20.1%	152bps	2.0%	2.0%	-1bps
Marketing Sales (mmt)	52	52	-1%	54	53	-1%	55	55	-1%
Growth	4.4%	3.7%	-71bps	2.6%	2.6%	0bps	2.2%	2.2%	0bps

Source: Company, Emkay Research

Exhibit 4: Change in estimates

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	4,467	4,409	-1%	4,264	4,362	2%	4,358	4,458	2%
EBITDA	352	426	21%	216	229	6%	220	234	6%
EBITDA margin	7.9%	9.7%	180bps	5.1%	5.3%	20bps	5.1%	5.2%	19bps
PAT	208	269	29%	111	127	14%	117	133	13%
EPS (Rs)	97.7	126.2	29%	52.3	59.7	14%	55.2	62.6	13%

Source: Company, Emkay Research

Exhibit 5: SOTP-based valuation (Dec-24E TP)

Components	Basis	Dec-25E EBITDA	Multiple(x)	EV (Rs bn)	EV/sh (Rs)	Comments
Refining Standalone	EV/EBITDA	165	6.0	990	465	
Pipelines Standalone	EV/EBITDA	22	6.0	130	61	
Petrochemicals Standalone	EV/EBITDA	(0)		-	-	
Marketing Standalone	EV/EBITDA	46	6.0	277	130	
Core Business EV		233	6.0	1,396	656	Blended multiple at 6x
Less: Adj. Net Debt (Dec'24 End)				260	122	
Core Business Valuation				1,136	534	
Value of Mozambique Stake	Transaction Value			44	21	At 30% discount
Value of Listed Investments	TP			97	46	At 30% HoldCo discount
Target Price-Fair Value					600	

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)	BPCL Stake	Pro-rata Value (Rs bn)	HoldCo Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
IGL	JV	TP (Emkay)	450	315	22.5%	71	30%	50	23
PLNG	JV	TP (Emkay)	300	450	12.5%	56	30%	39	18
Oil India	Financial	TP (Emkay)	445	483	2.5%	12	30%	8	4
Total Listed						139		97	46

Source: Company, Emkay Research

BPCL: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	3,466,439	4,675,427	4,408,670	4,361,531	4,457,670
Revenue growth (%)	49.1	34.9	(5.7)	(1.1)	2.2
EBITDA	193,112	68,724	426,408	229,134	233,908
EBITDA growth (%)	7.8	(64.4)	520.5	(46.3)	2.1
Depreciation & Amortization	54,179	63,475	68,899	71,624	75,316
EBIT	138,933	5,250	357,509	157,510	158,592
EBIT growth (%)	(0.3)	(96.2)	6,710.2	(55.9)	0.7
Other operating income	0	0	0	0	0
Other income	26,294	21,840	27,372	30,231	34,220
Financial expense	22,088	32,165	24,293	17,875	14,625
PBT	143,138	(5,075)	360,588	169,867	178,187
Extraordinary items	16,431	42,220	8,487	0	0
Taxes	43,084	3,466	92,674	42,806	44,903
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	113,634	18,701	275,081	127,060	133,284
PAT growth (%)	(40.3)	(83.5)	1,370.9	(53.8)	4.9
Adjusted PAT	101,720	(16,918)	268,733	127,060	133,284
Diluted EPS (Rs)	47.8	(7.9)	126.2	59.7	62.6
Diluted EPS growth (%)	(41.3)	(83.5)	1,370.9	(53.8)	4.9
DPS (Rs)	16.0	4.0	58.1	23.9	21.9
Dividend payout (%)	30.0	45.6	45.0	40.0	35.0
EBITDA margin (%)	5.6	1.5	9.7	5.3	5.2
EBIT margin (%)	4.0	0.1	8.1	3.6	3.6
Effective tax rate (%)	38.4	(770.1)	27.5	25.2	25.2
NOPLAT (pre-IndAS)	85,551	45,677	259,332	117,818	118,626
Shares outstanding (mn)	2,129.5	2,129.5	2,129.5	2,129.5	2,129.5

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	143,138	(5,075)	360,588	169,867	178,187
Others (non-cash items)	50,894	93,097	65,820	59,268	55,721
Taxes paid	(18,227)	(8,014)	(92,297)	(42,426)	(44,519)
Change in NWC	18,750	(610)	(42,560)	23,086	1,090
Operating cash flow	208,135	106,641	298,718	209,795	190,479
Capital expenditure	(73,656)	(67,797)	(101,032)	(201,042)	(251,053)
Acquisition of business	0	0	0	0	0
Interest & dividend income	13,879	12,022	27,372	30,231	34,220
Investing cash flow	(77,437)	(63,973)	(74,515)	(171,683)	(217,722)
Equity raised/(repaid)	4,624	0	0	0	0
Debt raised/(repaid)	(32,643)	(1,529)	(72,751)	60,000	115,000
Payment of lease liabilities	(8,875)	(8,875)	(8,875)	(8,875)	(8,875)
Interest paid	(13,771)	(22,314)	(24,293)	(17,875)	(14,625)
Dividend paid (incl tax)	(144,828)	(12,816)	(123,786)	(50,824)	(46,649)
Others	(105)	687	0	0	0
Financing cash flow	(186,723)	(35,972)	(220,831)	(8,699)	53,726
Net chg in Cash	(56,026)	6,696	3,372	29,412	26,482
OCF	208,135	106,641	298,718	209,795	190,479
Adj. OCF (w/o NWC chg.)	189,384	107,251	341,278	186,709	189,389
FCFF	134,478	38,844	197,686	8,752	(60,574)
FCFE	126,269	18,702	200,765	21,109	(40,979)
OCF/EBITDA (%)	107.8	155.2	70.1	91.6	81.4
FCFE/PAT (%)	111.1	100.0	73.0	16.6	(30.7)
FCFF/NOPLAT (%)	157.2	85.0	76.2	7.4	(51.1)

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	21,295	21,295	21,295	21,295	21,295
Reserves & Surplus	495,160	498,669	649,963	726,200	812,834
Net worth	516,455	519,963	671,258	747,494	834,129
Minority interests	0	0	0	0	0
Deferred tax liability (net)	58,660	70,683	71,060	71,441	71,825
Total debt	422,153	447,751	375,000	435,000	550,000
Total liabilities & equity	997,268	1,038,398	1,117,318	1,253,935	1,455,954
Net tangible fixed assets	736,501	764,399	812,520	740,499	795,128
Net intangible assets	10,100	10,100	10,100	10,100	10,100
Net ROU assets	91,463	91,463	91,463	91,463	91,463
Capital WIP	49,972	56,734	39,714	240,111	360,166
Goodwill	0	0	0	0	0
Investments [JV/Associates]	89,465	103,193	104,224	105,267	106,319
Cash & equivalents	58,932	63,976	68,203	98,488	125,860
Current assets (ex-cash)	605,413	518,175	490,500	485,844	496,207
Current Liab. & Prov.	644,577	569,642	499,407	517,837	529,290
NWC (ex-cash)	(39,164)	(51,467)	(8,907)	(31,993)	(33,083)
Total assets	997,268	1,038,398	1,117,318	1,253,935	1,455,954
Net debt	363,221	383,776	306,797	336,512	424,140
Capital employed	997,268	1,038,398	1,117,318	1,253,935	1,455,954
Invested capital	798,899	814,496	905,176	810,069	863,608
BVPS (Rs)	242.5	244.2	315.2	351.0	391.7
Net Debt/Equity (x)	0.7	0.7	0.5	0.5	0.5
Net Debt/EBITDA (x)	1.9	5.6	0.7	1.5	1.8
Interest coverage (x)	0.1	1.2	0.1	0.1	0.1
RoCE (%)	17.1	2.7	35.7	15.8	14.2

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	10.6	(63.5)	4.0	8.5	8.1
P/CE(x)	7.5	55.6	3.2	5.4	5.1
P/B (x)	2.1	2.1	1.6	1.4	1.3
EV/Sales (x)	0.4	0.3	0.3	0.3	0.3
EV/EBITDA (x)	7.4	21.2	3.2	6.2	6.4
EV/EBIT(x)	10.3	277.6	3.9	9.0	9.4
EV/IC (x)	1.8	1.8	1.5	1.7	1.7
FCFF yield (%)	9.4	2.7	14.3	0.6	(4.0)
FCFE yield (%)	11.8	1.7	18.7	2.0	(3.8)
Dividend yield (%)	3.2	0.8	11.5	4.7	4.3
DuPont-RoE split					
Net profit margin (%)	2.5	(0.9)	5.9	2.9	3.0
Total asset turnover (x)	3.6	4.6	4.1	3.7	3.3
Assets/Equity (x)	1.8	2.0	1.8	1.7	1.7
RoE (%)	16.6	(8.5)	43.9	17.9	16.9
DuPont-RoIC					
NOPLAT margin (%)	2.5	1.0	5.9	2.7	2.7
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	12.3	5.7	30.2	13.7	14.2
Operating metrics					
Core NWC days	20.8	15.9	15.9	15.9	15.9
Total NWC days	20.8	15.9	15.9	15.9	15.9
Fixed asset turnover	3.7	4.3	3.7	3.5	3.4
Opex-to-revenue (%)	6.9	5.9	6.2	7.1	7.2

Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 01/31/2024 08:24 PM

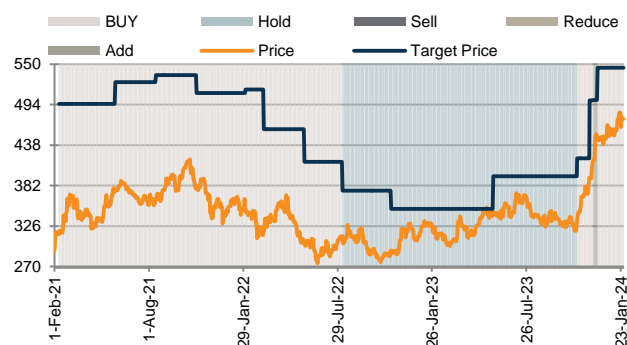
Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Dec-23	449	545	Buy	Sabri Hazarika
30-Nov-23	416	500	Add	Sabri Hazarika
24-Nov-23	392	500	Buy	Sabri Hazarika
31-Oct-23	333	420	Buy	Sabri Hazarika
27-Jul-23	358	395	Hold	Sabri Hazarika
23-May-23	346	395	Hold	Sabri Hazarika
31-Jan-23	324	350	Hold	Sabri Hazarika
06-Dec-22	310	350	Hold	Sabri Hazarika
08-Nov-22	293	350	Hold	Sabri Hazarika
07-Sep-22	309	375	Hold	Sabri Hazarika
07-Aug-22	312	375	Hold	Sabri Hazarika
15-Jul-22	290	415	Buy	Sabri Hazarika
28-Jun-22	296	415	Buy	Sabri Hazarika
26-May-22	301	415	Buy	Sabri Hazarika
22-May-22	309	460	Buy	Sabri Hazarika
09-Mar-22	318	460	Buy	Sabri Hazarika
02-Feb-22	350	515	Buy	Sabri Hazarika
25-Dec-21	341	510	Buy	Sabri Hazarika
23-Nov-21	364	510	Buy	Sabri Hazarika
31-Oct-21	378	510	Buy	Sabri Hazarika
14-Aug-21	363	535	Buy	Sabri Hazarika
26-Jul-21	364	525	Buy	Sabri Hazarika
23-Jun-21	375	525	Buy	Sabri Hazarika
29-May-21	376	525	Buy	Sabri Hazarika
28-May-21	376	525	Buy	Sabri Hazarika
23-Apr-21	338	495	Buy	Sabri Hazarika
22-Mar-21	346	495	Buy	Sabri Hazarika
18-Mar-21	337	495	Buy	Sabri Hazarika
02-Mar-21	370	495	Buy	Sabri Hazarika
09-Feb-21	318	495	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of January 30, 2024
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of January 30, 2024
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the January 30, 2024
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.