

Strong marketing and petchem showOil & Gas ▶ Result Update ▶ **January 30, 2024****TARGET PRICE (Rs): 145**

GAIL reported a 23% beat in Q3FY24 EBITDA at Rs38.2bn, led by higher-than-expected gas marketing EBITDA at Rs20.7bn (vs. Rs15.9bn est.) and petchem turning positive QoQ at Rs2bn vs. near breakeven estimates. PAT came in at Rs28.4bn, a 40% beat with other income also higher. Gas transmission EBITDA was 6% above estimates on lower opex, volumes being inline. LPG-LHC earnings rose with 35% QoQ recovery in Aramco LPG OSPs. Management has upped marketing EBITDA guidance for FY24/25/26E to >Rs55/40/45bn, led by focus on margins and cost optimization. Petchem should remain in black. We raise our FY24E EPS by 12% and FY25-26E EPS by 6% on higher marketing income. We increase our TP by 16% to Rs145 (6x Dec-25 EV/EBITDA). We maintain REDUCE due to recent strong stock runup and outlook being priced in.

GAIL: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	567,302	916,265	1,442,497	1,294,038	1,300,570
EBITDA	64,451	138,290	68,789	130,150	131,470
Adj. PAT	48,902	103,640	54,465	91,997	88,180
Adj. EPS (Rs)	11.0	23.3	8.3	14.0	13.4
EBITDA margin (%)	11.4	15.1	4.8	10.1	10.1
EBITDA growth (%)	(24.0)	114.6	(50.3)	89.2	1.0
Adj. EPS growth (%)	(25.0)	111.9	(65.5)	73.5	(4.1)
RoE (%)	10.8	20.3	9.8	15.8	14.0
RoIC (%)	9.9	23.6	8.1	14.9	13.1
P/E (x)	15.6	7.4	20.7	12.3	12.8
EV/EBITDA (x)	12.6	5.9	18.6	10.0	10.1
P/B (x)	1.6	1.4	2.0	1.9	1.7
FCFF yield (%)	4.2	3.5	(3.5)	(0.2)	(0.2)

Source: Company, Emkay Research

Result Highlights

Gas transmission EBITDA fell 5% QoQ due to higher opex, as volumes grew 17% YoY/1% QoQ to 121.5mmscmd. Average tariff fell 1% QoQ to Rs2.2/scm. Gas marketing EBITDA rose 6% QoQ to Rs20.7bn in Q3, with better RLNG margins (beat). Marketing volume rose 1% to 98.1mmscmd (in-line). Petchem EBITDA stood at Rs2bn in Q3 vs. Rs380mn loss in Q2 and our loss estimate of Rs14mn. Pata utilization improved to >100% in Q3 vs. 78% in Q2 and 95% estimated by us. Realization premium to Korea narrowed to 13% in Q3 vs. 23% in Q2. LPG & LHC EBITDA came in at Rs2.8bn vs. Rs50mn in Q2, on recovery in realizations. LPG & LHC production rose 5% QoQ, while discount to Arab Gulf expanded to 8% in Q3 from 5% in Q2. LPG transmission EBITDA fell 3% QoQ, with tariff up 1%, while volumes fell 1% and opex was up by 6% (down 33% YoY). Other segment's EBITDA came in at Rs4.2bn in Q3 vs. Rs3.8bn in Q2. 9MFY24 capex stood at Rs65.8bn. The board declared an interim dividend of Rs5.5/share.

Management KTAs

Gas transmission volumes are expected to average at ~120mmscmd in FY24 and exit at 123-124mmscmd; while cumulatively, 12-15mmscmd of incremental volumes can be expected in the next 2-3 years. APM allocation for compressor fuel has become nil from 16-Dec-23 and transmission opex would rise in Q4FY24. Gas marketing volumes should grow by 5-6% YoY. GAIL's marketing margins are supported by time and destination swaps on a case-to-case basis cargo wise as well as growing domestic share. GAIL has signed 1mmtpa contract with Vitol for the supply of RLNG from CY26 (while it has announced another 0.5mmtpa contract with ADNOC for the supply from CY26 for 10 years). Management expects petchem to breakeven at EBIT level in FY24, led by optimization of input gas costs and operational efficiency; while FY25 earnings should improve further, led by lower energy costs, operating leverage, and efficiency. Pata profitability is likely to improve further in Q4FY24. Delay in tariff order relating to gas pricing, SUG cost, etc. can be attributed to non-availability of Member-Legal at PNGRB. FY25 capex target is Rs90bn, with Rs30bn/Rs33bn on pipelines/petchem. JHBDPL will be fully complete by Jun-24, while other pipeline & petchem projects are also on schedule.

Valuation

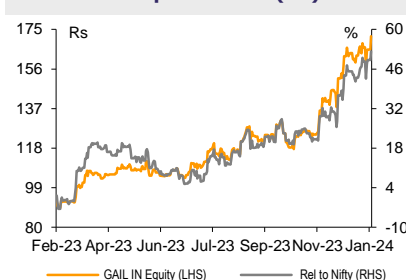
We value GAIL on SOTP-EV/EBITDA method, with investments at 30% holdco discount. We increase our target multiple for gas marketing to 5x from 3.5x earlier & petchem by 0.5x. Key risks: Adverse commodity price & margins, currency, regulations, & outages.

Target Price – 12M	Dec-24
Change in TP (%)	16.5
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(15.5)
CMP (29-Jan-24) (Rs)	171.8

Stock Data	Ticker
52-week High (Rs)	175
52-week Low (Rs)	91
Shares outstanding (mn)	6,575.1
Market-cap (Rs bn)	1,129
Market-cap (USD mn)	13,582
Net-debt, FY24E (Rs mn)	177,336
ADTV-3M (mn shares)	24
ADTV-3M (Rs mn)	3,574.7
ADTV-3M (USD mn)	43.0
Free float (%)	41.0
Nifty-50	21,738
INR/USD	83.1
Shareholding, Dec-23	
Promoters (%)	51.5
FPIs/MFs (%)	14.1/19.2

Price Performance

(%)	1M	3M	12M
Absolute	6.0	45.2	73.2
Rel. to Nifty	4.5	26.0	42.6

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

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Exhibit 1: Actuals vs. Estimates (Q3FY24)

(Rs bn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	342.4	357.6	337.6	-4%	1%	
Adjusted EBITDA	38.2	31.1	33.4	23%	14%	Better marketing and petchem earnings
EBITDA Margin (%)	11.2%	8.7%	9.9%	245bps	126bps	
Adjusted Net Profit	28.4	20.3	23.8	40%	19%	Higher other income

Source: Company, Emkay Research

Exhibit 2: Quarterly Summary

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ	9MFY23	9MFY24	YoY
Revenue	353,654	328,432	322,121	318,068	342,365	-3%	8%	1,114,065	982,553	-12%
COGS	328,978	297,560	273,029	260,360	277,664	-16%	7%	991,200	811,052	-18%
Gross Profit	24,676	30,872	49,092	57,708	64,701	162%	12%	122,865	171,501	40%
Opex	22,063	26,001	24,765	22,795	26,476	20%	16%	58,948	74,036	26%
EBITDA	2,613	4,872	24,327	34,913	38,226	NM	9%	63,917	97,466	52%
Depreciation	6,226	6,432	6,358	7,503	7,843	26%	5%	18,449	21,703	18%
Interest	1,050	903	1,758	1,718	1,564	49%	-9%	2,214	5,041	128%
Other Income	6,889	10,172	2,676	5,609	8,121	18%	45%	16,675	16,406	-2%
Exceptionals	-	-1,800	-	-	-			0	-	
PBT	2,227	5,909	18,887	31,301	36,940	NM	18%	59,929	87,128	45%
Tax	-231	-127	4,767	7,252	8,514	NM	17%	12,950	20,533	59%
Rep. PAT	2,457	6,035	14,120	24,049	28,426	NM	18%	46,980	66,595	42%
Adj. PAT	2,457	7,874	14,120	24,049	28,426	NM	18%	46,980	66,595	42%
Adj. EPS (Rs)	0.4	1.2	2.1	3.7	4.3	NM	18%	7.1	10.1	42%
Gas Transmission										
Volume (mmscmd)	103.7	108.2	116.3	120.3	121.5	17%	1%	106.6	119.4	12%
Adj. Tariff (Rs/scm)	1.6	1.5	2.2	2.2	2.2	36%	-1%	1.6	2.2	41%
Reported EBITDA	7,230	4,770	13,510	16,500	15,610	116%	-5%	22,100	45,620	106%
LPG Transmission										
Volume (mmt)	1.1	1.1	1.1	1.1	1.1	-1%	-2%	3.3	3.3	0%
Tariff (Rs/mt)	1,617	1,603	1,631	1,643	1,662	3%	1%	1,665	1,645	-1%
Reported EBITDA	1,080	970	960	1,040	1,010	-6%	-3%	3,350	3,010	-10%
Gas Marketing										
Volume (mmscmd)	89.9	96.5	98.8	97.0	98.1	9%	1%	93.0	98.0	5%
Reported EBITDA	30	5,760	11,030	19,530	20,730	NM	6%	10,310	51,290	397%
EBITDA Margin (USD/mmbtu)	0.0	0.0	0.3	0.6	0.6	NM	0%	0.1	0.5	805%
Petchem										
Sales Volume (kt)	65	118	162	168	215	231%	28%	291	545	87%
Reported EBITDA	-2,100	-2,570	-1,730	-380	2,050	NM	NM	-6,770	-60	NM
EBITDA/mt (USD)	-393	-265	-130	-28	94	NM	NM	-286	-10	NM
LPG & LHC										
Sales Volume (kt)	248	230	247	242	249	0%	3%	709	738	4%
Reported EBITDA	-60	1,460	2,250	50	2,800	NM	NM	6,640	5,100	-23%
EBITDA/mt (USD)	-3	18	100	2	111	NM	NM	69	72	5%

Source: Company, Emkay Research; Note: Adjusted PAT may not fully match the annual tables due to a different adjustment method in the Emkay detailed annual model. In adjusted EBITDA of Q4FY23, higher gas cost and handling are not taken as a one-off. APAT assumes tax rate as it is.

Concall Highlights

- GAIL's Q3FY24 earnings were driven by better gas marketing margins, recovery in petchem profitability (101% utilization), and higher LPG-LHC margins. Capex was Rs65.8bn in 9MFY24, spent across pipelines, petchem, and other segments. GAIL plans to incur capex of Rs90bn (erroneously said Rs170bn; it later clarified offline, but that excluded net zero goals, which were stated in the call) in FY25 split as Rs30bn/2bn/33bn/1.5bn/5bn/7.5bn/10bn between pipelines/CGD/petchem/E&P/Others/Operational/Equity contribution towards subsidiaries, JVs, and associates.
- Among gas pipeline projects, the Mumbai-Nagpur (700km) section of Jharsuguda pipeline would be completed by Oct-24, JHBDPL will be fully progressively completed by Jun-24 (2,951km out of 3,289km has already been commissioned), Srikakulam-Angul (420km)/spur lines will be completed by Jun-24/Sep-24, Odisha section (150km) of Dhamra-Haldia will be completed by Jun-24 and Gurdaspur-Jammu by July-26 (160kms, pre-project activities on). In petchem, the Rs112.6bn 500ktpa Usar PDH PP will be commissioned by Apr-25, the Rs13bn 60ktpa Pata PP will be completed by Jul-24, and Rs5.3bn 58ktpa IPA will be commissioned by Dec-25. The Rs42bn 1.25mmtpa GAIL Mangalore Petchem (JBF) would be ready by Mar-25, which includes Rs21bn of acquisition and the balance are commissioning costs.
- Gas marketing has exceeded earnings expectation and management now expects >Rs55bn EBITDA for FY24; while FY25/26 guidance has also been raised to Rs40/45bn, though it is based on conservatism. Gas marketing volumes should grow by 5-6% YoY. GAIL's marketing margins are supported by time and destination swaps on a case-to-case basis cargo wise as well as growing domestic share (overseas arbitrage was also there). While its previous strategy was to mitigate volume risk, now it is focused on margins. It was also supported by low-cost gas sourcing; while GAIL's portfolio includes the option to market mid-to-long-term volumes on higher margins as well as US gas flexibility. More than the revenue side, it is the cost optimization that has led to higher margins.
- GAIL has signed a 1mmtpa contract with Vitol for the supply of RLNG from CY26 (while it has announced another 0.5mmtpa contract with ADNOC Gas today for the supply from CY26 for 10 years). The company is under advanced discussions for more supplies and these will be part of the broader portfolio. The slopes are generally competitive. Gazprom cargoes have resumed, but the shortfall has not been supplied to GAIL and arbitration is on. GAIL has only one gas trading hub in Singapore.
- In gas transmission, management expects FY24 volumes to average at ~120mmscmd and exit at 123-124mmscmd, with Q3FY24 average volumes of 121.5mmscmd. Cumulatively, 12-15mmscmd of incremental volumes can be expected in the next 2-3 years (3mmscmd as feed from IOCL Dadri-Panipat resumption, 3mmscmd from CGD players, and 0.5mmscmd from IOCL-Barauni etc.).
- KG basin tariff cannot be extrapolated in case of GAIL's integrated network w.r.t. gas pricing, SUG cost, and tariff recovery as the former does not have compressor stations; hence, internal consumption is very low. A separate order from PNGRB is awaited for the latter. Delay on the same can be attributed to non-availability of Member-Legal at PNGRB. ~10% of GAIL's transmission volume viz. 9-10mmscmd is outside the unified tariff mechanism (e.g. KG basin, KKMBPL, Agartala network, etc.).
- GAIL consumes ~1.7mmscmd of compressor fuel in its transmission business, which is sourced through domestic gas (from IGX) or RLNG, based on availability. APM allocation for compressor fuel has become nil from 16-Dec-23 (with last 0.2mmscmd gone) and transmission opex could rise by 15% QoQ in Q4FY24.
- Management expects petchem to breakeven at EBIT level in FY24, led by optimization of input gas costs and operational efficiency. FY25 earnings should improve further, led by lower energy costs, operating leverage, and efficiency w.r.t. specific energy consumption etc. Pata profitability is likely to improve further in Q4FY24. In Q3FY24, realization fell by Rs8K/ton, but input gas cost averaged at USD8-9/mmbtu, which is optimal for the petchem segment (USD9 breakeven price). No major shutdowns are planned at Pata for a year. In case of Usar PDHPP project, feedstock is propane; while GAIL expects reasonable deltas based on its assessment with propane-PP input output linkages.

- Volumes for the LPG-LHC segment are expected to be higher YoY in FY24; while GAIL hedges its exposure for LPG products. The company regularly discusses CGD monetization, mergers and reverse mergers, listings etc. of subsidiaries/associates etc. and such plans are in the radar, subject to discussions with partners. Nothing concrete has been decided though. Green hydrogen plant construction is going on and is part of GAIL's energy transition plan.
- GAIL's standalone CGD's CNG stations stood at 165, while DPNG customers were at 2.9lakh as of Q3FY24-end. It added 8 CNG stations/16,000 DPNG customers in Q3, while volumes stood at 0.3mmscmd. It is planning to add 100 CNG RO/2lakh DPNG customers in the next two years in the six GAs. GAIL Gas posted revenue/PBT/PAT of Rs31.45bn/1.5bn/1.3bn. Volumes were 7.18mmscmd in Q3, up 10% YoY as bulk trading/CNG was up 12%/11% YoY. It had 491/9.1lakh of CNG stations/DPNG connections, with 29/17,731 added in Q3. Bengal Gas operated 13 CNG stations, 237km of pipelines, and had 8,000 DPNG connections as of Q3-end.

Exhibit 3: Change in assumptions

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Gas Transmission									
Volumes (mmscmd)	120.2	120.2	0%	130.4	128.6	-1%	139.5	136.3	-2%
Adj. Tariff (Rs/scm)	1.9	2.2	18%	1.9	2.2	18%	1.9	2.3	18%
Adj. EBITDA (Rs.bn)	54.7	56.4	3%	60.1	60.9	1%	65.4	65.6	0%
LPG Transmission									
Volumes (mmt)	4.4	4.4	0%	4.5	4.5	0%	4.6	4.6	0%
Adj. EBITDA (Rs.bn)	3.4	3.7	6%	3.5	3.7	6%	3.5	3.7	6%
Gas Marketing									
Volumes (mmscmd)	99.3	98.6	-1%	106.5	104.8	-2%	113.4	111.2	-2%
Margin (USD/mmbtu)	0.4	0.5	22%	0.3	0.3	16%	0.3	0.3	23%
Adj. EBITDA (Rs.bn)	43.6	53.4	22%	34.9	40.5	16%	36.3	44.3	22%
Petchem									
Capacity Utilization	90%	90%	0%	95%	95%	0%	100%	100%	0%
EBITDA/mt (USD)	-14.5	15.5	NM	61.2	53.9	-12%	72.7	56.4	-22%
Adj. EBITDA (Rs.bn)	-0.9	0.9	NM	3.9	3.4	-11%	4.8	3.8	-21%
LPG & LHC									
EBITDA/mt (USD)	76.9	48.5	-37%	145.2	157.3	8%	146.7	158.5	8%
Adj. EBITDA (Rs bn)	6.3	4.0	-36%	11.9	13.0	10%	12.0	13.2	9%

Source: Company, Emkay Research

Exhibit 4: Change in estimates

(Rs bn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	1,427	1,294	-9%	1,410	1,301	-8%	1,505	1,389	-8%
EBITDA	120	130	8%	125	131	5%	133	141	6%
EBITDA Margin	8.4%	10.1%	165bps	8.9%	10.1%	123bps	8.8%	10.1%	128bps
PAT	82	92	12%	84	88	6%	90	95	6%
EPS (Rs)	12.5	14.0	12%	12.7	13.4	6%	13.6	14.4	6%

Source: Company, Emkay Research

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

Components	Basis	Dec-25E EBITDA	Multiple(x)	EV (Rs bn)	EV/share (Rs)	Comments
Gas Transmission - Standalone	EV/EBITDA	64	7.0	451	69	
LPG Transmission - Standalone	EV/EBITDA	4	7.0	26	4	
Gas Marketing - Standalone	EV/EBITDA	43	5.0	217	33	
Petrochemicals - Standalone	EV/EBITDA	4	5.5	20	3	
LPG and LHC - Standalone	EV/EBITDA	13	5.0	66	10	
Others -Standalone	EV/EBITDA	10	4.5	45	7	
Core Business EV		138	6.0	825	125	
Less: Adj. Net Debt (Dec-24E end)				154	23	
Core Business Valuation				670	102	
Value of Listed Investments	TP/CMP			182	28	At 30% Holdco Discount
Value of Unlisted Investments	BV			102	16	At 1.0x P/B
Target Price-Fair Value				954	145	

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)	GAIL Stake	Pro-rata Value (Rs bn)	Holdco Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
PLNG	JV	TP (Emkay)	245	368	12.5%	46	30%	32	4.9
IGL	JV	TP (Emkay)	450	315	22.5%	71	30%	50	7.5
MGL	JV	TP (Emkay)	1,650	163	32.5%	53	30%	37	5.6
ONGC	Financial	TP (Emkay)	250	3,145	2.5%	77	30%	54	8.2
China Gas Holding	Financial	CMP	79	409	2.9%	12	30%	8	1.3
Gujarat Industries Power Co. Ltd. (GIPCL)	Financial	CMP	225	340	0.4%	1	30%	1	0.1
Total Listed						260		182	28
Unlisted									
Unlisted CGDs	Subsidiary	BV			100%	104	30%	73	11.1
Brahmaputra Cracker Limited (BCPL)	Subsidiary	BV			70%	42	30%	29	4.4
Total Unlisted						146		102	16
Grand Total Investments						405		284	43

Source: Company, Emkay Research

GAIL: Standalone Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	567,302	916,265	1,442,497	1,294,038	1,300,570
Revenue growth (%)	(21.1)	61.5	57.4	(10.3)	0.5
EBITDA	64,451	138,290	68,789	130,150	131,470
EBITDA growth (%)	(24.0)	114.6	(50.3)	89.2	1.0
Depreciation & Amortization	19,079	21,112	24,881	29,640	33,441
EBIT	45,373	117,179	43,908	100,510	98,029
EBIT growth (%)	(31.7)	158.3	(62.5)	128.9	(2.5)
Other operating income	0	0	0	0	0
Other income	20,045	20,469	26,847	27,431	29,235
Financial expense	1,559	1,744	3,117	6,892	9,375
PBT	63,858	135,903	67,638	121,049	117,888
Extraordinary items	0	0	(1,800)	0	0
Taxes	14,956	32,263	12,823	29,052	29,708
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	48,902	103,640	53,015	91,997	88,180
PAT growth (%)	(26.1)	111.9	(48.8)	73.5	(4.1)
Adjusted PAT	48,902	103,640	54,465	91,997	88,180
Diluted EPS (Rs)	11.0	23.3	8.3	14.0	13.4
Diluted EPS growth (%)	(25.0)	111.9	(65.5)	73.5	(4.1)
DPS (Rs)	5.0	10.0	4.0	6.3	6.0
Dividend payout (%)	45.8	42.8	49.6	45.0	45.0
EBITDA margin (%)	11.4	15.1	4.8	10.1	10.1
EBIT margin (%)	8.0	12.8	3.0	7.8	7.5
Effective tax rate (%)	23.4	23.7	16.8	24.0	25.2
NOPLAT (pre-IndAS)	34,746	89,361	36,525	76,388	73,325
Shares outstanding (mn)	4,440.4	4,440.4	6,575.1	6,575.1	6,575.1

Source: Company, Emkay Research

Cash Flows					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	63,858	135,903	67,638	121,049	117,888
Others (non-cash items)	10,414	13,795	8,352	9,101	13,581
Taxes paid	(12,754)	(31,960)	(15,178)	(28,468)	(29,113)
Change in NWC	22,210	(30,198)	(30,932)	313	668
Operating cash flow	83,728	87,540	28,080	101,995	103,025
Capital expenditure	(49,767)	(59,184)	(73,416)	(105,195)	(105,938)
Acquisition of business	0	0	0	0	0
Interest & dividend income	10,951	12,965	18,047	27,431	29,235
Investing cash flow	(41,698)	(44,130)	(65,533)	(77,764)	(76,703)
Equity raised/(repaid)	(12,810)	0	(13,289)	0	0
Debt raised/(repaid)	2,989	1,279	75,287	27,705	25,000
Payment of lease liabilities	0	0	0	0	0
Interest paid	(3,199)	(3,194)	(5,804)	(6,892)	(9,375)
Dividend paid (incl tax)	(22,371)	(39,943)	(30,679)	(41,399)	(39,681)
Others	(1,060)	5,678	(4,892)	0	0
Financing cash flow	(36,451)	(36,179)	20,623	(20,586)	(24,056)
Net chg in Cash	5,579	7,231	(16,830)	3,644	2,266
OCF	83,728	87,540	28,080	101,995	103,025
Adj. OCF (w/o NWC chg.)	61,518	117,738	59,012	101,681	102,357
FCFF	33,961	28,356	(45,336)	(3,201)	(2,912)
FCFE	43,354	39,576	(30,406)	17,338	16,947
OCF/EBITDA (%)	129.9	63.3	40.8	78.4	78.4
FCFE/PAT (%)	88.7	38.2	(57.4)	18.8	19.2
FCFF/NOPLAT (%)	97.7	31.7	(124.1)	(4.2)	(4.0)

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	44,404	44,404	65,751	65,751	65,751
Reserves & Surplus	421,708	511,464	490,786	541,384	589,884
Net worth	466,112	555,868	556,537	607,135	655,635
Minority interests	0	0	0	0	0
Deferred tax liability (net)	45,022	47,673	46,628	47,211	47,806
Total debt	67,317	76,558	157,295	185,000	210,000
Total liabilities & equity	578,450	680,098	760,460	839,347	913,441
Net tangible fixed assets	333,745	357,367	402,631	446,820	497,937
Net intangible assets	22,955	25,347	25,347	25,347	25,347
Net ROU assets	8,280	15,096	15,096	15,096	15,096
Capital WIP	119,034	130,713	136,625	137,991	139,371
Goodwill	0	0	0	0	0
Investments [JV/Associates]	4,685	0	0	0	0
Cash & equivalents	106,172	142,059	131,907	165,551	187,817
Current assets (ex-cash)	134,484	192,824	249,710	230,306	231,748
Current Liab. & Prov.	150,903	183,307	200,856	181,765	183,874
NWC (ex-cash)	(16,420)	9,517	48,855	48,541	47,873
Total assets	578,450	680,098	760,460	839,347	913,441
Net debt	49,013	55,708	153,276	177,336	200,070
Capital employed	578,450	680,098	760,460	839,347	913,441
Invested capital	348,560	407,327	491,928	535,804	586,253
BVPS (Rs)	105.0	125.2	84.6	92.3	99.7
Net Debt/Equity (x)	0.1	0.1	0.3	0.3	0.3
Net Debt/EBITDA (x)	0.8	0.4	2.2	1.4	1.5
Interest coverage (x)	0.0	0.0	0.0	0.1	0.1
RoCE (%)	11.7	21.9	9.8	16.0	14.5

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E Mar	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	15.6	7.4	20.7	12.3	12.8
P/CE(x)	11.2	6.1	14.2	9.3	9.3
P/B (x)	1.6	1.4	2.0	1.9	1.7
EV/Sales (x)	1.4	0.9	0.9	1.0	1.0
EV/EBITDA (x)	12.6	5.9	18.6	10.0	10.1
EV/EBIT(x)	17.9	7.0	29.2	13.0	13.6
EV/IC (x)	2.3	2.0	2.6	2.4	2.3
FCFF yield (%)	4.2	3.5	(3.5)	(0.2)	(0.2)
FCFE yield (%)	5.7	5.2	(2.7)	1.5	1.5
Dividend yield (%)	2.9	5.8	2.3	3.7	3.5
DuPont-RoE split					
Net profit margin (%)	8.6	11.3	3.8	7.1	6.8
Total asset turnover (x)	1.0	1.5	2.0	1.6	1.5
Assets/Equity (x)	1.2	1.2	1.3	1.4	1.4
RoE (%)	10.8	20.3	9.8	15.8	14.0
DuPont-RoIC					
NOPLAT margin (%)	6.1	9.8	2.5	5.9	5.6
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	9.9	23.6	8.1	14.9	13.1
Operating metrics					
Core NWC days	14.2	19.7	22.8	22.8	22.8
Total NWC days	14.2	19.7	22.8	22.8	22.8
Fixed asset turnover	1.3	1.9	2.6	2.1	1.9
Opex-to-revenue (%)	10.5	7.7	5.9	7.8	7.9

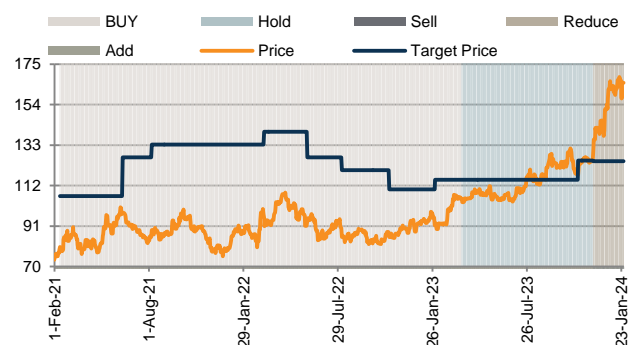
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Nov-23	132	125	Reduce	Sabri Hazarika
01-Nov-23	118	125	Hold	Sabri Hazarika
01-Aug-23	120	115	Hold	Sabri Hazarika
20-May-23	105	115	Hold	Sabri Hazarika
30-Mar-23	106	115	Hold	Sabri Hazarika
23-Mar-23	105	115	Hold	Sabri Hazarika
31-Jan-23	92	115	Buy	Sabri Hazarika
01-Dec-22	90	110	Buy	Sabri Hazarika
22-Nov-22	88	110	Buy	Sabri Hazarika
04-Nov-22	85	110	Buy	Sabri Hazarika
02-Oct-22	84	120	Buy	Sabri Hazarika
05-Aug-22	85	120	Buy	Sabri Hazarika
31-May-22	94	127	Buy	Sabri Hazarika
09-Mar-22	95	140	Buy	Sabri Hazarika
04-Feb-22	90	133	Buy	Sabri Hazarika
23-Nov-21	83	133	Buy	Sabri Hazarika
30-Oct-21	89	133	Buy	Sabri Hazarika
06-Aug-21	89	133	Buy	Sabri Hazarika
26-Jul-21	85	127	Buy	Sabri Hazarika
23-Jun-21	92	127	Buy	Sabri Hazarika
11-Jun-21	98	127	Buy	Sabri Hazarika
29-May-21	92	107	Buy	Sabri Hazarika
23-Apr-21	77	107	Buy	Sabri Hazarika
22-Mar-21	82	107	Buy	Sabri Hazarika
18-Feb-21	84	107	Buy	Sabri Hazarika
11-Feb-21	80	107	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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