BUY HPCL

Refining weakness drags down earnings

Oil & Gas ▸ Result Update ▸ **May 11, 2024**

TARGET PRICE (Rs): 600

HPCL's Q4FY24 SA EBITDA was 11% lower than expected at Rs48.7bn, mainly due to lower cracks & discounts, MR shutdown, and intermediate stock-generation impact (USD1-1.5/bbl), as reported GRM was USD7/bbl vs our estimate of USD13.5/bbl. Marketing performance was better than expected; but gross/net debt was up 21%/23% QoQ to Rs603/546bn as of Mar-24-end. Mgmt. indicated that the Vizag bottom upgradation benefit (+USD2-2.5/bbl of GRMs) would commence from Q3FY25, besides the first crude at Barmer starting in Q4. FY25 capex target is set at Rs180bn vs. Rs143bn in FY24. We maintain a positive stance on HPCL, led by steady marketing outlook, as general elections pass by. We raise FY25-26E EPS by 4-8% each, largely on better marketing margins; retain BUY with 20% higher Mar-25E TP of Rs600/sh.

HPCL: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	3,496,829	4,347,860	4,335,249	4,543,962	4,680,664
EBITDA	101,759	(113,306)	250,967	176,622	208,439
Adj. PAT	59,162	(132,046)	146,938	79,723	91,480
Adj. EPS (Rs)	41.7	(93.1)	103.6	56.2	64.5
EBITDA margin (%)	2.9	(2.6)	5.8	3.9	4.5
EBITDA growth (%)	(36.1)	NM	NM	(29.6)	18.0
Adj. EPS growth (%)	(38.7)	NM	NM	(45.7)	14.7
RoE (%)	15.8	(39.8)	42.7	18.3	18.6
RoIC (%)	9.4	(33.7)	24.4	10.9	11.9
P/E (x)	12.0	(5.4)	4.8	8.9	7.8
EV/EBITDA (x)	11.0	(11.8)	5.2	7.2	6.0
P/B (x)	1.8	2.6	1.7	1.5	1.4
FCFF yield (%)	4.6	(9.2)	11.0	4.1	6.3

Source: Company, Emkay Research

Result Highlights

HPCL's refining volume was up 9% QoQ at 5.8mmt, with weaker utilization of 88% at MR, on shutdown. Core GRM was weak, as distillate yield fell to 72% vs 78% QoQ. Blended marketing margin was ~Rs6.7/kg, at a 16% beat. Domestic marketing sales volume grew 8% YoY to 11.8mmt vs 4% for Industry; petrol/diesel sales vol. grew 8%/4% YoY, faring better than PSU peers and in-line with Industry. Pipeline volume rose 6% YoY to 6.5mmt; Other Expenditure/Employee Costs was up 6%/11% YoY at Rs47.6/8.9bn. D/A rose 20% QoQ to Rs16.1bn, with interest cost also up 20%, to Rs7.3bn. ETR was lower at 14.2% due to reversal of tax provision of earlier years. Other Income fell 26% YoY to Rs8.5bn. Share of assoc./JV profits fell to Rs1.5bn vs Rs2.6bn QoQ. HPCL's EBITDA/PAT recovered to Rs251/147bn in FY24, from losses YoY, led by recovery in marketing margins. Board has recommended bonus issue in the ratio of 1:2, and final dividend of Rs16.5/sh, implying 30% annual payout in FY24.

Management KTAs

Russian crude imports share was 30-40% of total imports in FY24. VR is operating at 13.7mmtpa capacity with BUU to commission and stabilize in the next 3-4 months; this would result in 15mmtpa capacity with GRM benefit of USD2-3/bbl on overall VR capacity. Stabilization of the Barmer refinery stream is expected by CY24-end, and crude should flow from Q4FY25. HMEL incurred loss in Q4FY24 due to subdued petchem deltas. Lubes segment generates EBITDA of ~Rs10bn, and preparation is under way for restructuring. HPCL's FY25 capex target is Rs180bn. Chhara LNG terminal saw commissioning delay due to weather-related challenges, with operations to start in Sep-Oct '24. HPCL has gained the highest market share among PSUs in MS and HSD.

Valuation and Outlook

We value HPCL on SOTP-EV/EBITDA based methodology, with investment at a 30% holdco discount. We roll over to Mar-26E, and retain our blended target EV/EBITDA at 6.0x. Key risks: Adverse commodity prices & downstream margins; currency movement; government policies; project issues.

Target Price – 12M	Mar-25
Change in TP (%)	**20.1**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	19.7
CMP (10-May-24) (Rs)	501.6

Stock Data	Ticker
52-week High (Rs)	595
52-week Low (Rs)	239
Shares outstanding (mn)	1,418.5
Market-cap (Rs bn)	711
Market-cap (USD mn)	8,521
Net-debt, FY25E (Rs mn)	568,248
ADTV-3M (mn shares)	9
ADTV-3M (Rs mn)	4,402.4
ADTV-3M (USD mn)	52.7
Free float (%)	45.0
Nifty-50	22,055
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	54.9
FPIs/MFs (%)	13.8/22.2

Price Performance

(%)	1M	3M	12M
Absolute	2.9	(1.7)	95.9
Rel. to Nifty	6.2	(2.9)	62.7

1-Year share price trend (Rs)

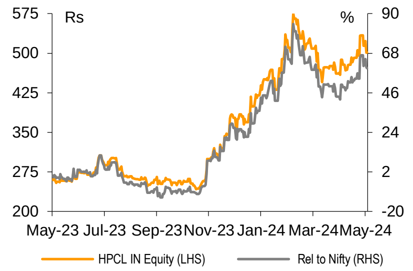

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Exhibit 1: Actuals vs. Estimates (Q4FY24)

(Rs bn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	1,145.6	1,113.1	1,101.0	3%	4%	
Adjusted EBITDA	48.7	54.9	50.2	-11%	-3%	Lower GRMs partly offset by better marketing margins
EBITDA Margin	4.2%	4.9%	4.6%	-69bps	37bps	
Adjusted Net Profit	28.4	33.8	30.3	-16%	-6%	Lower other income partly offset by lower taxes

Source: Company, Emkay Research

Exhibit 2: Quarterly Summary

(Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY	QoQ	FY23	FY24	YoY
Revenue	1,079,278	1,109,709	957,011	1,113,063	1,145,569	6%	3%	4,347,860	4,325,352	-1%
COGS	979,939	968,798	827,314	1,037,357	1,040,462	6%	0%	4,270,188	3,873,931	-9%
Gross Profit	99,339	140,910	129,697	75,706	105,107	6%	39%	77,672	451,421	
Opex	52,783	54,260	43,892	54,435	56,449	7%	4%	190,978	209,036	9%
Total Expenditure	1,032,722	1,023,058	871,206	1,091,792	1,096,911	6%	0%	4,461,165	4,082,967	-8%
EBITDA	**46,556**	**86,651**	**85,805**	**21,272**	**48,658**	**5%**	**129%**	**(113,306)**	**242,385**	
Depreciation	10,442	13,637	12,395	13,378	16,113	54%	20%	43,300	55,524	28%
Interest	5,226	5,881	5,795	6,141	7,340	40%	20%	21,319	25,157	18%
Other Income	11,600	4,962	3,445	5,564	8,536	-26%	53%	20,691	22,507	9%
Exceptional Items	-	9,897	-	-	-			56,170	9,897	-82%
Forex Gain/(Losses)	1,430	1,315	(3,635)	364	(621)			(18,087)	(2,577)	
PBT	43,918	83,306	67,424	7,681	33,121	-25%	331%	(119,149)	191,531	NM
Tax	11,692	21,267	16,242	2,390	4,693	-60%	96%	(29,409)	44,593	NM
PAT	**32,226**	**62,039**	**51,182**	**5,290**	**28,428**	**-12%**	**437%**	**(89,740)**	**146,938.3**	**NM**
Adjusted PAT	32,226	54,668	51,182	5,290	28,428	-12%	437%	(131,675)	139,568	NM
Adjusted EPS (Rs)	23	39	36	4	20	-12%	437%	(93)	98	NM
Tax Rate	27%	26%	24%	31%	14%			25%	23%	
Core EBITDA^	45,566	98,901	64,805	27,522	51,258	12%	86%	(67,395)	242,485	NM
Core PAT^	31,041	63,090	37,444	10,148	27,183	-12%	168%	(83,269)	137,865	NM
Core EPS (Rs)^	21.9	44.5	26.4	7.2	19.2	-12%	168%	(58.7)	97.2	NM
Refining Volumes (mmt)	5.0	5.4	5.8	5.3	5.8	18%	9%	19.1	22.3	17%
Reported GRM (USD/bbl)	**14.0**	**7.4**	**13.3**	**8.5**	**7.0**	**-50%**	**-18%**	**12.1**	**9.1**	**-25%**
Core GRM (USD/bbl)^	13.7	7.8	10.7	10.7	6.0	-56%	-44%	13.2	8.8	-33%
Adjusted Refining EBITDA^	32,197	14,389	35,842	15,548	12,214	-62%	-21%	98,588	77,992	-21%
Marketing Volumes (mmt)	11.1	11.9	10.7	11.9	12.3	11%	4%	43.5	46.8	8%
Diesel	4.9	5.5	4.4	5.1	5.1	4%	1%	19.3	20.1	4%
Petrol	2.2	2.3	2.2	2.3	2.4	8%	3%	8.7	9.2	6%
Marketing Margin (Rs/mt)^	**4,884**	**10,482**	**6,335**	**3,645**	**6,716**	**38%**	**84%**	**(846)**	**6,801**	**NM**
Adjusted Marketing EBITDA^	11,330	69,035	46,895	2,330	33,124	192%	NM	(223,157)	151,383	NM
Marketing Inventory Gain/(Losses)^	(10)	(11,000)	12,000	1,000	(6,000)	NM	NM	(33,610)	(4,000)	NM
Pipeline Volumes (mmt)	6.1	6.5	6.1	6.7	6.5	6%	-3%	23.3	25.8	11%
Implied Pipeline EBITDA	3,028	3,227	3,068	3,393	3,321	10%	-2%	11,264	13,009	15%
Gross Debt	**645,170**	**516,980**	**517,585**	**499,990**	**602,540**	**-7%**	**21%**	**645,170**	**602,540**	**-7%**
Implied Net Debt*	587,114	459,407	460,495	443,348	546,347	-7%	23%	587,114	546,347	-7%

Source: Company, Emkay Research; Note: ^ is estimated as inventory figure and segmental EBITDA is not given

Concall Key Takeaways

Refining

- HPCL's Q4FY24 GRMs were impacted by lower benchmarks and softening of cracks, lower Russian crude discounts, shutdowns and intermediate stock generation (stock valued at >50% of WAV of operating cost instead of RTP, with impact of USD1-1.5/bbl). Intermediate stock has been converted into finished products in Q1FY25, so as such, there should be gain in the current quarter. Refining inventory gain in Q4FY24 was Rs3.5bn, whereas marketing inventory loss was Rs6bn. F&L was lower YoY in FY24, indicating improving operational efficiencies.
- HPCL continues to maximize on opportunity crude, including Russian grades. Russian crude imports (spot cargoes) share was 30-40% of total imports in FY24, and are delivered at port basis; discounts as such differ from cargo to cargo. HPCL studies the GPW and value of the crude and then takes decisions. It consumed West African/Nigerian crude in FY24 on a 'once in two months' on an average basis, mostly for the Vizag Refinery (VR). Venezuelan crude is not suitable due to its low API and high TAN and, hence, company is not buying it.
- Company is focusing on improving its fundamentals by enhancing core assets. VR is operating at 13.7mmtpa nameplate capacity (expansion commissioned), with the bottom upgradation unit (BUU) targeted to commission and stabilize in the next 3-4 months; this would result in 15mmtpa effective capacity and incremental GRM benefit of USD2-3/bbl on overall VR capacity. Mechanical completion of BUU is already completed, and benefits would flow from Q3FY25 post stabilization. This unit can consume heavy crude grades from the Middle East, etc. Incremental opex impact is expected to be low. This would form 10-15% of the total operating profits.
- Hook-up of BUU with existing refinery operations at VR is unlikely to cause issues, and all other major units have already stabilized, with better F&L and energy efficiency along with running at maximum capacity. Till the BUU is ready, GRMs may be lower than peers, but as it commissions, they would turn competitive (similar or better).
- The At Barmer refinery, some units are under pre-commissioning, besides >90% physical progress for other key units and mechanical completion for some. Stabilization of the refinery stream is expected by CY24-end, and crude should start flowing from Q4FY25. Petchem integration would come after this. The project has >12% IRR based on revised project cost. HPCL's equity contribution in the Barmer refinery is Rs147bn till date. Petchem contribution in Barmer would be ~26%, resulting in higher GRMs.
- HMEL incurred loss in Q4FY24 due to petchem, as the unit started operating at 95-100% utilization from Jan-24, but deltas were subdued. Company saw some improvement in polymer margins in Apr-24 though, and now margins are not negative. FY24 EBITDA/PAT of HMEL was Rs75/18-19bn, while net debt was Rs340bn as of Mar-24-end. HMEL has started use of RLNG in its operations. HMEL's GRM was USD17-18/bbl in FY24.

Lube and Marketing

- In terms of restructuring of the lube segment, HPCL has received a draft report from a consultant in Mar-24, and is taking necessary steps including approvals from authorities, unbundling of assets, and enhancing operational efficiencies.
- HPCL has market share of 36-37% among OMCs in lubricant, and has sold 600-650tmt in FY24. Its overall (incl private sector) market share could be 22-24%, but exact data is not available as >40 major players are present in the market. Margins in lubricant sales are healthy and annual lubes EBITDA is ~Rs10bn.
- Company has manufacturing capacity of 450tmtpa (Mumbai refinery LOBS complex) and plans to expand it to 800tmtpa with more Group 2+ & 3 lubes in the next 3-5 years. The lube plant is currently operating at 100% utilization, with blending plants at >90%.
- Expansion of marketing network (>22,000 ROs now), pipeline infra, and LPG bottling plants are under way. HPCL has gained the highest market share among PSUs in MS and HSD ,and is the second largest LPG player. HPCL sold total 0.4mmtpa of gas in FY24 with total/own CNG stations of 1,690/328. CGD business is EBITDA positive for HPCL as of now, and after the initial 8 years, would scale up even more.

- HPCL's three focus areas are petchem, biofuels & renewable energy (RE), and natural gas. Its 5-year plan (FY21-25 and FY26-31) is making significant progress and scaling up well. The petchem brand has been placed in the market. It is establishing CGD centers (25 GAs) and biofuels, and a new subsidiary (HPCL Green) for clean energy is now operational, with solar already there.

Capex and Debt

- Capex for FY24 stood at Rs143.4bn, mainly funded through internal accruals. Company also repaid Rs60bn of long-term loans in FY24. Long term debt-to-equity is 1.06x now. Short-term debt was up in Q4 because of the usual regulatory requirements that are adjusted in future months. YoY debt was down.
- HPCL's FY25 capex target is Rs180bn, split as Rs50bn in refining, Rs65bn in marketing, Rs8-9bn in corporate overheads, and Rs56bn towards equity contribution (incl. Barmer, green energy, etc). Capex spends FY26 onwards would be Rs150-180bnpa. CGD SA capex would be Rs12-15bnpa and would gradually increase.

LNG

- Chhara LNG terminal saw delay due to weather-related challenges (rough seas) and first commissioning cargo (got in April) could not be unloaded and was sold off later.
- Management expects to start operations in Sep-Oct 2024, with annual throughput of 2-2.5mmtpa targeted in 2-3 years. HPCL has already booked capacity based on its own requirement (captive & marketing); it is also in advanced talks with other buyers based on EOI floated. Regas tariff will be similar to that of Dahej terminal.
- There are no infra or mechanical issues, and pipeline connectivity with the grid is already in place (Chhara-Gundala-GSPL, already hydrotested) and port compatibility studies also completed. Company does not have any near-term plan to sell stake in the Chhara LNG terminal, but will review this if any interest comes.

Others

- HPCL has extensively adopted technology across operations, through ERP implementation and digital, whereas GenAI is being used for video analytics to study consumer behavior at outlets, pipelines for security & integrity purposes, digitization of refinery operations (asset twinning), R&D on digital lab, etc. AI in the finance department and demand forecasting (considerably close to the actual) is also used, besides robotics. It has tied up with start-ups for this.
- HPCL made good profit in FY24 and has rewarded shareholders through bonus shares and dividends.
- **Project, Infra and Other Updates:** Vizag refinery is operating at 13.7mmtpa nameplate capacity now. Capex on Barmer refinery till Mar '24-end was Rs454.8bn vs total commitment of Rs693.7bn, with DHDT and HGU under pre-commissioning and 90% physical progress of other key units like CDU, PFCCU, etc. HPCL commissioned 428 ROs and 17 new LPG distributorships in Q4, with total count now at >22,022 and 6,349, respectively. Company added 120tmtpa LPG bottling plants at Varanasi in Q4. HPCL added 1,328/120/1201 E20/CNG/EV-enabled ROs in Q4, with total count at 4,355/1,690/3,603 as of Mar 2024 end. Its EBP was 12.13% in FY24. HPCL sold 45.6tmt of petrochemicals (HDPE, LLDPE and PP in Maharashtra, Gujarat, and MP) in FY24. Company is working on suggestions of the consultant for its lubricants business transformation strategy. It also commissioned its 1st LNG dispensing outlet at Oran, Gujarat during Q4.

Exhibit 3: Change in assumptions

	FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance
GRM (USD/bbl)	8.5	8.0	-6%	9.5	9.5	0%
Marketing Margin (Rs/mt)	4,865	5,134	6%	4,962	5,237	6%
Growth	-21.4%	-21.8%	-38bps	2.0%	2.0%	2bps
Marketing Sales (mmt)	47	48	2%	49	49	2%
Growth	2.6%	2.6%	0bps	2.6%	3.0%	37bps

Source: Company, Emkay Research

Exhibit 4: Change in estimates

(Rs bn)	FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	4,184	4,544	9%	4,295	4,681	9%
EBITDA	168	177	5%	192	208	9%
EBITDA Margins	4.0%	3.9%	-14bps	4.5%	4.5%	-1bps
PAT	76	80	4%	85	91	8%
EPS (Rs)	53.9	56.2	4%	59.7	64.5	8%

Source: Company, Emkay Research

Exhibit 5: SOTP-based valuation

Components	Basis	Mar'26E EBITDA	Multiple(x)	EV (Rs bn)	EV/Sh (Rs)	Comments
Refining Standalone	EV/EBITDA	107	6.0	642	452	
Pipelines Standalone	EV/EBITDA	15	6.0	89	62	
Petrochemicals Standalone	EV/EBITDA	-		-	-	
Marketing Standalone	EV/EBITDA	87	6.0	520	367	
Core Business EV		**208**	**6.0**	**1,251**	**881**	**Blended multiple at 6.0x**
Less: Adj. Net Debt (Mar'25 End)				540	381	
Core Business Valuation				**710**	**501**	
Value of HMEL Stake	P/E			84	59	
Value of Listed Investments	TP/CMP			57	40	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)	HPCL Stake	Pro-rata Value (Rs bn)	HoldCo Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
MRPL	Financial	CMP	215	377	17.0%	64	30%	45	31.5
Oil India	Financial	TP (Emkay)	670	727	2.5%	18	30%	13	8.9
Total Listed						**82**		**57**	**40**

Source: Company, Emkay Research

Exhibit 7: Value of HMEL-stake

Components	Basis	Mar'26E PAT (Rs bn)	Multiple (x)	Equity value	HPCL stake	Pro-rata value	Holdco Disc.	Contr. To SOTP	Per Sh. Val. (Rs)
HPCL Mittal Energy Limited (HMEL)	P/E	35	7.0	245	49%	120	30%	84	59

Source: Company, Emkay Research

HPCL: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	**3,496,829**	**4,347,860**	**4,335,249**	**4,543,962**	**4,680,664**
Revenue growth (%)	50.1	24.3	(0.3)	4.8	3.0
EBITDA	**101,759**	**(113,306)**	**250,967**	**176,622**	**208,439**
EBITDA growth (%)	(36.1)	(211.3)	0.0	(29.6)	18.0
Depreciation & Amortization	39,691	43,300	55,524	65,618	74,182
EBIT	**62,067**	**(156,605)**	**195,444**	**111,004**	**134,258**
EBIT growth (%)	(49.8)	(352.3)	0.0	(43.2)	20.9
Other operating income	0	0	0	0	0
Other income	22,743	20,691	23,822	25,184	27,325
Financial expense	9,727	21,319	25,157	29,606	39,284
PBT	**75,083**	**(157,232)**	**194,109**	**106,581**	**122,299**
Extraordinary items	5,996	56,170	0	0	0
Taxes	18,211	(29,409)	44,593	26,858	30,819
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**63,826**	**(89,740)**	**146,938**	**79,723**	**91,480**
PAT growth (%)	(40.1)	(240.6)	0.0	(45.7)	14.7
Adjusted PAT	**59,162**	**(132,046)**	**146,938**	**79,723**	**91,480**
Diluted EPS (Rs)	**41.7**	**(93.1)**	**103.6**	**56.2**	**64.5**
Diluted EPS growth (%)	(38.7)	(240.6)	0.0	(45.7)	14.7
DPS (Rs)	**14.0**	**0.0**	**31.5**	**19.7**	**22.6**
Dividend payout (%)	**31.1**	**0.0**	**30.4**	**35.0**	**35.0**
EBITDA margin (%)	2.9	(2.6)	5.8	3.9	4.5
EBIT margin (%)	1.8	(3.6)	4.5	2.4	2.9
Effective tax rate (%)	30.5	(8.2)	23.0	25.2	25.2
NOPLAT (pre-IndAS)	**43,158**	**(169,451)**	**150,544**	**83,031**	**100,425**
Shares outstanding (mn)	1,418.9	1,418.9	1,418.9	1,418.9	1,418.9

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	14,189	14,189	14,189	14,189	14,189
Reserves & Surplus	372,581	262,945	396,108	447,928	507,390
Net worth	**386,770**	**277,134**	**410,298**	**462,117**	**521,579**
Minority interests	0	0	0	0	0
Deferred tax liability (net)	59,783	30,110	69,899	73,809	75,765
Total debt	**465,906**	**680,051**	**641,195**	**623,195**	**612,035**
Total liabilities & equity	**912,459**	**987,295**	**1,121,392**	**1,159,122**	**1,209,379**
Net tangible fixed assets	520,442	624,492	737,094	883,548	908,699
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	267,660	228,028	166,788	66,715	67,382
Goodwill	0	0	0	0	0
Investments [JV/Associates]	125,722	160,418	204,954	207,003	209,073
Cash & equivalents	**55,025**	**57,075**	**55,351**	**54,947**	**76,833**
Current assets (ex-cash)	481,868	429,759	522,750	545,886	561,228
Current Liab. & Prov.	589,152	563,371	616,438	649,871	664,730
NWC (ex-cash)	**(107,284)**	**(133,612)**	**(93,687)**	**(103,985)**	**(103,502)**
Total assets	**912,459**	**987,295**	**1,121,392**	**1,159,122**	**1,209,379**
Net debt	410,881	622,976	585,845	568,248	535,203
Capital employed	912,459	987,295	1,121,392	1,159,122	1,209,379
Invested capital	**464,052**	**541,774**	**694,300**	**830,457**	**856,091**
BVPS (Rs)	272.6	195.3	289.2	325.7	367.6
Net Debt/Equity (x)	1.1	2.2	1.4	1.2	1.0
Net Debt/EBITDA (x)	4.0	(5.5)	2.3	3.2	2.6
Interest coverage (x)	0.1	(0.2)	0.1	0.2	0.2
RoCE (%)	**9.6**	**(14.3)**	**20.8**	**11.9**	**13.6**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	75,083	(157,232)	194,109	106,581	122,299
Others (non-cash items)	39,195	73,292	77,350	70,041	86,140
Taxes paid	(14,511)	(1,598)	(2,835)	(22,948)	(28,864)
Change in NWC	52,176	13,860	(26,846)	10,298	(483)
Operating cash flow	**158,898**	**(33,595)**	**239,200**	**163,971**	**179,092**
Capital expenditure	(107,642)	(88,877)	(95,913)	(112,000)	(100,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	9,040	10,206	8,722	25,184	27,325
Investing cash flow	**(125,653)**	**(110,977)**	**(134,120)**	**(89,384)**	**(75,268)**
Equity raised/(repaid)	(10,404)	0	0	0	0
Debt raised/(repaid)	28,150	205,732	(98,315)	(18,000)	(11,160)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(16,712)	(31,101)	(38,482)	(29,606)	(39,284)
Dividend paid (incl tax)	(32,229)	(19,857)	(21,305)	(27,903)	(32,018)
Others	(3,112)	(7,775)	51,160	0	0
Financing cash flow	**(34,306)**	**146,999**	**(106,943)**	**(75,509)**	**(82,462)**
Net chg in Cash	(1,062)	2,427	(1,862)	(922)	21,362
OCF	158,898	(33,595)	239,200	163,971	179,092
Adj. OCF (w/o NWC chg.)	106,722	(47,455)	266,046	153,674	179,575
FCFF	51,255	(122,472)	143,287	51,971	79,092
FCFE	50,568	(133,584)	126,853	47,549	67,134
OCF/EBITDA (%)	156.2	29.6	95.3	92.8	85.9
FCFE/PAT (%)	79.2	148.9	86.3	59.6	73.4
FCFF/NOPLAT (%)	**118.8**	**72.3**	**95.2**	**62.6**	**78.8**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	12.0	(5.4)	4.8	8.9	7.8
P/CE(x)	7.2	(8.0)	3.5	4.9	4.3
P/B (x)	1.8	2.6	1.7	1.5	1.4
EV/Sales (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x)	11.0	(11.8)	5.2	7.2	6.0
EV/EBIT(x)	18.1	(8.5)	6.6	11.5	9.3
EV/IC (x)	2.4	2.5	1.9	1.5	1.5
FCFF yield (%)	4.6	(9.2)	11.0	4.1	6.3
FCFE yield (%)	7.1	(18.8)	17.8	6.7	9.4
Dividend yield (%)	2.8	0.0	6.3	3.9	4.5
DuPont-RoE split					
Net profit margin (%)	1.7	(3.0)	3.4	1.8	2.0
Total asset turnover (x)	4.0	4.6	4.1	4.0	4.0
Assets/Equity (x)	2.3	2.9	3.1	2.6	2.4
RoE (%)	**15.8**	**(39.8)**	**42.7**	**18.3**	**18.6**
DuPont-RoIC					
NOPLAT margin (%)	1.2	(3.9)	3.5	1.8	2.1
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	**9.4**	**(33.7)**	**24.4**	**10.9**	**11.9**
Operating metrics					
Core NWC days	15.1	11.7	12.1	12.1	12.1
Total NWC days	**15.1**	**11.7**	**12.1**	**12.1**	**12.1**
Fixed asset turnover	4.8	5.1	4.3	3.8	3.5
Opex-to-revenue (%)	5.0	4.4	4.9	5.0	5.1

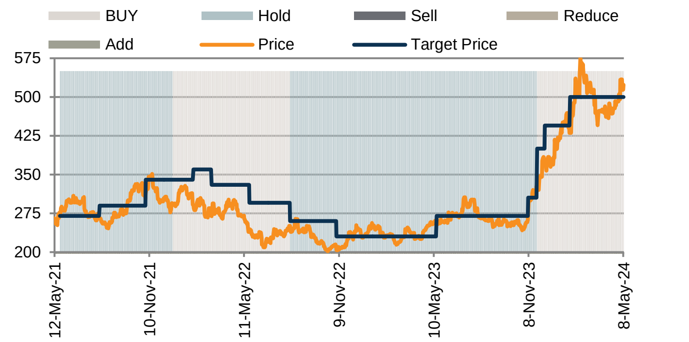
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
15-Mar-24	469	500	Buy	Sabri Hazarika
20-Feb-24	563	500	Buy	Sabri Hazarika
26-Jan-24	431	500	Buy	Sabri Hazarika
09-Dec-23	378	445	Buy	Sabri Hazarika
30-Nov-23	347	400	Buy	Sabri Hazarika
24-Nov-23	320	400	Buy	Sabri Hazarika
07-Nov-23	279	305	Hold	Sabri Hazarika
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

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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