

MGL reported a strong 13% YoY SA volume growth in Q1FY25 to 3.86mmscmd (a 2% beat), combined with a 15% QoQ growth in UEPL to 0.17mmscmd (1.0-1.3mmscmd potential in 6-7yrs). Q1FY25 SA EBITDA/PAT of Rs4.2bn/Rs2.8bn were both 11% above our estimates, led by better gross margins as well as volumes. EBITDA/scm rose 4% QoQ to Rs11.9 (a 9% beat). UEPL also turned black, with Rs100mn PAT. The mgmt. reiterated its long-term volume CAGR guidance of 6-7% and Rs10-12/scm EBITDA. Q1 capex was Rs2.5bn, while FY25 target for CNG station additions in SA/UEPL is 50/25 vs. historical average of ~20 in SA. We raise FY25-26 earnings by 5% each, building-in better volume. We raise rolled-over Sep-25E TP by 25% to Rs2,100/sh, and retain our positive stance led by a better volume-margin profile over peers; reiterate BUY.

### Mahanagar Gas: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	62,993	62,445	66,152	71,777	77,494
EBITDA	11,842	18,426	17,495	19,027	20,769
Adj. PAT	7,900	12,891	12,219	13,187	14,431
Adj. EPS (Rs)	80.0	130.5	123.7	133.5	146.1
EBITDA margin (%)	18.8	29.5	26.4	26.5	26.8
EBITDA growth (%)	28.1	55.6	(5.1)	8.8	9.2
Adj. EPS growth (%)	32.3	63.2	(5.2)	7.9	9.4
RoE (%)	20.4	27.8	22.2	21.0	20.3
RoIC (%)	40.9	55.5	43.0	40.1	39.1
P/E (x)	23.1	14.1	14.9	13.8	12.6
EV/EBITDA (x)	14.2	9.2	9.5	8.4	7.4
P/B (x)	4.4	3.5	3.1	2.7	2.4
FCFF yield (%)	1.4	4.2	4.2	4.9	5.9

Source: Company, Emkay Research

### Results Highlights

Q1FY25 SA EBITDA/PAT was down 20%/23% YoY and up 6%/7% QoQ on a high margin base YoY. CNG volume grew 12% YoY and 4% QoQ, coming in at 252mmscm. PNG was up 17% YoY/down 2% QoQ, with I/C up 24%/down 2% and DPNG up 10%/down 3%. Gross margin was flat QoQ at Rs17.8/scm, but came at an 8% beat to our estimates on 1% higher realizations and 2% lower gas cost. Unit opex rose 8% YoY but fell 7% QoQ to Rs6.0/scm (6% higher). EBITDA/scm hence fell 29% YoY, but rose 4% QoQ to Rs11.9. D/A fell 7% QoQ, whereas Other Income was up 3% YoY/down 10% QoQ at Rs402mn (Emkay: Rs516mn). MGL added 2 new CNG stations, 35,544 DPNG customers, and 104 I/C customers in Q1FY25, with pipeline network of 85.5km. UEPL added 1/341 CNG station/DPNG connections in Q1, and cumulated 57/27,339 as of end Jun-24. MGL has incurred Rs2.5bn standalone capex in Q1FY25.

### Management KTAs

APM gas allocation stood at 69% in Q1, with a similar current run-rate. The company plans to keep adding HP-HT volumes, to counter lower APM allocation, and thereby keeping blended gas costs in the priority segment largely stable. CNG vehicle addition in Q1FY25 stood at 20,800 (vs 20,100 QoQ). MGL is witnessing >1,000 LCV additions per quarter, while the total LCV universe is ~28k. The mgmt. guides to mid-teens volume CAGR for UEPL, with volumes reaching 1.0-1.3mmscmd in the next 6-7 years, supported by infrastructure expansion and higher adoption. UEPL's unit EBITDA is similar to MGL's run-rate. MGL expects to add 200 MSRTC buses in the next 2 quarters, with per-day consumption run-rate per bus at 80-90kg. Total buses run by MSRTC are 17k, of which 6k buses touch MGL's GAs. Steady growth in the DPNG segment is expected to continue.

### Valuation

We value MGL on SoTP basis, wherein both, its standalone business and UEPL, are valued using the DCF methodology. Our SOTP-DCF-based Sep-25E TP is Rs2,100/share, implying ~14.5x Sep-26E consol. target P/E. Key risks: Adverse pricing, margin, and currency scenarios; high gas prices; open access; rate of EV adoption; project delays.

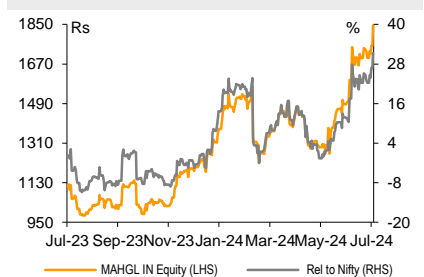
Target Price – 12M	Sep-25
Change in TP (%)	25.0
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	13.8
CMP (26-Jul-24) (Rs)	1,846.1

Stock Data	Ticker
52-week High (Rs)	1,859
52-week Low (Rs)	971
Shares outstanding (mn)	98.8
Market-cap (Rs bn)	182
Market-cap (USD mn)	2,178
Net-debt, FY25E (Rs mn)	-16,862
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,220.4
ADTV-3M (USD mn)	14.6
Free float (%)	31.0
Nifty-50	24,835
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	32.5
FPIs/MFs (%)	31.5/16.7

### Price Performance

(%)	1M	3M	12M
Absolute	23.1	26.4	69.9
Rel. to Nifty	18.3	14.1	35.3

### 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 (Q1FY25)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates	Variation		Comments
			(Bloomberg)	Emkay	Consensus	
Total Revenue	15,896	15,314	15,390	4%	3%	Higher margins and volumes
Adjusted EBITDA	4,185	3,765	3,917	11%	7%	Lower gas cost partly offset by higher opex
EBITDA margin	26.3%	24.6%	25.5%	174bps	87bps	
Adjusted Net Profit	2,845	2,564	2,572	11%	11%	

Source: Company, Emkay Research

## Exhibit 2: Standalone Quarterly Summary

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ	FY23	FY24	YoY
CNG Sales	12,604	12,857	12,615	12,372	12,609	0%	2%	50,123	50,448	1%
Less Excise	1,524	1,580	1,550	1,520	1,549	2%	2%	6,217	6,174	-1%
PNG Sales	4,237	4,360	4,560	4,717	4,745	12%	1%	18,812	17,874	-5%
Other Operating Income	46	58	55	60	54	18%	-10%	220	219	-1%
<b>Net Revenues</b>	<b>15,378</b>	<b>15,709</b>	<b>15,688</b>	<b>15,671</b>	<b>15,896</b>	<b>3%</b>	<b>1%</b>	<b>62,993</b>	<b>62,445</b>	<b>-1%</b>
Dec./(Inc.) in Stock In Trade	3	-1	-0	-0	-1			-8	2	
Raw Material Cost	8,439	8,993	9,231	9,517	9,598	14%	1%	44,356	36,179	-18%
Total COGS	8,442	8,992	9,230	9,517	9,597	14%	1%	44,349	36,181	-18%
<b>Gross Profit</b>	<b>6,891</b>	<b>6,659</b>	<b>6,402</b>	<b>6,094</b>	<b>6,245</b>	<b>-9%</b>	<b>2%</b>	<b>18,424</b>	<b>26,046</b>	<b>41%</b>
Employee Cost	286	311	291	294	297	4%	1%	1,079	1,181	9%
Other Expenses	1,438	1,618	1,679	1,922	1,817	26%	-5%	5,724	6,657	16%
Total OPEX	1,724	1,929	1,970	2,216	2,114	23%	-5%	6,802	7,838	15%
Total Expenditure	10,165	10,921	11,201	11,733	11,712	15%	0%	51,151	44,019	-14%
<b>EBITDA</b>	<b>5,213</b>	<b>4,789</b>	<b>4,487</b>	<b>3,938</b>	<b>4,185</b>	<b>-20%</b>	<b>6%</b>	<b>11,842</b>	<b>18,426</b>	<b>56%</b>
Depreciation	620	658	683	775	719	16%	-7%	2,311	2,736	18%
EBIT	4,592	4,131	3,804	3,163	3,466	-25%	10%	9,531	15,690	65%
Interest	25	25	27	38	31	24%	-19%	94	115	23%
Other Income	390	437	481	446	402	3%	-10%	1,119	1,753	57%
PBT before exceptional	4,957	4,543	4,258	3,570	3,837	-23%	7%	10,555	17,328	64%
Exceptional items	-	-	-	-	-			-	-	
PBT	4,957	4,543	4,258	3,570	3,837	-23%	7%	10,555	17,328	64%
Total tax	1,273	1,158	1,086	920	992	-22%	8%	2,655	4,437	67%
<b>Reported PAT</b>	<b>3,684</b>	<b>3,385</b>	<b>3,172</b>	<b>2,650</b>	<b>2,845</b>	<b>-23%</b>	<b>7%</b>	<b>7,901</b>	<b>12,891</b>	<b>63%</b>
Rep. EPS (Rs)	37.3	34.3	32.1	26.8	28.8	-23%	7%	80.0	130.5	63%
Adjusted PAT	3,684	3,385	3,172	2,650	2,845	-23%	7%	7,901	12,891	63%
Adj. EPS (Rs)	37.3	34.3	32.1	26.8	28.8	-23%	7%	80.0	130.5	63%
Shares O/S (mn)	99	99	99	99	99			99	99	
EBITDA margin	34%	30%	29%	25%	26%			19%	30%	
Standalone Rep. NPM	24%	22%	20%	17%	18%			13%	21%	
Effective tax rate	26%	25%	26%	26%	26%			25%	26%	
Total Sales (mmscmd)	3.4	3.6	3.7	3.8	3.9	13%	2%	3.4	3.6	5%
CNG Volumes (mmscm)	226	238	242	243	252	12%	4%	909	948	4%
PNG Volumes (mmscm)	85	91	96	101	99	17%	-2%	340	373	10%
Domestic	45	45	49	51	50	10%	-3%	178	190	7%
Industrial+Commercial	40	46	47	50	49	24%	-2%	162	183	13%
Industrial	29	33	35	38	37	28%	-2%	105	135	28%
Commercial	10	13	12	12	12	12%	-3%	57	48	-16%
Gross Margin (Rs/scm)	22.2	20.2	19.0	17.7	17.8	-20%	0%	14.8	19.7	34%
<b>Adj. EBITDA/scm (Rs)</b>	<b>16.8</b>	<b>14.6</b>	<b>13.3</b>	<b>11.5</b>	<b>11.9</b>	<b>-29%</b>	<b>4%</b>	<b>9.5</b>	<b>13.9</b>	<b>47%</b>
CNG Real (Rs/kg)	55.8	54.1	52.1	51.0	50.0	-10%	-2%	55.2	53.2	-4%
PNG Real (Rs/scm)	50.0	47.8	47.7	46.5	48.0	-4%	3%	55.4	48.0	-13%
Average Realization (Rs/scm)	49.4	47.6	46.3	45.4	45.1	-9%	-1%	50.2	47.1	-6%

Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 08/15/2024 03:58 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY&lt;GO&gt;. 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.

**Exhibit 3: Change in assumptions**

	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
EBITDA/scm (Rs)	12.0	12.1	1%	12.2	12.3	1%	12.5
Sales Volumes (mmscmd)	3.8	4.0	3%	4.1	4.2	4%	4.5
Growth	6.4%	9.5%	318bps	6.2%	7.5%	129bps	6.9%

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	64,086	66,152	3%	68,722	71,777	4%	77,494
EBITDA	16,770	17,495	4%	18,118	19,027	5%	20,769
EBITDA margin	26.2%	26.4%	28bps	26.4%	26.5%	14bps	26.8%
PAT	11,676	12,219	5%	12,507	13,187	5%	14,431
EPS (Rs)	118.2	123.7	5%	126.6	133.5	5%	146.1

Source: Company, Emkay Research

## Concall Key Takeaways

- Infra update:** Mahanagar Gas (MGL) added 2 new CNG stations, 35,544 DPNG customers, and 104 I/C customers in Q1FY25, along with a pipeline network of 85.51km. Cumulatively, MGL has 348 CNG stations, 2.53mn DPNG connections, 4,845 I/C customers, and pipeline network of 7,054km, as of end Jun-24. In Q1FY25, UEPL added 1 CNG station and 341 DPNG customers, taking the total to a cumulative 57 and 27,339, respectively. Raigad has 80,854 DPNG connections, 47 CNG stations, and pipelines of 424km (~8km added in Q1) as of end Jun-24.
- UEPL:** UEPL clocked volumes of 0.168mmscmd (CNG volumes: 0.165mmscmd) in Q1FY25 vs 0.146mmscmd QoQ. MGL's consolidated volumes stand at 4.026mmscmd for Q1FY25. The management has guided to a mid-teens volume CAGR for UEPL, with volumes reaching 1.0-1.3mmscmd in the next 6-7 years, supported by infrastructure expansion and higher adoption. UEPL's unit EBITDA is similar to MGL's run-rate, as UEPL clocked revenue of Rs880mn in Q1FY25 vs Rs820mn QoQ. UEPL's Q1FY25 PAT stands at Rs100mn. CNG price in UEPL's GAs is higher than that for MGL due to higher transport cost incurred by UEPL as its stations are daughter boosters. However, such costs would reduce once the company also comes online.
- Capex:** The company has clear focus on infrastructure creation, for spurring demand growth, with FY25 capex target of Rs10bn—split between SA and UEPL at Rs8bn and Rs2bn, respectively. The company has incurred Rs2.5bn capex in Q1FY25. It plans to add 50 CNG stations in MGL (mainly in GA2 and GA3) and 25 stations in UEPL, in FY25. Higher CNG station addition in recent years is on the back of marketing schemes for customers, expediting the land acquisition process through rigorous follow-ups, digitalization of LoIs, simplification of processes, and 4-5 business models for stations vs only OMCs and COCO modes earlier.
- Gas sourcing:** APM allocation for MGL's priority volumes was 69% in Q1 vs. 73-74% QoQ. Allocation trend should stabilize or reduce going forward. Currently, APM allocation is similar to the Q1 run-rate. The company has plans to keep adding HP-HT volumes to counter lower APM allocation, thereby keeping blended gas costs in the priority segment largely stable. It has also signed term contracts to meet the priority shortfall, and spot LNG could be used to maintain gas costs, given current LNG prices or lower. Majority of MGL's input gas is transported through Zone 1, and only RIL's HP-HT gas falls under Zone 2, in terms of transmission tariff. The company already has 0.76mmscmd of term LNG, and has recently signed a 0.1mmscmd term contract with RIL as well as a Henry-Hub based contract. Most of its term contracts are for 5-6 years, with a few short-term ones of 3 years. It continues to balance input gas needs through IGX as well as contract flexibility, while short-term growth could be managed through spot LNG as well.

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 08/15/2024 03:58 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.

- **CNG 2Ws:** Bajaj has already launched CNG-based 2Ws, and TVS plans to launch its models in H1 of 2025. MGL expects traction to take time, as discussions with Bajaj indicate 700 additions per month vs. 130 such bikes already there overall. Internal discussions on one dedicated dispenser (where space is available) at its existing CNG station network for bikes are ongoing. The fill rate is expected to be low at 1.5kg vs 2kg tank capacity per bike.
- **LNG Retail:** MGL operates 1 LNG station in Savroli, which clocked 3k kg/day volumes in Q1; the current run-rate is 4.1k kg/day and peak potential is 12-13k kg/day. The company has now tied up with Baidyanath LNG to set up LNG stations hereon. Currently, LNG pricing is more favorable for improving traction and is not comparable with that of CNG. MGL is seeding the market as well as testing the model.
- **Volume and Margin Guidance:** Guidance on long-term volume CAGR is maintained at 6-7%, which is better than previous volume growth average of 5-6%. The company also expects double-digit growth in the I/C segment in FY25. Steady growth in the DPNG segment is expected to continue. The company's EBITDA/scm is expected to be in the Rs10-12 range.

#### Other Points:

- CNG vehicle addition in Q1FY25 stood at 20,800 (vs 20,100 QoQ), of which 14,400 comprised of private cars and taxis, 5,000 of autos, and 1,200-1,300 small CVs, 59 BEST buses, with the balance being HCVs. Of the 20,800 additions, ~1,000 were retrofits.
- MGL is witnessing >1,000 LCV additions per quarter, while the total LCV universe is ~28k. Truck additions have risen to 163 in Q1 vs 97 QoQ, as operators are favoring factory-fitted vehicles and shifting from small to medium CVs resulting in favorable volume implication due to higher unit consumption. Small CV numbers have fallen to 1,250, from 1,400 QoQ.
- MGL expects to add 200 MSRTC buses in the next 2 quarters and then making CNG available at more depots, to spur adoption. Total buses run by MSRTC are 17k, of which 6k touch MGL's GAs. These buses have a per-day consumption run-rate of 80-90kg.
- BEST is currently operating 500-600 EV buses, having added 70-80 in the last quarter itself. Supply for EV buses continues to be a challenge, as BEST had ordered 2,000 buses but order of only ~500 has materialized. There is an import restriction on Chinese battery components. TCO of an EV bus is 1.4-1.5x higher than that of a CNG bus, and the initial cost of a CNG bus is Rs4.5-5mn, while that of an EV bus is Rs16-18mn. GST for an EV bus is 5% vs 28% for CNG. However, tail emissions in CNG result in some preference for EVs. The financial situation of BEST is weak which could also result in some preference for CNG.
- The company took a price hike in Jul-24, to offset the increase in gas costs. It witnessed some seasonality in Q1, while Q2 and Q3 earnings performance is expected to be better, given the recent price hike. The company expects EBITDA growth to improve after 3-4 quarters, led by consistent 6-7% volume growth. GA3 saw double-digit volume growth on a low base, while BEST as well as MSRTC volumes are also recovering now. Impact of hybrid vehicles on MGL's volumes is minimal.
- The company has sought extension of infra exclusivity which is likely to be received from the regulator, based on past precedents. In terms of marketing exclusivity, guiding principles as well as notices have been repealed, but the matter is sub-judice, and the court is yet to give its decision on this. MGL's interests are protected for now, and a court ruling is awaited.

**Exhibit 6: DCF-based valuation (Sep-25E)**

DCF assumptions	MGL Std	UEPL	Sep-26E (Rs mn)	MGL Std	UEPL	Total
Risk Free Rate	7.0%	7.0%	NPV Of FCF	139,980	36,143	176,123
Risk Premium	5.3%	5.3%	Terminal Value	106,088	30,551	136,639
Beta	0.7	0.7	PV Of TV	7,996	2,594	10,591
Cost Of Equity	10.5%	10.5%	<b>Total Value</b>	<b>147,976</b>	<b>38,738</b>	<b>186,714</b>
Cost Of Debt	8.0%	8.0%	Less: Adjusted Net Debt (Y/E)	-24,382	3,620	-20,762
Post Tax Cost Of Debt	6.0%	6.0%	<b>Equity Value</b>	<b>172,358</b>	<b>35,118</b>	<b>207,476</b>
Average Debt:Equity Ratio	0.0%	12.8%	No. Of Shares O/S (mn)	99	99	99
<b>WACC</b>	<b>10.5%</b>	<b>9.9%</b>	<b>Target Price (Rs)</b>	<b>1,745</b>	<b>356</b>	<b>2,100</b>
Terminal Growth Rate	0.0%	0.0%				

Source: Company, Emkay Research

**Exhibit 7: PER-based valuation (Sep-26E EPS)**

	FY22	FY23	FY24	FY25E	FY26E	FY27E
MGL's Adjusted Consol EPS (Rs)	60.4	80.0	130.5	124.0	135.5	151.7
Target Multiple (x)						14.6
<b>DCF-based Target Price (Rs/sh)</b>						<b>2,100</b>

Source: Company, Emkay Research

## Mahanagar Gas: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>62,993</b>	<b>62,445</b>	<b>66,152</b>	<b>71,777</b>	<b>77,494</b>
Revenue growth (%)	76.9	(0.9)	5.9	8.5	8.0
<b>EBITDA</b>	<b>11,842</b>	<b>18,426</b>	<b>17,495</b>	<b>19,027</b>	<b>20,769</b>
EBITDA growth (%)	28.1	55.6	(5.1)	8.8	9.2
Depreciation & Amortization	2,311	2,736	3,236	3,739	4,099
<b>EBIT</b>	<b>9,530</b>	<b>15,690</b>	<b>14,259</b>	<b>15,288</b>	<b>16,670</b>
EBIT growth (%)	30.9	64.6	(9.1)	7.2	9.0
Other operating income	0	0	0	0	0
Other income	1,119	1,753	2,196	2,459	2,727
Financial expense	94	115	120	117	104
<b>PBT</b>	<b>10,555</b>	<b>17,328</b>	<b>16,336</b>	<b>17,630</b>	<b>19,293</b>
Extraordinary items	0	0	0	0	0
Taxes	2,655	4,437	4,117	4,443	4,862
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>7,900</b>	<b>12,891</b>	<b>12,219</b>	<b>13,187</b>	<b>14,431</b>
PAT growth (%)	32.3	63.2	(5.2)	7.9	9.4
<b>Adjusted PAT</b>	<b>7,900</b>	<b>12,891</b>	<b>12,219</b>	<b>13,187</b>	<b>14,431</b>
<b>Diluted EPS (Rs)</b>	<b>80.0</b>	<b>130.5</b>	<b>123.7</b>	<b>133.5</b>	<b>146.1</b>
Diluted EPS growth (%)	32.3	63.2	(5.2)	7.9	9.4
<b>DPS (Rs)</b>	<b>26.0</b>	<b>30.0</b>	<b>49.5</b>	<b>53.4</b>	<b>58.4</b>
<b>Dividend payout (%)</b>	<b>32.5</b>	<b>23.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>
EBITDA margin (%)	18.8	29.5	26.4	26.5	26.8
EBIT margin (%)	15.1	25.1	21.6	21.3	21.5
Effective tax rate (%)	25.2	25.6	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>7,133</b>	<b>11,672</b>	<b>10,666</b>	<b>11,435</b>	<b>12,469</b>
Shares outstanding (mn)	98.8	98.8	98.8	98.8	98.8

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	10,555	17,328	16,336	17,630	19,293
Others (non-cash items)	355	538	0	0	0
Taxes paid	(2,638)	(4,240)	(3,745)	(4,068)	(4,483)
Change in NWC	731	1,852	1,653	1,437	1,416
<b>Operating cash flow</b>	<b>9,693</b>	<b>15,631</b>	<b>14,892</b>	<b>15,810</b>	<b>17,109</b>
Capital expenditure	(7,358)	(8,566)	(8,000)	(8,000)	(8,000)
Acquisition of business	(1,328)	(7,560)	(139)	(210)	(214)
Interest & dividend income	460	507	2,196	2,459	2,727
<b>Investing cash flow</b>	<b>(9,218)</b>	<b>(10,810)</b>	<b>(6,823)</b>	<b>(5,653)</b>	<b>(5,387)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	116	247	10	10	10
Payment of lease liabilities	(330)	(350)	(350)	(350)	(350)
Interest paid	(94)	(115)	(120)	(117)	(104)
Dividend paid (incl tax)	0	0	0	0	0
Others	(2,870)	(3,247)	(4,887)	(5,274)	(5,772)
<b>Financing cash flow</b>	<b>(2,848)</b>	<b>(3,116)</b>	<b>(4,997)</b>	<b>(5,381)</b>	<b>(5,865)</b>
Net chg in Cash	(2,373)	1,706	3,073	4,776	5,857
OCF	9,693	15,631	14,892	15,810	17,109
Adj. OCF (w/o NWC chg.)	8,962	13,780	13,239	14,373	15,692
FCFF	2,335	7,065	6,892	7,810	9,109
FCFE	2,701	7,457	8,969	10,152	11,732
OCF/EBITDA (%)	81.9	84.8	85.1	83.1	82.4
FCFE/PAT (%)	34.2	57.8	73.4	77.0	81.3
<b>FCFF/NOPLAT (%)</b>	<b>32.7</b>	<b>60.5</b>	<b>64.6</b>	<b>68.3</b>	<b>73.1</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	988	988	988	988	988
Reserves & Surplus	40,354	50,441	57,772	65,685	74,343
<b>Net worth</b>	<b>41,342</b>	<b>51,429</b>	<b>58,760</b>	<b>66,673</b>	<b>75,331</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	2,086	2,441	2,812	3,187	3,566
<b>Total debt</b>	<b>1,146</b>	<b>1,393</b>	<b>1,403</b>	<b>1,413</b>	<b>1,423</b>
<b>Total liabilities &amp; equity</b>	<b>44,574</b>	<b>55,262</b>	<b>62,975</b>	<b>71,272</b>	<b>80,320</b>
Net tangible fixed assets	28,318	33,490	38,641	43,270	47,521
Net intangible assets	51	51	51	51	51
Net ROU assets	1,888	1,888	1,888	1,888	1,888
Capital WIP	7,086	7,743	7,356	6,988	6,639
Goodwill	0	0	0	0	0
Investments [JV/Associates]	2,918	10,477	10,616	10,826	11,040
<b>Cash &amp; equivalents</b>	<b>15,377</b>	<b>14,172</b>	<b>18,264</b>	<b>23,152</b>	<b>29,122</b>
Current assets (ex-cash)	4,685	4,438	4,701	5,101	5,507
Current Liab. & Prov.	15,749	16,998	18,543	20,004	21,448
<b>NWC (ex-cash)</b>	<b>(11,064)</b>	<b>(12,560)</b>	<b>(13,842)</b>	<b>(14,903)</b>	<b>(15,941)</b>
<b>Total assets</b>	<b>44,574</b>	<b>55,262</b>	<b>62,975</b>	<b>71,272</b>	<b>80,320</b>
Net debt	(14,231)	(12,780)	(16,862)	(21,740)	(27,700)
Capital employed	44,574	55,262	62,975	71,272	80,320
<b>Invested capital</b>	<b>19,194</b>	<b>22,869</b>	<b>26,739</b>	<b>30,306</b>	<b>33,519</b>
BVPS (Rs)	418.5	520.6	594.9	675.0	762.6
Net Debt/Equity (x)	(0.3)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt/EBITDA (x)	(1.2)	(0.7)	(1.0)	(1.1)	(1.3)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>25.5</b>	<b>34.9</b>	<b>27.8</b>	<b>26.4</b>	<b>25.6</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	23.1	14.1	14.9	13.8	12.6
P/CE(x)	17.9	11.7	11.8	10.8	9.8
P/B (x)	4.4	3.5	3.1	2.7	2.4
EV/Sales (x)	2.7	2.7	2.5	2.2	2.0
EV/EBITDA (x)	14.2	9.2	9.5	8.4	7.4
EV/EBIT(x)	17.6	10.8	11.6	10.5	9.3
EV/IC (x)	8.8	7.4	6.2	5.3	4.6
FCFF yield (%)	1.4	4.2	4.2	4.9	5.9
FCFE yield (%)	1.5	4.1	4.9	5.6	6.4
Dividend yield (%)	1.4	1.6	2.7	2.9	3.2
<b>DuPont-RoE split</b>					
Net profit margin (%)	12.5	20.6	18.5	18.4	18.6
Total asset turnover (x)	1.5	1.3	1.1	1.1	1.0
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
<b>RoE (%)</b>	<b>20.4</b>	<b>27.8</b>	<b>22.2</b>	<b>21.0</b>	<b>20.3</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	11.3	18.7	16.1	15.9	16.1
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>40.9</b>	<b>55.5</b>	<b>43.0</b>	<b>40.1</b>	<b>39.1</b>
<b>Operating metrics</b>					
Core NWC days	(4.0)	(9.0)	(9.0)	(9.0)	(9.0)
<b>Total NWC days</b>	<b>(4.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>	<b>(9.0)</b>
Fixed asset turnover	1.6	1.4	1.2	1.2	1.1
Opex-to-revenue (%)	10.8	12.6	13.6	14.0	14.3

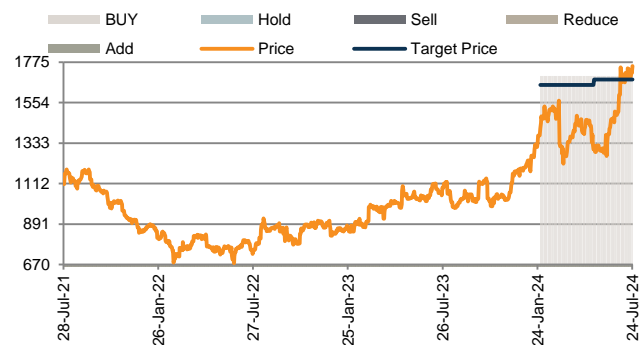
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-Jun-24	1,381	1,680	Buy	Sabri Hazarika
11-May-24	1,300	1,680	Buy	Sabri Hazarika
07-Mar-24	1,316	1,650	Buy	Sabri Hazarika
29-Jan-24	1,414	1,650	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](http://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](http://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 persons<sup>1</sup> 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 Interests<sup>2</sup> 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.

<sup>1</sup> 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.

<sup>2</sup> 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 July 27, 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 July 27, 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 July 27, 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.
<b>BUY</b>	>15% upside
<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<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](http://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.