

IGL's Q1FY25 SA earnings were a slight 2% beat to our estimates, mainly led by 3% higher-than-expected gross margins on lower gas costs. Volumes disappointed at 8.6mmscmd (a 4% miss), up 5% YoY and down 1% QoQ. EBITDA/scm at Rs7.4 beat our estimate by 6% on gross margins. The mgmt. guided to 10-12% YoY volume CAGR on a long-term basis, with EBITDA/scm expected in the range of Rs7-8.5. DTC volumes are expected to be nil in 2-3 years, while new GAs could drive volumes going ahead. The mgmt. indicated better margin in LNG retailing compared to CNG due to nil excise levy, but LNG would contribute sizably by FY26. We trim FY25-26E earnings by 2% each on slightly-weaker volume profile. We raise our DCF-based Sep-25E TP by 16% to Rs510/sh on roll-over and lower cost of capital assumptions; we retain REDUCE.

**Indraprastha Gas: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	141,326	140,000	154,134	171,539	190,219
EBITDA	20,255	23,669	26,436	29,335	32,832
Adj. PAT	14,450	17,481	18,945	20,827	23,312
Adj. EPS (Rs)	20.6	25.0	27.1	29.8	33.3
EBITDA margin (%)	14.3	16.9	17.2	17.1	17.3
EBITDA growth (%)	7.7	16.9	11.7	11.0	11.9
Adj. EPS growth (%)	9.9	21.0	8.4	9.9	11.9
RoE (%)	20.6	22.4	20.7	19.9	19.6
RoIC (%)	47.3	44.2	36.6	34.5	34.5
P/E (x)	26.2	21.6	20.0	18.2	16.2
EV/EBITDA (x)	17.5	14.7	13.0	11.4	9.8
P/B (x)	5.3	4.4	3.9	3.4	3.0
FCFF yield (%)	3.1	1.0	2.7	3.4	4.7

Source: Company, Emkay Research

**Result Highlights**

Q1FY25 SA EBITDA/PAT fell 9%/8% YoY and rose 11%/5% QoQ to Rs5.8bn/4.0bn. CNG volume grew 5% YoY and 1% QoQ at 588mmscm. PNG was up 7% YoY/down 7% QoQ, with I/C up 6%/down 11%, and DPNG up 16%/down 11%. Gross margin rose 1% QoQ to Rs13.2/scm on lower unit gas cost. Unit opex rose 1% YoY/fell 11% QoQ (in-line). Other income was up 59% YoY/down 34% QoQ at Rs727mn. D/A rose 3% QoQ to Rs1.14bn, whereas ETR stood at 25.4%. Share of profit from CUGL-MNGL was Rs808mn in Q1FY25, down 3% YoY/1% QoQ. IGL has invested Rs89mn/189mn in Q1FY25/FY24 in its 51% subsidiary IGL Genesis Technologies (manufactures gas meters). IGL's share in net loss of IGL Genesis Technologies was Rs10.2mn in Q1FY25.

**Management KTAs**

Volumes from DTC buses have been impacted with run-rate of 0.25mn kg/day during FY24 and is now down to 0.15mn kg/day; expected to be zero by FY26. Mgmt. guided to Q2FY25 volume growth of 8-10% YoY; while Q4FY25 volume target (exit) is 9.5mmscmd. EBITDA/scm target for Q2 is >Rs8, whereas long-term range is Rs7-8.5/scm, as the current pricing can absorb LNG price rise up to 10-15%. APM allocation in Q1FY25 was 62% of priority volumes, while the balance 38% was met through a mix of term contracts as well as spot LNG (5-7% share). The company is planning to set up 5-6 LNG stations in FY25 and 1 station exclusively for CONCOR. Capex target for FY25 is Rs17-18bn with increase of 10-15% in incremental compression capacity, addition of 90 CNG stations, 0.327mn DPNG connections, 2k I/C customers, and 3k km of pipeline network. The company is planning to set up 10 CBG plants in FY25, including through JVs with capex per plant at Rs300-350mn. The monthly average CNG conversion run-rate stood at 16k in Q1FY25 vs 13.5k YoY.

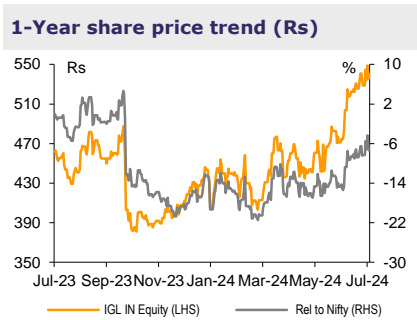
**Valuation**

We value IGL on DCF-SoTP basis. Our SOTP-DCF-based Sep-25E TP of Rs510/share implies ~14x Sep-26E consolidated 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 (%)	15.9
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(5.7)
CMP (26-Jul-24) (Rs)	540.5

Stock Data	Ticker
52-week High (Rs)	554
52-week Low (Rs)	376
Shares outstanding (mn)	700.0
Market-cap (Rs bn)	378
Market-cap (USD mn)	4,519
Net-debt, FY25E (Rs mn)	-35,955
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	1,914.3
ADTV-3M (USD mn)	22.9
Free float (%)	50.0
Nifty-50	24,835
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	45.0
FPIs/MFs (%)	16.2/25.1

Price Performance (%)	1M	3M	12M
Absolute	13.8	17.5	15.1
Rel. to Nifty	9.4	6.1	(8.3)



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## Exhibit 1: Actuals vs. Estimates (Q1FY25)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	35,206	36,489	35,927	-4%	-2%	Lower realization and volumes
Adjusted EBITDA	5,819	5,731	5,470	2%	6%	Lower unit gas cost
EBITDA margin	16.5%	15.7%	15.2%	82bps	130bps	
Adjusted Net Profit	4,015	3,924	3,878	2%	4%	Lower D/A and higher other income

Source: Company, Emkay Research

## Exhibit 2: Standalone Quarterly Summary

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ	FY23	FY24	YoY
CNG Sales	28,730	29,413	29,986	29,766	30,038	5%	1%	117,880	117,895	0%
Less Excise	3,548	3,640	3,758	3,676	3,709	5%	1%	14,572	14,623	0%
PNG Sales	8,888	8,812	9,276	9,878	8,877	0%	-10%	38,098	36,855	-3%
Other Operating Income	-	-	-	-	-			-	-	
<b>Net Revenues</b>	<b>34,070</b>	<b>34,585</b>	<b>35,504</b>	<b>35,968</b>	<b>35,206</b>	<b>3%</b>	<b>-2%</b>	<b>141,407</b>	<b>140,127</b>	<b>-1%</b>
Dec./(Inc.) in Stock In Trade	17	(5)	(17)	(1)	(2)			(49)	(6)	
Raw Material Cost	23,324	23,808	25,476	25,529	24,820	6%	-3%	104,409	98,137	-6%
Total COGS	23,341	23,803	25,459	25,528	24,818	6%	-3%	104,360	98,131	-6%
<b>Gross Profit</b>	<b>10,729</b>	<b>10,782</b>	<b>10,045</b>	<b>10,440</b>	<b>10,388</b>	<b>-3%</b>	<b>0%</b>	<b>37,046</b>	<b>41,996</b>	<b>13%</b>
Employee Cost	508	516	583	660	507	0%	-23%	1,882	2,266	20%
Other Expenses	3,797	3,697	3,881	4,555	4,062	7%	-11%	14,821	15,930	7%
Total OPEX	4,306	4,213	4,464	5,214	4,569	6%	-12%	16,703	18,196	9%
Total Expenditure	27,646	28,016	29,923	30,742	29,388	6%	-4%	121,063	116,327	-4%
<b>EBITDA</b>	<b>6,424</b>	<b>6,569</b>	<b>5,582</b>	<b>5,225</b>	<b>5,819</b>	<b>-9%</b>	<b>11%</b>	<b>20,343</b>	<b>23,800</b>	<b>17%</b>
Depreciation	989	1,022	1,018	1,108	1,143	16%	3%	3,634	4,138	14%
EBIT	5,435	5,547	4,563	4,118	4,675	-14%	14%	16,710	19,663	18%
Interest	24	25	18	26	22	-7%	-13%	106	92	-14%
Other Income	457	1,340	610	1,094	727	59%	-34%	2,674	3,500	31%
PBT before exceptional	5,867	6,862	5,155	5,187	5,380	-8%	4%	19,277	23,072	20%
Exceptional items	-	-	-	-	-			-	-	
PBT	5,867	6,862	5,155	5,187	5,380	-8%	4%	19,277	23,072	20%
Current tax	1,398	1,380	1,049	1,227	1,212	-13%	-1%	4,397	5,054	15%
Deferred tax	86	134	186	132	154		17%	430	537	
Total tax	1,483	1,514	1,235	1,359	1,366	-8%	1%	4,827	5,591	16%
<b>Reported PAT</b>	<b>4,384</b>	<b>5,348</b>	<b>3,921</b>	<b>3,828</b>	<b>4,015</b>	<b>-8%</b>	<b>5%</b>	<b>14,450</b>	<b>17,481</b>	<b>21%</b>
Rep. EPS (Rs)	6.3	7.6	5.6	5.5	5.7	-8%	5%	20.6	25.0	21%
Adjusted PAT	4,384	5,348	3,921	3,828	4,015	-8%	5%	14,450	17,481	21%
Adj. EPS (Rs)	6.3	7.6	5.6	5.5	5.7	-8%	5%	20.6	25.0	21%
CUGL/MNGL Gross PAT	1,672	1,803	1,715	1,630	1,615	-3%	-1%	5,073	6,820	34%
CUGL/MNGL EPS Contri (Rs)	1.2	1.3	1.2	1.2	1.2	-3%	-1%	3.6	4.9	34%
<b>Consol. Adj. EPS (Rs) ex Div. Adj.</b>	<b>7.5</b>	<b>8.9</b>	<b>6.8</b>	<b>6.6</b>	<b>6.9</b>	<b>-8%</b>	<b>4%</b>	<b>24.3</b>	<b>29.8</b>	<b>23%</b>
Shares O/S (mn)	700	700	700	700	700			700	700	
EBITDA margin	19%	19%	16%	15%	17%			14%	17%	
Standalone Rep. NPM	13%	15%	11%	11%	11%			10%	12%	
Effective tax rate	25%	22%	24%	26%	25%			25%	24%	
<b>Total Sales (mmscmd)</b>	<b>8.2</b>	<b>8.3</b>	<b>8.5</b>	<b>8.7</b>	<b>8.6</b>	<b>5%</b>	<b>-1%</b>	<b>8.1</b>	<b>8.4</b>	<b>4%</b>
CNG Volumes (mmscm)	561	575	582	580	587	5%	1%	2,209	2,298	4%
PNG Volumes (mmscm)	185	189	198	214	198	7%	-7%	743	786	6%
Domestic	52	53	57	65	61	16%	-7%	197	227	15%
Industrial+Commercial	87	90	95	104	92	6%	-11%	364	376	3%
3rd party Trading	45	46	46	45	46	1%	0%	182	182	0%
Gross Margin (Rs/scm)	14.4	14.1	12.9	13.1	13.2	-8%	1%	12.6	13.6	8%
<b>Adj. EBITDA/scm (Rs)</b>	<b>8.6</b>	<b>8.6</b>	<b>7.2</b>	<b>6.6</b>	<b>7.4</b>	<b>-14%</b>	<b>13%</b>	<b>6.9</b>	<b>7.7</b>	<b>12%</b>
CNG Real (Rs/kg)	71.3	70.9	71.7	72.4	70.2	-1%	-3%	73.2	71.6	-2%
PNG Real (Rs/scm)	48.1	46.6	46.8	46.1	44.7	-7%	-3%	51.2	46.9	-8%
Average Real (Rs/scm)	45.7	45.3	45.5	45.3	44.8	-2%	-1%	47.9	45.4	-5%
Capex	2,020	2,160	3,780	4,730	2,970	47%	-37%	11,900	12,690	7%

Source: Company, Emkay Research

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**Exhibit 3: Change in assumptions**

	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
EBITDA/scm (Rs)	7.8	7.9	1%	7.9	8.0	1%	8.1
Sales Volumes (mmscmd)	9.5	9.2	-4%	10.5	10.1	-4%	11.1
Growth	13.0%	9.0%	-400bps	9.9%	9.9%	0bps	9.5%

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	159,769	154,134	-4%	177,812	171,539	-4%	190,219
EBITDA	27,038	26,436	-2%	30,008	29,335	-2%	32,832
EBITDA margin	16.9%	17.2%	23bps	16.9%	17.1%	22bps	17.3%
PAT	19,395	18,945	-2%	21,340	20,827	-2%	23,312
EPS (Rs)	27.7	27.1	-2%	30.5	29.8	-2%	33.3

Source: Company, Emkay Research

## Concall Key Takeaways

- Current infrastructure:** IGL has laid out 2,100 (2.1k) km of steel and 24.5k km of PE pipelines so far, thereby catering to 2.7mn DPNG connections, 5k industrial customers, and 6.1k commercial customers, besides operating 882 CNG stations to meet the demand of 2mn+ vehicles.
- Q1FY25 Performance:** The Company absorbed the impact of decline in DTC bus volumes and still posted 5% YoY growth. Delhi sales were largely flat YoY, whereas GAs outside Delhi clocked double-digit-volume growth. Delhi volume growth was 1% YoY, UP was 14%, Haryana 12%, and Rajasthan was 100% on a low base. A sequential 1% decline in volumes is attributable to school closures, lower PNG demand due to vacations, and lower heating requirement. Sequential improvement in Q1 margin was because of operational efficiencies incl. reduction in gas loss, service contract and power cost optimization, as well as gas sourcing improvement (opportunity for spot procurement of 0.5mmscmd).
- Q1FY25 Data Points:** The monthly average CNG conversion run-rate stood at 16k in Q1FY25 vs 13.5k YoY. CNG volumes stood at 47 lakh kg per day in Q1. Capex incurred in Q1 was Rs2.97bn vs Rs2.02bn YoY. The current CNG volume split based on vehicle category is: Buses 18%, Private Cars 42%, Taxis 13%, Autos 10%, LCVs 18%, and Others at 14%. Share of Delhi volumes fell to 70% (5.26mmscmd) from 73%, and the balance 30% is split between UP (2.14mmscmd), Haryana (0.66mmscmd), and Rajasthan (0.1mmscmd).
- DTC Buses:** Volumes from DTC buses have been impacted as volumes of 0.31mn kg/day in FY23 fell to 0.25mn kg/day during FY24, and is now at 0.15mn kg/day. IGL expects these volumes to become nil in the next 2-3 years (by FY26). Moreover, the EV tender of 1,000 DTC buses has not been successful and deliveries have seen a slowdown. IGL's 6 outlets exclusive to DTC had closed; however, DTC has now provided additional space there to set up hybrid fuel stations, with IGL now undertaking a feasibility study. Dispenser from the closed station can be re-used after modification; however, the compressor cannot be relocated and would be a minimal write-off on this account. IGL gives Rs5/kg as bulk discount to DTC in exchange for land and bulk procurement; some positive impact on realization and margins could be seen due to lower DTC volumes.
- Implementation of EV policy:** Based on discussion with stakeholders, this would be applicable to new vehicles after 3-4 years. IGL believes that EV conversion will be muted if it is able to maintain current CNG pricing. Separately, a study undertaken by MNGI in Pune concluded that CNG buses are more economical as compared to EVs on a lifecycle basis by 15-20%, and an EV tender has been canceled over there.

- **Volume and Margin Outlook:** IGL guided to Q2FY25 volume growth of 8-10% YoY; while the Q4FY25 volume target (exit) is 9.5mmscmd. The longer-term volume CAGR target of 5-6 years is 10-12%. EBITDA/scm target for Q2 is >Rs8, while the overall target is expected to be in the range of Rs7.0-8.5/scm. The current margins are sufficient to absorb the impact of rise in LNG prices (up to 10-15%); a price hike was also done recently. Q4 generally sees higher volumes led by seasonality and commissioning of CNG stations in bulk.
- **CNG in 2Ws:** This category is also expected to add to IGL's volumes as ~30k such vehicles are anticipated to be on the roads soon. The company is witnessing higher adoption of CNG, ex-Delhi. Bajaj has already launched its CNG-powered bike, while TVS is also showing interest in this segment. IGL is planning to set up infrastructure for this segment through separate dispensers at existing stations.
- **Industrial Segment:** The Company intends to focus on I/C segment to improve overall growth and has identified industrial clusters in Rewari, Greater Noida, Ghaziabad, etc. (industrial volumes were 0.8mmscmd with 6-7% growth). It is looking at special pricing, which would be competitive with alternate-fuel pricing based on formulae.
- **Gas Sourcing:** APM allocation in Q1FY25 was 62% of priority volumes, whereas the balance 38% were met through a mix of term contracts as well as spot LNG (5-7% share). IGL consumed 0.4mmscmd HP-HT and 0.5mmscmd of spot LNG in Q1, besides procuring some gas from IGX. Most of IGL's gas falls in Zone 2, hence the average transportation cost is Rs79/mmbtu +12% GST, while the HP-HT gas falls under Zone 3, resulting in tariff of Rs105/mmbtu +12% GST. Spot gas procured by IGL worked out to ~13% slope to crude.
- **Gas Costs:** Landed APM gas cost is Rs27-28/scm, whereas medium-term RLNG contracts cost Rs34-35/scm, and long-term contracts are ~Rs50/scm. IGL is evaluating the possibility of renegotiating its long-term volumes from Qatargas through time-swap arrangement, where the current volumes would be deferred and taken under the renewed contract from 2028. This could also result in non-applicability of 15% VAT by Gujarat, since transfer of gas ownership from Qatargas to GAIL would happen at high seas and not at Dahej, as based on the existing contract. Although, the delivery of gas would continue at Dahej under the renewed contract from 2028, the VAT savings would be passed on by GAIL to IGL at delivery in Delhi. In the interim, IGL would take additional volumes from existing contracts to offset lower volumes from the Qatargas-GAIL contract.
- **LNG foray:** IGL has seen LNG station average volumes at 4-5k kg/day in Ajmer, despite not being on the Golden Quadrilateral. The company is planning to set up 5-6 more such stations in FY25 and 1 station exclusively for CONCOR. The company does not require license to operate the LNG station and has an overall target of 100 stations (recently approved by the Board) in 5-6 years, forming 20-25% of IGL's total. It is planning 8-10 such stations in existing GAs and has a target of 100 LNG stations across India. Average consumption per station per day for CNG vs LNG is 6k vs 10k kg. LNG sector is in the nascent stage as of now and should start contributing meaningfully by FY26. LNG margins are better than CNG because of lack of excise component in LNG, and with selling price being nearly the same as CNG. Transport cost is lower for GAs closer to shore. The potential for each LNG station is up to 20k kg/day. IGL has a MOU with CONCOR for 2 LNG retail stations in Greater Noida and Bengaluru, which are to be operational by 2025. CONCOR plans to initially have 100 LNG vehicles with 10k kg/day consumption/LNG station, and if 25 LNG vehicles of CONCOR fill LNG daily. LNG demand from HCVs in steel, cement, FMCG sectors and among MNCs could rise (green logistics). LNG has higher ROCE potential vs CNG due to higher volumes per station and the current favorable tax structure. The LNG station set up cost is 10-20% higher than CNG due to the costly equipment. IGL's LNG cost is Rs10-12, which is lower than CNG after compression, since fully-cryogenic operations are being conducted. 1 LNG tanker with 17-18 ton capacity results in transportation cost of Rs1/kg per 100km; Dahej is 700km away.
- **Capex:** Capex target for FY25 is Rs17-18bn with increase of 10-15% in compression capacity (currently 12mn kg/day), addition of 90 CNG stations (10-12 in Delhi and balance in other GAs; 50% additions would be of bigger stations with 10-12 dispensers), addition of 0.327mn DPNG connection, 2k I/C customers, and 3k km of pipeline network addition.
- **CBG:** IGL is planning to set up 10 CBG plants in FY25 and is exploring plants in JV mode as well, with the under-construction Narela project having 100 ton per day MSW capacity, which is expected to generate 4-5 tons of CBG output per day. Capex run-rate for 1 plant is Rs300-

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350mn, while total capex in this foray is Rs3-3.5bn. IGL is facing land acquisition challenges for other CBG plants as of now. The Govt. has 5% CBG blending plan with not much volumes. CBG projects would likely be under 50:50 JVs and the project cost would also involve debt funding. CBG is expected to become the cheapest gas due to nil transport cost and levy of 5% GST, with landed cost to be Rs25-26/scm, implying a 10-12% discount to APM pricing.

- IGL undertook Rs1.77/kg price cut (ex-taxes) in the first week of Mar-24 and the full impact of the same was felt in Q1. The company plans to replace existing power with green power, thereby resulting in lower opex and also helping in net-zero goals. The removal of excise duty in CNG is in the works with the regulator as well as the ministry.
- The company incurs an additional cost of Rs10-12/kg for delivery of gas through cascades in its new GAs. Once the pipeline network is set up and station is online in new GAs, IGL would see cost savings. Compression cost savings could be ~Rs2-3/kg. Separately, it is also doing compression for AG&P and CUGL, wherein Rs11.7/kg is being charged, though revenue from this business not significant. IGL starts with daughter booster stations in new GAs and simultaneously the work starts to get them online. Pipeline in hilly terrain around Nathdwara Udaipur in Rajasthan could prove to be costly, hence IGL would use LNG to supply gas in the region. It has 2 small-scale LNG stations in Delhi and Noida.

#### Exhibit 5: DCF-based valuation (Sep-25E)

DCF Assumptions	Sep-2026E (Rs mn)	Core IGL	CUGL 50%	MNGL 50%	Consol.
Risk Free Rate	7.0% NPV Of FCF	162,007	5,039	28,117	
Risk Premium	5.3% Terminal Value	312,692	6,395	45,271	
Beta	0.7 PV Of TV	94,049	1,924	13,616	
Cost Of Equity	10.5% <b>Total Value</b>	<b>256,056</b>	<b>6,963</b>	<b>41,733</b>	
Cost Of Debt	8.0% Less: Adj. Net Debt (Sep-25E)	-47,939	-1,923	-2,336	
Post Tax Cost Of Debt	6.0% <b>Equity Value</b>	<b>303,995</b>	<b>8,886</b>	<b>44,070</b>	<b>356,951</b>
Average Debt: Equity Ratio	0.0% No. Of Shares O/S (mn)	700	700	700	700
<b>WACC</b>	<b>10.5%</b> <b>Target Price (Rs)</b>	<b>434</b>	<b>13</b>	<b>63</b>	<b>510</b>
Terminal Growth Rate					
IGL	0.0%				
CUGL	0.0%				
MNGL	0.0%				

Source: Company, Emkay Research

#### Exhibit 6: PER-based valuation (Sep-26E EPS)

(Rs)	FY22	FY23	FY24	FY25E	FY26E	FY27E
IGL's Core EPS	18.4	20.6	25.0	27.1	29.8	33.3
Less: CU/MNGL Div. Inc.	0.7	0.8	1.1	1.2	1.3	1.4
<b>IGL Adjusted EPS</b>	<b>17.8</b>	<b>19.8</b>	<b>23.9</b>	<b>25.9</b>	<b>28.5</b>	<b>31.9</b>
CUGL/MNGL EPS Contri.	3.2	3.6	4.9	5.4	5.8	6.1
<b>Consol. EPS</b>	<b>21.0</b>	<b>23.5</b>	<b>28.8</b>	<b>31.2</b>	<b>34.3</b>	<b>38.1</b>
Implied Target Multiple (x)						14.1
<b>DCF Target Price (Rs/sh)</b>						<b>510</b>

Source: Company, Emkay Research

## Indraprastha Gas: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>141,326</b>	<b>140,000</b>	<b>154,134</b>	<b>171,539</b>	<b>190,219</b>
Revenue growth (%)	83.3	(0.9)	10.1	11.3	10.9
<b>EBITDA</b>	<b>20,255</b>	<b>23,669</b>	<b>26,436</b>	<b>29,335</b>	<b>32,832</b>
EBITDA growth (%)	7.7	16.9	11.7	11.0	11.9
Depreciation & Amortization	3,634	4,138	5,013	5,774	6,502
<b>EBIT</b>	<b>16,621</b>	<b>19,531</b>	<b>21,422</b>	<b>23,561</b>	<b>26,331</b>
EBIT growth (%)	6.3	17.5	9.7	10.0	11.8
Other operating income	0	0	0	0	0
Other income	2,762	3,632	4,012	4,390	4,943
Financial expense	106	92	107	108	109
<b>PBT</b>	<b>19,277</b>	<b>23,072</b>	<b>25,327</b>	<b>27,843</b>	<b>31,166</b>
Extraordinary items	0	0	0	0	0
Taxes	4,827	5,591	6,382	7,017	7,854
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>14,450</b>	<b>17,481</b>	<b>18,945</b>	<b>20,827</b>	<b>23,312</b>
PAT growth (%)	9.9	21.0	8.4	9.9	11.9
<b>Adjusted PAT</b>	<b>14,450</b>	<b>17,481</b>	<b>18,945</b>	<b>20,827</b>	<b>23,312</b>
<b>Diluted EPS (Rs)</b>	<b>20.6</b>	<b>25.0</b>	<b>27.1</b>	<b>29.8</b>	<b>33.3</b>
Diluted EPS growth (%)	9.9	21.0	8.4	9.9	11.9
<b>DPS (Rs)</b>	<b>13.0</b>	<b>9.0</b>	<b>9.5</b>	<b>10.4</b>	<b>11.7</b>
<b>Dividend payout (%)</b>	<b>63.0</b>	<b>36.0</b>	<b>35.0</b>	<b>35.0</b>	<b>35.0</b>
EBITDA margin (%)	14.3	16.9	17.2	17.1	17.3
EBIT margin (%)	11.8	14.0	13.9	13.7	13.8
Effective tax rate (%)	25.0	24.2	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>12,459</b>	<b>14,798</b>	<b>16,024</b>	<b>17,624</b>	<b>19,696</b>
Shares outstanding (mn)	700.0	700.0	700.0	700.0	700.0

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	19,277	23,072	25,327	27,843	31,166
Others (non-cash items)	1,393	984	1,109	1,492	1,667
Taxes paid	(4,833)	(4,871)	(5,876)	(6,510)	(7,347)
Change in NWC	6,469	(3,828)	1,663	1,612	1,566
<b>Operating cash flow</b>	<b>22,306</b>	<b>15,357</b>	<b>22,223</b>	<b>24,438</b>	<b>27,051</b>
Capital expenditure	(11,221)	(12,021)	(13,021)	(13,022)	(12,022)
Acquisition of business	0	0	0	0	0
Interest & dividend income	1,618	2,096	4,012	4,390	4,943
<b>Investing cash flow</b>	<b>(1,015)</b>	<b>(11,849)</b>	<b>(9,186)</b>	<b>(8,811)</b>	<b>(7,262)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(638)	(540)	0	0	0
Payment of lease liabilities	(638)	(540)	(540)	(540)	(540)
Interest paid	0	0	(107)	(108)	(109)
Dividend paid (incl tax)	(12,948)	(2,797)	(6,631)	(7,289)	(8,159)
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(13,586)</b>	<b>(3,337)</b>	<b>(6,737)</b>	<b>(7,397)</b>	<b>(8,268)</b>
Net chg in Cash	7,705	171	6,300	8,229	11,521
OCF	22,306	15,357	22,223	24,438	27,051
Adj. OCF (w/o NWC chg.)	15,837	19,185	20,560	22,825	25,485
FCFF	11,085	3,335	9,202	11,416	15,029
FCFE	12,597	5,339	13,107	15,698	19,864
OCF/EBITDA (%)	110.1	64.9	84.1	83.3	82.4
FCFE/PAT (%)	87.2	30.5	69.2	75.4	85.2
<b>FCFF/NOPLAT (%)</b>	<b>89.0</b>	<b>22.5</b>	<b>57.4</b>	<b>64.8</b>	<b>76.3</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	69,466	84,117	96,431	109,969	125,122
<b>Net worth</b>	<b>70,866</b>	<b>85,517</b>	<b>97,831</b>	<b>111,369</b>	<b>126,522</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	3,168	3,695	4,202	4,709	5,215
<b>Total debt</b>	<b>828</b>	<b>812</b>	<b>820</b>	<b>828</b>	<b>836</b>
<b>Total liabilities &amp; equity</b>	<b>74,861</b>	<b>90,025</b>	<b>102,853</b>	<b>116,905</b>	<b>132,573</b>
Net tangible fixed assets	55,138	63,720	73,103	81,585	88,215
Net intangible assets	130	130	130	130	130
Net ROU assets	2,067	2,139	2,161	2,182	2,204
Capital WIP	14,337	13,964	12,568	11,311	10,180
Goodwill	0	0	0	0	0
Investments [JV/Associates]	7,891	5,896	5,896	5,896	5,896
<b>Cash &amp; equivalents</b>	<b>25,513</b>	<b>30,299</b>	<b>36,775</b>	<b>45,184</b>	<b>56,888</b>
Current assets (ex-cash)	12,710	15,057	16,252	17,702	19,254
Current Liab. & Prov.	42,925	41,181	44,031	47,085	50,194
<b>NWC (ex-cash)</b>	<b>(30,215)</b>	<b>(26,124)</b>	<b>(27,779)</b>	<b>(29,384)</b>	<b>(30,941)</b>
<b>Total assets</b>	<b>74,861</b>	<b>90,025</b>	<b>102,853</b>	<b>116,905</b>	<b>132,573</b>
Net debt	(24,685)	(29,487)	(35,955)	(44,356)	(56,052)
Capital employed	74,861	90,025	102,853	116,905	132,573
<b>Invested capital</b>	<b>27,120</b>	<b>39,865</b>	<b>47,614</b>	<b>54,514</b>	<b>59,608</b>
BVPS (Rs)	101.2	122.2	139.8	159.1	180.7
Net Debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(1.2)	(1.2)	(1.4)	(1.5)	(1.7)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>26.2</b>	<b>28.1</b>	<b>26.4</b>	<b>25.4</b>	<b>25.1</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	26.2	21.6	20.0	18.2	16.2
P/CE(x)	20.9	17.5	15.8	14.2	12.7
P/B (x)	5.3	4.4	3.9	3.4	3.0
EV/Sales (x)	2.5	2.5	2.2	2.0	1.7
EV/EBITDA (x)	17.5	14.7	13.0	11.4	9.8
EV/EBIT(x)	21.3	17.9	16.0	14.2	12.2
EV/IC (x)	13.0	8.8	7.2	6.1	5.4
FCFF yield (%)	3.1	1.0	2.7	3.4	4.7
FCFE yield (%)	3.3	1.4	3.5	4.1	5.3
Dividend yield (%)	2.4	1.7	1.8	1.9	2.2
<b>DuPont-RoE split</b>					
Net profit margin (%)	10.2	12.5	12.3	12.1	12.3
Total asset turnover (x)	1.9	1.7	1.6	1.6	1.5
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.0
<b>RoE (%)</b>	<b>20.6</b>	<b>22.4</b>	<b>20.7</b>	<b>19.9</b>	<b>19.6</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	8.8	10.6	10.4	10.3	10.4
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>47.3</b>	<b>44.2</b>	<b>36.6</b>	<b>34.5</b>	<b>34.5</b>
<b>Operating metrics</b>					
Core NWC days	(2.6)	(3.0)	(3.1)	(3.1)	(3.1)
<b>Total NWC days</b>	<b>(2.6)</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>(3.1)</b>
Fixed asset turnover	2.1	1.7	1.6	1.6	1.6
Opex-to-revenue (%)	11.8	13.0	12.6	12.7	12.8

Source: Company, Emkay Research

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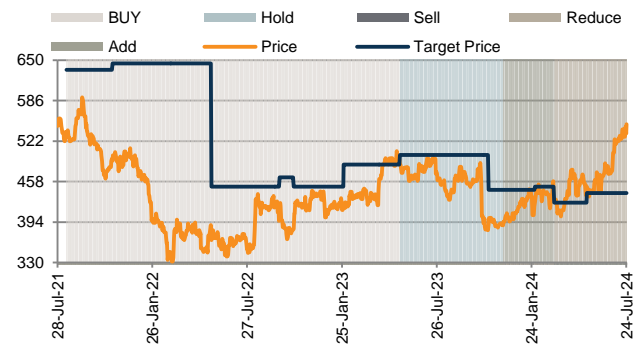
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-May-24	440	440	Reduce	Sabri Hazarika
07-Mar-24	430	425	Reduce	Sabri Hazarika
30-Jan-24	426	450	Add	Sabri Hazarika
30-Nov-23	389	445	Add	Sabri Hazarika
02-Nov-23	390	445	Hold	Sabri Hazarika
20-Oct-23	403	500	Hold	Sabri Hazarika
26-Jul-23	470	500	Hold	Sabri Hazarika
23-Jul-23	494	500	Hold	Sabri Hazarika
16-May-23	485	500	Hold	Sabri Hazarika
30-Mar-23	438	485	Buy	Sabri Hazarika
28-Jan-23	418	485	Buy	Sabri Hazarika
01-Dec-22	434	450	Buy	Sabri Hazarika
24-Oct-22	383	450	Buy	Sabri Hazarika
02-Oct-22	397	465	Buy	Sabri Hazarika
27-Sep-22	423	465	Buy	Sabri Hazarika
10-Aug-22	380	450	Buy	Sabri Hazarika
19-May-22	366	450	Buy	Sabri Hazarika
23-Nov-21	494	645	Buy	Sabri Hazarika
10-Nov-21	491	645	Buy	Sabri Hazarika
29-Sep-21	519	635	Buy	Sabri Hazarika
14-Aug-21	535	635	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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