

**HOLD** Indraprastha Gas

## Margins support earnings, amid weaker volumes

Oil &amp; Gas ▶ Result Update ▶ November 2, 2023

TARGET PRICE (Rs): 445

IGL posted a 4% SA EBITDA beat in Q2FY24, on lower gas costs/opex. PAT too beat estimates, by 8%, due to lower ETR of 22%. EBITDA/scm at Rs8.6 was 6% above estimate. Volume growth was slower, at 3% YoY to 8.3mmscmd (up 1% QoQ, a 2% miss). Mgmt. estimates that the aggregator EV policy will impact total volume by ~15% in the LT (hitting growth); it retains exit guidance of 9mmscmd for FY24, though that for FY25 is being firmed up (8-9% ex-cabs). We taper down LT volume estimate, assuming nil TVG now, though near-to-medium term run-rate is more crucial (the current 8.5mmscmd implies 5% YoY growth in FY24). We retain FY24E EPS, building-in the higher margin, but lower FY25E EPS by 4% due to a weaker FY24 vol. base, partly offset by better unit margin. We roll-over to Sep-25E, cut our TP by 11% to Rs445, and retain HOLD.

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

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	77,100	1,41,459	1,41,751	1,57,467	1,72,050
EBITDA	18,811	20,398	25,731	27,810	30,066
Adj. PAT	12,896	14,450	18,429	19,803	21,352
Adj. EPS (Rs)	18.4	20.6	26.3	28.3	30.5
EBITDA margin (%)	24.4	14.4	18.2	17.7	17.5
EBITDA growth (%)	26.8	8.4	26.1	8.1	8.1
Adj. EPS growth (%)	30.8	9.9	27.5	7.5	7.8
RoE (%)	19.6	20.6	23.8	21.8	20.3
RoIC (%)	45.8	47.7	54.9	48.9	43.8
P/E (x)	21.2	18.9	14.8	13.8	12.8
EV/EBITDA (x)	12.9	11.9	9.2	8.1	7.2
P/B (x)	3.9	3.9	3.3	2.8	2.4
FCFF yield (%)	2.3	4.6	4.3	4.9	6.0

Source: Company, Emkay Research

**Result Highlights**

Q2FY24 standalone EBITDA/PAT rose 25%/29% YoY and 2%/22% QoQ to Rs6.6/5.3bn. CNG volume improved 3% YoY/1% QoQ (day adjusted) to 575mmscm, while PNG volume was up 3% YoY/1% QoQ, with volume for I/C down 2%/up 2% and coming in higher by 15%/staying flat for domestic. Gross margin fell 1% QoQ to Rs14.1, as unit gas cost was flat amid 1% fall in net realization. Other Expenditure rose 1% YoY/fell 3% QoQ, to Rs3.7bn. Opex/scm fell 2% YoY/4% QoQ to Rs5.5 (below estimate). Other Income was up 22% YoY/~2x QoQ, at Rs1.3bn (4% below our est). Depreciation was up 3% QoQ to Rs1.0bn, while tax rate was lower at 22.1% due to dividend income. Share of profit from CUGL-MNGL was Rs902mn in Q2FY24, up 29% YoY/8% QoQ. H1FY24 capex stood at Rs4.76bn. The Board declared an interim dividend of Rs4/share.

**Management Key Takeaways**

Current volume stands at ~8.5mmscmd. Volume, ex-aggregator cabs, could grow 8-9% YoY in FY25, but guidance is being firmed up. Transition of existing CNG fleet, treatment of small operators, fate of non-Delhi registered cabs, charging-infra availability and capital cost of EV conversion are areas that lack clarity. The CAQM directive on intercity buses in NCR states should expedite bus conversions for IGL. Private cars constitute 40% of CNG sales, cabs 14% (1,500k taxis), buses 20%, and autos 6%. Delhi sales comprise >60% of total sales, while NCR UP forms 20-23%. IGL's avg conversions in Q2 stood at 15.9k/mth vs. 14.1k QoQ. Q2 volume saw 1.5-2% impact from floods and G20. Delhi CNG is 45% cheaper than petrol, and is being priced 25-30% lower in other GAs (should improve as volumes rise). Lower price of alternate fuel hit volumes for industrials. Capex guidance is maintained at Rs14-15bnpa, which may be moderated based on outlook.

**Valuation**

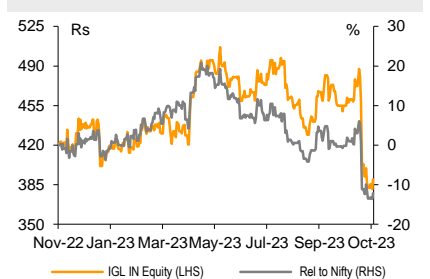
We value IGL on DCF-SoTP basis. Our SOTP-DCF-based Sep-24E TP of Rs445/sh implies a 13.3x Sep-25E consol. target P/E. Key risks: Adverse pricing, margin and currency scenarios; high gas prices; open access; rate of EV adoption; project delays.

Target Price – 12M	Sep-24
<b>Change in TP (%)</b>	<b>(11.1)</b>
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	14.1
CMP (02-Nov-23) (Rs)	389.9

Stock Data	Ticker
52-week High (Rs)	516
52-week Low (Rs)	376
Shares outstanding (mn)	700.0
Market-cap (Rs bn)	273
Market-cap (USD mn)	3,278
Net-debt, FY24E (Rs mn)	-37,388
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	899.0
ADTV-3M (USD mn)	10.8
Free float (%)	50.0
Nifty-50	19,133
INR/USD	83.3
<b>Shareholding, Jun-23</b>	
Promoters (%)	45.0
FPIs/MFs (%)	21.9/20.4

**Price Performance**

(%)	1M	3M	12M
Absolute	(14.3)	(14.1)	(7.6)
Rel. to Nifty	(12.0)	(12.3)	(12.7)

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## Exhibit 1: Actuals vs. Estimates (Q2FY24)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	34,585	35,801	35,343	-3%	-2%	Lower realisations & volumes
Adjusted EBITDA	6,569	6,294	6,279	4%	5%	Lower gas costs & opex
EBITDA Margin	19.0%	17.6%	17.8%	142bps	123bps	
Adjusted Net Profit	5,348	4,950	4,638	8%	15%	Lower taxes

Source: Company, Emkay Research

## Exhibit 2: Standalone Quarterly Summary

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ	H1FY23	H1FY24	YoY
CNG Sales	29,794	30,687	30,400	28,730	29,413	-1%	2%	56,846	58,143	2%
Less Excise	3,680	3,782	3,738	3,548	3,640	-1%	3%	7,045	7,189	2%
PNG Sales	9,426	10,204	10,210	8,888	8,812	-7%	-1%	17,678	17,701	0%
Net Revenues	35,540	37,108	36,872	34,070	34,585	-3%	2%	67,479	68,655	2%
Dec./(Inc.) in Stock In Trade	(7)	(4)	(16)	17	(5)			(29)	12	
Raw Material Cost	26,100	28,640	27,941	23,324	23,808	-9%	2%	47,828	47,132	-1%
Total COGS	26,094	28,636	27,925	23,341	23,803	-9%	2%	47,799	47,144	-1%
<b>Gross Profit</b>	<b>9,447</b>	<b>8,472</b>	<b>8,947</b>	<b>10,729</b>	<b>10,782</b>	<b>14%</b>	<b>0%</b>	<b>19,680</b>	<b>21,511</b>	<b>9%</b>
Employee Cost	497	438	467	508	516	4%	1%	977	1,024	5%
Other Expenses	3,675	3,750	3,817	3,797	3,697	1%	-3%	7,252	7,494	3%
Total OPEX	4,171	4,188	4,284	4,306	4,213	1%	-2%	8,229	8,518	4%
Total Expenditure	30,265	32,823	32,209	27,646	28,016	-7%	1%	56,028	55,662	-1%
<b>EBITDA</b>	<b>5,275</b>	<b>4,285</b>	<b>4,663</b>	<b>6,424</b>	<b>6,569</b>	<b>25%</b>	<b>2%</b>	<b>11,450</b>	<b>12,993</b>	<b>13%</b>
Depreciation	914	925	938	989	1,022	12%	3%	1,771	2,012	14%
EBIT	4,361	3,360	3,725	5,435	5,547	27%	2%	9,679	10,982	13%
Interest	31	26	26	24	25	-20%	4%	54	48	-11%
Other Income	1,100	557	654	457	1,340	22%	193%	1,407	1,796	28%
PBT before exceptional	5,430	3,891	4,354	5,867	6,862	26%	17%	11,032	12,730	15%
Exceptional items	-	-	-	-	-			-	-	
PBT	5,430	3,891	4,354	5,867	6,862	26%	17%	11,032	12,730	15%
Current tax	994	964	1,056	1,398	1,380	39%	-1%	2,378	2,778	17%
Deferred tax	275	145	0	86	134	-51%	57%	285	220	
Total tax	1,269	1,109	1,057	1,483	1,514	19%	2%	2,662	2,998	13%
<b>Reported PAT</b>	<b>4,162</b>	<b>2,783</b>	<b>3,298</b>	<b>4,384</b>	<b>5,348</b>	<b>29%</b>	<b>22%</b>	<b>8,370</b>	<b>9,732</b>	<b>16%</b>
Rep. EPS (Rs.)	5.9	4.0	4.7	6.3	7.6	29%	22%	12.0	13.9	16%
Adjusted PAT	4,162	2,783	3,298	4,384	5,348	29%	22%	8,370	9,732	16%
Adj. EPS (Rs.)	5.9	4.0	4.7	6.3	7.6	29%	22%	12.0	13.9	16%
CUGL/MNGL Gross PAT	1,394	1,116	1,355	1,672	1,803	29%	8%	2,601	3,475	34%
CUGL/MNGL EPS Contri (Rs)	1.0	0.8	1.0	1.2	1.3	29%	8%	1.9	2.5	34%
Consol. Adj. EPS (Rs.) ex Div. Adj.	6.9	4.8	5.7	7.5	8.9	29%	20%	13.8	16.4	19%
Shares O/S (mn)	700	700	700	700	700			700	700	
EBITDA margin	15%	12%	13%	19%	19%			17%	19%	
Standalone Rep. NPM	12%	7%	9%	13%	15%			12%	14%	
Effective tax rate	23%	28%	24%	25%	22%			24%	24%	
<b>Total Sales (mmscmd)</b>	<b>8.1</b>	<b>8.1</b>	<b>8.3</b>	<b>8.2</b>	<b>8.3</b>	<b>3%</b>	<b>1%</b>	<b>8.0</b>	<b>8.3</b>	<b>3%</b>
CNG Volumes (mmscm)	560	559	550	561	575	3%	2%	1,541	2,055	33%
PNG Volumes (mmscm)	184	188	193	185	189	3%	2%	362	374	3%
Domestic	46	51	56	52	53	15%	1%	90	105	17%
Industrial+Commercial	92	91	92	87	90	-2%	3%	181	177	-2%
3rd party Trading	46	46	45	45	46	0%	2%	91	91	0%
Gross Margin (Rs/scm)	12.7	11.3	12.0	14.4	14.1	11%	-2%	13.5	14.2	6%
<b>Adj. EBITDA/scm (Rs)</b>	<b>7.1</b>	<b>5.7</b>	<b>6.3</b>	<b>8.6</b>	<b>8.6</b>	<b>21%</b>	<b>0%</b>	<b>7.8</b>	<b>8.6</b>	<b>10%</b>
CNG Real (Rs/kg)	72.5	75.1	76.0	69.7	69.4	-4%	-1%	70.8	69.6	-2%
PNG Real (Rs/scm)	51.3	54.2	53.0	48.1	46.6	-9%	-3%	48.8	47.4	-3%
Average Real (Rs/scm)	47.8	49.7	49.7	45.7	45.3	-5%	-1%	46.1	45.5	-1%
Capex	2,400	2,200	4,300	2,600	2,160	-10%	-17%	5,400	4,760	-12%

Source: Company, Emkay Research

**Exhibit 3: Change in assumptions**

	FY24E			FY25E			FY26E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
EBITDA/scm (Rs)	7.8	8.3	6%	8.0	8.2	3%	8.2
Sales Volumes (mmscmd)	9.0	8.5	-6%	10.0	9.3	-7%	10.0
Growth	11.7%	4.7%	-706bps	10.7%	9.7%	-100bps	7.9%

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY24E			FY25E			FY26E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	1,54,610	1,41,751	-8%	1,73,234	1,57,467	-9%	1,72,050
EBITDA	25,800	25,731	0%	29,188	27,810	-5%	30,066
EBITDA Margins	16.7%	18.2%	147bps	16.8%	17.7%	81bps	17.5%
PAT	18,352	18,429	0%	20,583	19,803	-4%	21,352
EPS (Rs)	26.2	26.3	0%	29.4	28.3	-4%	30.5

Source: Company, Emkay Research

## Concall Key Takeaways

### EV and other policies

- The Delhi government cabinet has recently approved the cab aggregator & delivery service provider vehicle policy, which will albeit become effective after LG's approval. The policy mainly addresses 4Ws, and mandates phase-wise EV adoption at 50% of new purchases in 3 years and 100% in 5 years, besides the overall fleet transition to EVs by 1-Apr-2030. The management stated that the final policy is not out though (IGL has not seen it).
- This policy is estimated to have long-term impact of ~15% on IGL's total volumes, as CNG taxi additions will be affected; hence, 3-5 years down the line, volume growth could be impacted (not the existing absolute volumes). Conversion of Delhi transport buses to EVs also poses a risk, but the policy does not address this aspect.
- The policy does not give clarity on transitioning of the existing CNG fleet (beyond CY30), while treatment of small operators (less than 25 vehicles), fate of non-Delhi registered cabs, charging infrastructure availability and capital cost of EV conversion remains a challenge.
- The CAQM directive on intercity & interstate buses in NCR states should accelerate bus conversions in this segment. The EV policy 2.0 is under works. The management said it cannot comment on treatment of vehicles coming to Delhi. There is no restriction on such vehicles as of now. Non-CNG wise, interstate buses and CVs have some restriction.
- CNG vehicles are expected to be sold till 2028, and have an average life of 8-10 years. Users may not be asked to scrap new vehicles, as this would be a national waste.

### Volumes and outlook

- Of the total CNG volumes as of now, private cars constitute 40% of sales, cabs 14%, buses 20% (DTC 6-7%, which is seeing some impact from EV buses), and autos 6%. Delhi contributes >60% to the total CNG sales, while UP-based GAs (Noida/Greater Noida+Ghaziabad) contribute 20-23%. Of the total 525k CNG car+auto+taxi universe, 25% or 150k are taxis.
- Indraprastha Gas (IGL)'s current volumes stand at ~8.5mmscmd and Company targets FY24E-exit at 9mmscmd, while it estimates non-aggregator segments to clock ~8-9% growth YoY in FY25; the aggregator cab policy is being currently examined for volume growth impact, if any. Company will soon firm up guidance for next year.

- IGL expects volume pickup through conversion of state transport buses to CNG and use of LNG in long-haul transport. Inter-state buses compliant with BS-VI & above will be allowed to ply in Delhi; however, this universe will also gradually convert to CNG. The Uttarakhand state government has ordered 200 CNG buses of which it has received 50-60 till date (UK will convert fully). In case of the state governments of Rajasthan and Haryana, IGL is in talks to push for CNG adoption, besides signing an agreement with the state government of UP (UPSRTC has ordered 100-150 buses) to convert its buses to CNG.
- Volume growth is picking up in new Gas; also, with 50-60% growth is expected YoY (on a low base). IGL is also looking at conversion of dumpers and trucks to CNG in places like Banda, Hamirpur and Ajmer.
- IGL's normalized Delhi CNG volume growth is 4.5-5% YoY, based on current runrate (ex exceptionals like floods and G20 in Q2FY24). NCR is expected to drive growth, as PV and LCV segments continue to scale up.
- IGL still upholds its target of adding 100 CNG stations in FY24, despite H1 additions being only 8 stations (all in Q2). It has faced approval- & permit-related delays in Delhi due to floods and G20, but expects higher station additions in H2.
- IGL's monthly conversions in Jul/Aug/Sep-23 stood at 15,361/17,131/15,100, while average monthly conversions in Q2 stood at 15,900vs. 14,100 QoQ, up 13%.
- CNG is 45% cheaper than petrol in Delhi, while differential in other GAs is 25-30% currently (should improve as volumes rise and economies of scale lead to lowering of RSPs). Conversions were earlier down to 12-13k/month when differentials had narrowed significantly, while the last peak was 17-18k per month.
- IGL expects conversions to remain robust, given OEM focus (registrations have picked up) on CNG and owing to lower stable prices supported by steady gas costs. CNG seems to be witnessing elasticity of demand.
- IGL continues to focus on lowering queues/waiting time, to boost conversions, and is also augmenting infrastructure in Delhi, acquiring land that should support volumes in Delhi.

#### Q2/H1FY24 and other notables

- IGL added 8 CNG stations and 70k DPNG connections in H1FY24; it incurred capex of Rs4.76bn. IGL reiterated its next 5Y annual capex outlay of Rs14-15bnpa, but some moderation could be possible (wait and watch now).
- In Q2, Delhi CNG volumes grew almost 3% YoY, while Gurgaon saw 5% growth, Noida+Ghaziabad 11-12% and new GAs grew 30-100% on a low base.
- IGL has commissioned 30 EV charging stations till date and targets commissioning another 50 by the end of FY24. EV infra will be augmented by the company, going ahead.
- Lower prices of alternate fuel impacted volumes in the industrial segment, as customers are price-sensitive and operate on dual fuel & power. Availability of biomass (allowed by CAQM) and cheap LPG impacted these volumes. Commercial PNG volumes grew 12% YoY.
- IGL estimates that its growth was impacted by 1.5-2% YoY in Q2, due to floods and the G20 meet. Some new GAs are operating with EBITDA loss, due to low volumes (as fixed cost is high in building the business there, high unit opex) and profitability should start once volumes pick up.
- Trading volume is likely to continue for now and IGL does not foresee any decline here as of now. Diesel gensets in Delhi is also an area to be considered.
- As the 5Y condition expires and PNGRB MWP's are evaluated, other company GAs could come up for sale. IGL is not considering any acquisitions at present, but keeps an open mind.
- IGL expects APM allocation to gradually decrease over time, and it would have to depend on RLNG. The geopolitical scenario is volatile wrt gas pricing. LNG price is perpetually exposed to risk, but, for now, prices are stable.

**Exhibit 6: DCF-based Valuation (Sep-24E)**

DCF Assumptions (Rs mn)		Sep-25E	Core IGL	CUGL-50%	MNGL-50%	Consol
Risk Free Rate	7.0%	NPV Of FCF	1,41,801	3,980	21,396	
Risk Premium	5.3%	Terminal Value	2,77,267	7,678	52,183	
Beta	0.9	PV Of TV	76,801	2,127	14,454	
Cost Of Equity	11.3%	Total Value	2,18,602	6,107	35,851	
Cost Of Debt	8.0%	Less: Adj. Net Debt (Sep'24E)	-48,434	-1,610	-651	
Post Tax Cost Of Debt	6.0%	<b>Equity Value</b>	<b>2,67,035</b>	<b>7,716</b>	<b>36,501</b>	<b>3,11,253</b>
Average Debt:Equity Ratio	0%	No. Of Shares O/S (mn)	700	700	700	700
<b>WACC</b>	<b>11.3%</b>	<b>Target Price (Rs.)</b>	<b>381</b>	<b>11</b>	<b>52</b>	<b>445</b>
Terminal Growth Rate						
IGL	0.0%					
CUGL	0.0%					
MNGL	0.0%					

Source: Company, Emkay Research

**Exhibit 7: PER-based valuation (Sep-25E EPS)**

(Rs/share)	FY21	FY22	FY23	FY24E	FY25E	FY26E
IGL's Core EPS	14.4	18.4	20.6	26.3	28.3	30.5
Less: CU/MNGL Div. Inc.	0.4	0.7	0.8	1.0	1.1	1.3
<b>IGL Adjusted EPS</b>	<b>14.0</b>	<b>17.8</b>	<b>19.9</b>	<b>25.3</b>	<b>27.2</b>	<b>29.2</b>
CUGL/MNGL EPS Contri.	1.8	3.2	3.6	4.5	5.1	5.6
<b>Consol. EPS</b>	<b>15.8</b>	<b>21.0</b>	<b>23.5</b>	<b>29.9</b>	<b>32.2</b>	<b>34.9</b>
Implied Target Multiple (x)					13.3	
<b>DCF Target Price</b>					<b>445</b>	

Source: Company, Emkay Research

**Exhibit 8: Change in long term DCF assumptions**

IGL Standalone	Previous	Revised	Remarks
CY35 Taxi Universe (lakhs)	1.9	1.7	~1.5 lakhs currently
CY35 Taxi Volumes (mmscmd)	1.5	1.3	~0.9mmscmd currently
FY23-FY36E Total Co. Vol. CAGR	5.3%	3.7%	Reduction in bus universe to nil also assumed
FY24-FY36 Average EBITDA/scm (Rs)	8.1	8.3	Rs8.6/scm in H1FY24
Terminal Value Growth (TVG)	2%	0%	FY36 onwards
WACC	11.0%	11.3%	Slight change based on recent beta increase
Standalone Equity FV (Rs)	446	381	
<b>Total Target Price (Rs)</b>	<b>500</b>	<b>445</b>	<b>Previous is Mar'24 TP, now Sep'24</b>

Source: Company, Emkay Research; Note – Intercity buses in NCR states can be a medium term growth driver not built by us

## Indraprastha Gas: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>77,100</b>	<b>1,41,459</b>	<b>1,41,751</b>	<b>1,57,467</b>	<b>1,72,050</b>
Revenue growth (%)	56.0	83.5	0.2	11.1	9.3
<b>EBITDA</b>	<b>18,811</b>	<b>20,398</b>	<b>25,731</b>	<b>27,810</b>	<b>30,066</b>
EBITDA growth (%)	26.8	8.4	26.1	8.1	8.1
Depreciation & Amortization	3,171	3,634	4,271	4,990	5,775
<b>EBIT</b>	<b>15,641</b>	<b>16,764</b>	<b>21,460</b>	<b>22,819</b>	<b>24,292</b>
EBIT growth (%)	31.1	7.2	28.0	6.3	6.5
Other operating income	0	0	0	0	0
Other income	1,810	2,619	3,278	3,765	4,364
Financial expense	132	106	100	110	111
<b>PBT</b>	<b>17,319</b>	<b>19,277</b>	<b>24,637</b>	<b>26,475</b>	<b>28,545</b>
Extraordinary items	340	0	0	0	0
Taxes	4,509	4,827	6,209	6,672	7,193
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>13,150</b>	<b>14,450</b>	<b>18,429</b>	<b>19,803</b>	<b>21,352</b>
PAT growth (%)	30.8	9.9	27.5	7.5	7.8
<b>Adjusted PAT</b>	<b>12,896</b>	<b>14,450</b>	<b>18,429</b>	<b>19,803</b>	<b>21,352</b>
<b>Diluted EPS (Rs)</b>	<b>18.4</b>	<b>20.6</b>	<b>26.3</b>	<b>28.3</b>	<b>30.5</b>
Diluted EPS growth (%)	30.8	9.9	27.5	7.5	7.8
<b>DPS (Rs)</b>	<b>5.5</b>	<b>13.0</b>	<b>8.0</b>	<b>8.5</b>	<b>9.2</b>
<b>Dividend payout (%)</b>	<b>29.3</b>	<b>63.0</b>	<b>30.2</b>	<b>30.0</b>	<b>30.0</b>
EBITDA margin (%)	24.4	14.4	18.2	17.7	17.5
EBIT margin (%)	20.3	11.9	15.1	14.5	14.1
Effective tax rate (%)	27.5	25.0	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>11,340</b>	<b>12,566</b>	<b>16,052</b>	<b>17,069</b>	<b>18,170</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)	FY22	FY23	FY24E	FY25E	FY26E
PBT	17,319	19,277	24,637	26,475	28,545
Others (non-cash items)	1,302	1,388	1,094	1,335	1,521
Taxes paid	(3,759)	(4,833)	(5,697)	(6,160)	(6,682)
Change in NWC	3,777	6,469	2,076	2,569	2,545
<b>Operating cash flow</b>	<b>18,979</b>	<b>22,301</b>	<b>22,109</b>	<b>24,219</b>	<b>25,929</b>
Capital expenditure	(13,370)	(11,221)	(12,021)	(13,021)	(13,021)
Acquisition of business	0	0	0	0	0
Interest & dividend income	798	1,618	3,278	3,765	4,364
<b>Investing cash flow</b>	<b>(13,401)</b>	<b>3,996</b>	<b>(8,826)</b>	<b>(9,341)</b>	<b>(8,744)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(765)	(638)	0	0	0
Payment of lease liabilities	(765)	(765)	(765)	(765)	(765)
Interest paid	0	0	(100)	(110)	(111)
Dividend paid (incl tax)	(2,519)	(12,948)	(5,565)	(5,941)	(6,406)
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(3,285)</b>	<b>(13,586)</b>	<b>(5,666)</b>	<b>(6,051)</b>	<b>(6,516)</b>
Net chg in Cash	2,294	12,711	7,617	8,826	10,669
OCF	18,979	22,301	22,109	24,219	25,929
Adj. OCF (w/o NWC chg.)	15,202	15,832	20,034	21,649	23,384
FCFF	5,610	11,080	10,089	11,198	12,908
FCFE	6,275	12,592	13,266	14,853	17,161
OCF/EBITDA (%)	100.9	109.3	85.9	87.1	86.2
FCFE/PAT (%)	47.7	87.1	72.0	75.0	80.4
<b>FCFF/NOPLAT (%)</b>	<b>49.5</b>	<b>88.2</b>	<b>62.9</b>	<b>65.6</b>	<b>71.0</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	67,962	69,466	82,329	96,191	1,11,137
<b>Net worth</b>	<b>69,362</b>	<b>70,866</b>	<b>83,729</b>	<b>97,591</b>	<b>1,12,537</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	2,737	3,168	3,679	4,190	4,702
<b>Total debt</b>	<b>1,076</b>	<b>828</b>	<b>836</b>	<b>844</b>	<b>853</b>
<b>Total liabilities &amp; equity</b>	<b>73,175</b>	<b>74,861</b>	<b>88,244</b>	<b>1,02,626</b>	<b>1,18,092</b>
Net tangible fixed assets	47,694	55,147	61,442	71,029	79,674
Net intangible assets	121	121	121	121	121
Net ROU assets	2,203	2,067	2,088	2,109	2,130
Capital WIP	13,786	14,337	15,771	14,194	12,775
Goodwill	0	0	0	0	0
Investments [JV/Associates]	2,980	2,880	2,880	2,880	2,880
<b>Cash &amp; equivalents</b>	<b>30,793</b>	<b>30,524</b>	<b>38,224</b>	<b>47,136</b>	<b>57,892</b>
Current assets (ex-cash)	6,947	12,683	12,772	13,900	14,954
Current Liab. & Prov.	31,349	42,898	45,054	48,743	52,333
<b>NWC (ex-cash)</b>	<b>(24,402)</b>	<b>(30,215)</b>	<b>(32,282)</b>	<b>(34,843)</b>	<b>(37,380)</b>
<b>Total assets</b>	<b>73,175</b>	<b>74,861</b>	<b>88,244</b>	<b>1,02,626</b>	<b>1,18,092</b>
Net debt	(29,717)	(29,696)	(37,388)	(46,292)	(57,039)
Capital employed	73,175	74,861	88,244	1,02,626	1,18,092
<b>Invested capital</b>	<b>25,616</b>	<b>27,120</b>	<b>31,369</b>	<b>38,416</b>	<b>44,545</b>
BVPS (Rs)	99.1	101.2	119.6	139.4	160.8
Net Debt/Equity (x)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt/EBITDA (x)	(1.6)	(1.5)	(1.5)	(1.7)	(1.9)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>25.8</b>	<b>26.2</b>	<b>30.3</b>	<b>27.9</b>	<b>26.0</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	21.2	18.9	14.8	13.8	12.8
P/CE(x)	17.4	15.1	12.0	11.0	10.1
P/B (x)	3.9	3.9	3.3	2.8	2.4
EV/Sales (x)	3.2	1.7	1.7	1.4	1.3
EV/EBITDA (x)	12.9	11.9	9.2	8.1	7.2
EV/EBIT(x)	15.5	14.5	11.0	9.9	8.9
EV/IC (x)	9.5	9.0	7.5	5.9	4.8
FCFF yield (%)	2.3	4.6	4.3	4.9	6.0
FCFE yield (%)	2.3	4.6	4.9	5.4	6.3
Dividend yield (%)	1.4	3.3	2.0	2.2	2.3
<b>DuPont-RoE split</b>					
Net profit margin (%)	16.3	10.2	13.0	12.6	12.4
Total asset turnover (x)	1.1	1.9	1.7	1.6	1.6
Assets/Equity (x)	1.1	1.1	1.1	1.1	1.1
<b>RoE (%)</b>	<b>19.6</b>	<b>20.6</b>	<b>23.8</b>	<b>21.8</b>	<b>20.3</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	14.7	8.9	11.3	10.8	10.6
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>45.8</b>	<b>47.7</b>	<b>54.9</b>	<b>48.9</b>	<b>43.8</b>
<b>Operating metrics</b>					
Core NWC days	(22.4)	(2.6)	(2.1)	(2.1)	(2.1)
<b>Total NWC days</b>	<b>(22.4)</b>	<b>(2.6)</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(2.1)</b>
Fixed asset turnover	1.3	2.1	1.8	1.7	1.6
Opex-to-revenue (%)	18.6	11.8	12.5	12.6	12.6

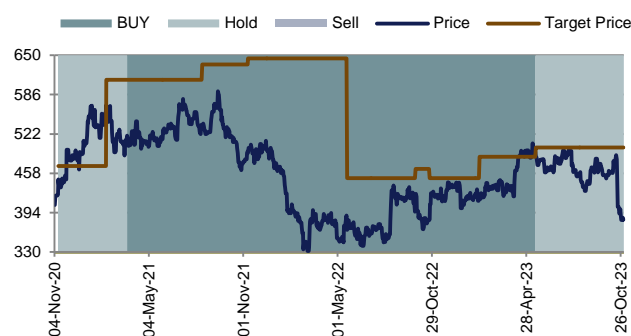
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
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
26-Jul-21	547	610	Buy	Sabri Hazarika
25-Jun-21	513	610	Buy	Sabri Hazarika
23-Jun-21	519	610	Buy	Sabri Hazarika
18-Jun-21	532	610	Buy	Sabri Hazarika
29-May-21	514	610	Buy	Sabri Hazarika
23-Apr-21	510	610	Buy	Sabri Hazarika
23-Mar-21	519	610	Buy	Sabri Hazarika
18-Feb-21	568	610	Hold	Sabri Hazarika
11-Feb-21	569	610	Hold	Sabri Hazarika
27-Nov-20	496	470	Hold	Sabri Hazarika
11-Nov-20	448	470	Hold	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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