

November 06, 2024

**RESULT REPORT Q2 FY25** | Sector: Energy

# GAIL Ltd

## Natural Gas trading disappoints; PBT in line, supported by lower depreciation

GAIL's Q2 FY25 performance was a mix bag, with EBITDA/PAT at Rs37.5bn/Rs26.7bn, up 7.3%/11.1% YoY, EBITDA missing expectations on poor gas trading performance. Natural Gas transmission was in line on better volumes and margins. Petchem reported a positive surprise while other segments were in line to our expectations. The management guidance on volume growth for NG transmission segment annually at 10-12mmscmd for next 2-3year and gas trading EBITDA over Rs 45bn creates a bullish sentiment and given the stock price has corrected significantly, we maintain our rating of ADD, with a revised 12-mth TP to Rs240 (vs 272 earlier).

### Result Highlights

- Performance:** GAIL's Q2FY25 EBITDA/ PAT were Rs37.5bn/Rs26.7bn, up 7.3%/11.1% YoY but down 17.3%/1.9% QoQ. EBITDA was lower than our estimate of Rs41.3 on weaker NG trading volumes & margins while PAT was marginally higher than ours of 25.6bn on lower-than-expected depreciation. The overall performance was largely driven by NG transmission offsetting poor trading performance, Petchem was marginally better than our expectations.
- Gas transmission** volumes were in line with our expectation at 130.6mmscmd, up 10.3mmscmd YoY, down 1.2mmscmd QoQ, Gas capacity utilisation (pipelines) was ~62.2%. Revenue was Rs2,368/tscm (down 0.9% YoY and QoQ). Opex/unit was in line with our expectations. The segment gross margins at Rs 1,503/tscm was up 0.8% YoY but down 8.3% QoQ on muted volumes.
- LPG transmission** volumes were 1,124 ('000 mt), up 0.9% YoY and 5.5% QoQ. Revenue/ton was Rs1,651, flat YoY but down 2.2% QoQ, while the gross margin/ton was Rs934 (flat YoY & QoQ).
- Gas trading** volumes were 96.6mmscmd, down YoY by 0.4mmscmd and by 2.9mmscmd QoQ. The margin was subdued at Rs1,701/tscm (Rs2,524 the prior quarter and Rs2,189 a year ago). The performance was weaker than our expectations on higher gas costs and possibility poor contracted basket.
- Petchem** production was up 46.3% YoY and 44.4% QoQ, to 234 ('000 mt). The realisation was down 7.2% YoY and flat QoQ, gross margin at Rs 2.8bn was better as the gas got cheaper on YoY basis.
- LPG and LHC.** Sales volumes were up 4.5% YoY and 16.1% QoQ; while the realisation was up 19.9% YoY but down 4.6% QoQ. **CGD segment.** The CGD revenue/EBIT at Rs bn 34.1/2.1 up 15%/120.3% YoY and 5.7%/8.8% QoQ.
- Capex.** The company has incurred Rs18.9bn (Rs 35.44bn in H1FY25), FY25 is targeted at Rs80-90bn, mainly on pipelines, petrochemicals, equity to JVs, etc.
- H1FY25 Performance:** GAIL's FY24 EBITDA/ PAT were Rs82.7bn/Rs54bn, vs Rs59.2bn/Rs38.2bn in in H1FY24. OCF stood at Rs75.7bn up 2.1% from Rs74.2bn last year. NG transmission volumes were 131.2mmscmd up 10.9% YoY, LPG transmission volumes stood flat at 2,189mmt, NG trading volumes were flat too at 98mmscmd whereas petchem volumes were up 19.7% reaching 395tmt while LPG & LHC volumes declined by 3.7% to 471tmt.

### Valuation

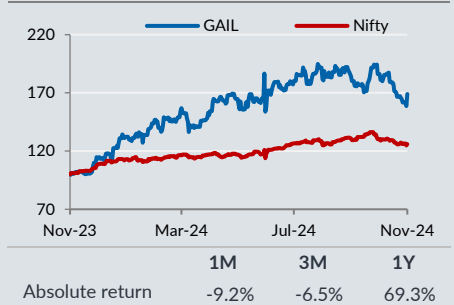
We believe GAIL's EBITDA to record a 9% CAGR over FY24-27e led by a 12.3% CAGR in gas transmission EBITDA. The gas transmission business has bright prospects (currently contributing ~58% to EBITDA in FY27e, expected to increase further) while the commodity business is a little volatile. The stock recently corrected sharply, we maintain our rating of ADD with a revised TP of Rs240 (vs 272 earlier), valuing it on a sum-of-parts basis (core business at Rs208, 9.4x EV/EBITDA and investments at Rs32).

|                  |          |
|------------------|----------|
| Reco             | : ADD    |
| CMP              | : Rs 209 |
| Target Price     | : Rs 240 |
| Potential Return | : +14.8% |

### Stock data (as on Nov 06, 2024)

|                         |                 |
|-------------------------|-----------------|
| Nifty                   | 24,493          |
| 52 Week h/l (Rs)        | 246 / 123       |
| Market cap (Rs/USD mn)  | 1289965 / 15304 |
| Outstanding Shares (mn) | 6,575           |
| 6m Avg t/o (Rs mn):     | 4,293           |
| Div yield (%):          | 2.4             |
| Bloomberg code:         | GAIL IN         |
| NSE code:               | GAIL            |

### Stock performance



### Shareholding pattern (As of Sep'24 end)

|          |       |
|----------|-------|
| Promoter | 51.5% |
| FII+DII  | 41.0% |
| Others   | 6.7%  |

### Δ in stance

| (1-Yr)       | New | Old |
|--------------|-----|-----|
| Rating       | ADD | ADD |
| Target Price | 240 | 272 |

### Δ in estimates

| (1-Yr)    | FY25E | FY26E | FY27E |
|-----------|-------|-------|-------|
| EPS (New) | 16.0  | 15.6  | 15.7  |
| EPS (Old) | 16.3  | 16.2  | 16.4  |
| % Change  | (1.8) | (3.7) | (4.0) |

### Financial Summary

| (Rs bn)    | FY25E   | FY26E   | FY27E   |
|------------|---------|---------|---------|
| Revenue    | 1,233.4 | 1,250.5 | 1,324.2 |
| YoY Growth | (5.5)   | 1.4     | 5.9     |
| EBIDTA     | 158.8   | 159.0   | 164.4   |
| OPM %      | 12.9    | 12.7    | 12.4    |
| PAT        | 105.4   | 102.5   | 103.2   |
| YoY Growth | 19.3    | (2.8)   | 0.7     |
| ROE        | 15.7    | 14.0    | 13.0    |
| EPS        | 16.0    | 15.6    | 15.7    |
| P/E        | 13.0    | 13.4    | 13.3    |
| BV         | 107.1   | 116.2   | 125.4   |
| EV/EBITDA  | 9.8     | 9.8     | 9.4     |

**HARSHRAJ AGGARWAL**

Lead Analyst

harshraj.aggarwal@ysil.in



## Exhibit 1: Actual vs estimate

| Rs mn             | Actual  | Estimate |           | % Variation |           | Remarks   |
|-------------------|---------|----------|-----------|-------------|-----------|---|
|                   |         | YES Sec  | Consensus | YES Sec     | Consensus |   |
| Sales             | 329,117 | 323,051  | 336,393   | 1.88        | -2.16     | Natural Gas trading disappoints; PBT in line, supported by lower depreciation |
| EBITDA            | 37,450  | 41,349   | 39,716    | -9.43       | -5.71     |   |
| EBITDA Margin (%) | 11.38   | 12.80    | 11.81     | -142bps     | -43bps    |   |
| Adjusted PAT      | 26,719  | 25,620   | 25,612    | 4.29        | 4.32      |   |

## Exhibit 2: Earnings snapshot

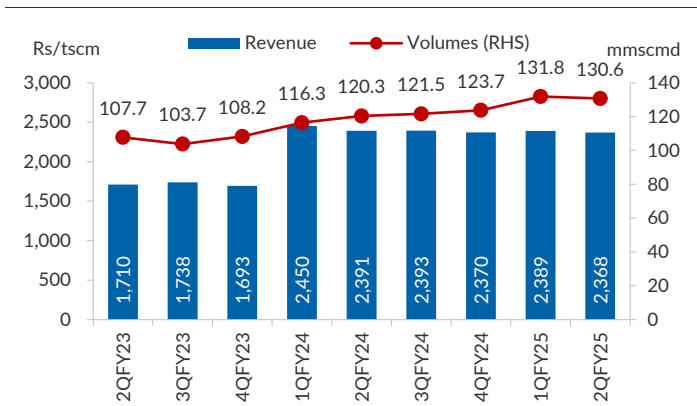
| Particulars (Rs mn)  | Q2 FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | y/y (%) | q/q (%) | H1FY24  | H1FY25  | y/y (%) |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue              | 318,068 | 342,365 | 323,177 | 336,738 | 329,117 | 3.5     | (2.3)   | 640,188 | 665,855 | 4.0     |
| Expenditure          | 283,155 | 304,139 | 287,599 | 291,457 | 291,668 | 3.0     | 0.1     | 580,949 | 583,125 | 0.4     |
| -Raw Material        | 260,360 | 277,664 | 259,349 | 269,943 | 267,301 | 2.7     | (1.0)   | 533,389 | 537,244 | 0.7     |
| -Staff Cost          | 4,932   | 4,943   | 6,227   | 5,191   | 5,209   | 5.6     | 0.3     | 9,832   | 10,399  | 5.8     |
| - Other Expenses     | 17,863  | 21,532  | 22,023  | 16,323  | 19,158  | 7.3     | 17.4    | 37,728  | 35,482  | (6.0)   |
| Operating Profit     | 34,913  | 38,226  | 35,578  | 45,281  | 37,450  | 7.3     | (17.3)  | 59,240  | 82,731  | 39.7    |
| OPM(%)               | 11.0    | 11.2    | 11.0    | 13.4    | 11.4    | 3.7     | (15.4)  | 9.3     | 12.4    | 317 bps |
| Other Income         | 5,609   | 8,121   | 6,376   | 3,716   | 7,135   | 27.2    | 92.0    | 8,285   | 10,851  | 31.0    |
| Depreciation         | 7,503   | 7,843   | 11,605  | 10,489  | 8,153   | 8.7     | (22.3)  | 13,860  | 18,642  | 34.5    |
| Interest             | 1,718   | 1,564   | 1,932   | 2,092   | 1,901   | 10.6    | (9.2)   | 3,477   | 3,993   | 14.8    |
| Excpnl Loss/(Profit) | -       | -       | -       | -       | -       | n.a.    | n.a.    | -       | -       | n.a.    |
| PBT                  | 31,301  | 36,940  | 28,418  | 36,416  | 34,531  | 10.3    | (5.2)   | 50,188  | 70,947  | 41.4    |
| Tax                  | 7,252   | 8,514   | 6,648   | 9,176   | 7,812   | 7.7     | (14.9)  | 12,019  | 16,988  | 41.3    |
| PAT                  | 24,049  | 28,426  | 21,770  | 27,240  | 26,719  | 11.1    | (1.9)   | 38,169  | 53,959  | 41.4    |
| Adj PAT              | 24,049  | 28,426  | 21,770  | 27,240  | 26,719  | 11.1    | (1.9)   | 38,169  | 53,959  | 41.4    |

## Exhibit 3: Operating highlights

| Particulars               | Q2 FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | y/y (%) | q/q (%) | H1FY24  | H1FY25  | y/y (%) |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Volumes                   |         |         |         |         |         |         |         |         |         |         |
| NG Transmission - mmscmd  | 120.3   | 121.5   | 123.7   | 131.8   | 130.6   | 8.6     | (0.9)   | 118.3   | 131.2   | 10.9    |
| LPG Transmission - mmt    | 1,114.0 | 1,095.0 | 1,114.0 | 1,065.0 | 1,124.0 | 0.9     | 5.5     | 2,187.0 | 2,189.0 | 0.1     |
| Gas Trading - mmscmd      | 97.0    | 98.1    | 99.9    | 99.5    | 96.6    | (0.4)   | (2.9)   | 97.9    | 98.0    | 0.1     |
| Petchem - tmt             | 168.0   | 215.0   | 242.0   | 169.0   | 226.0   | 34.5    | 33.7    | 330.0   | 395.0   | 19.7    |
| LPG & LHC -tmt            | 242.0   | 249.0   | 261.0   | 218.0   | 253.0   | 4.5     | 16.1    | 489.0   | 471.0   | (3.7)   |
| Gross Margin (Rs mn)      |         |         |         |         |         |         |         |         |         |         |
| NG Transmission           | 16,500  | 15,610  | 15,990  | 19,660  | 18,060  | 9.5     | (8.1)   | 30,010  | 37,720  | 25.7    |
| LPG Transmission          | 1,040   | 1,010   | 990     | 1,000   | 1,050   | 1.0     | 5.0     | 2,000   | 2,050   | 2.5     |
| Gas Trading               | 19,530  | 20,730  | 16,270  | 22,850  | 15,120  | (22.6)  | (33.8)  | 30,560  | 37,970  | 24.2    |
| Petchem                   | (380)   | 2,050   | 4,260   | 1,240   | 2,810   | (839.5) | 126.6   | (2,110) | 4,050   | (291.9) |
| LPG & LHC                 | 50      | 2,800   | 3,610   | 2,660   | 2,770   | 5,440.0 | 4.1     | 2,300   | 5,430   | 136.1   |
| Gross margin              |         |         |         |         |         |         |         |         |         |         |
| NG Transmission (Rs/tscm) | 1,491   | 1,396   | 1,421   | 1,639   | 1,503   | 0.8     | (8.3)   | 1,386   | 1,571   | 13.4    |
| LPG Transmission (Rs/ton) | 934     | 922     | 889     | 939     | 934     | 0.1     | (0.5)   | 914     | 937     | 2.4     |

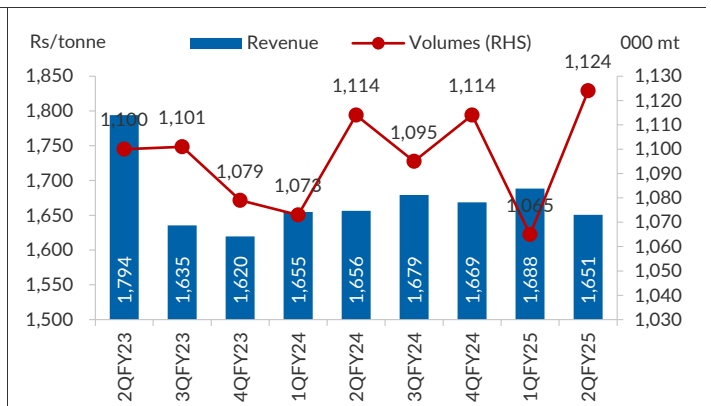
| Particulars                 | Q2 FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | y/y (%) | q/q (%) | H1FY24  | H1FY25 | y/y (%) |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|--------|---------|
| Gas Trading (Rs/tscm)       | 2,189   | 2,296   | 1,790   | 2,524   | 1,701   | (22.3)  | (32.6)  | 1,706   | 2,117  | 24.1    |
| Petchem (Rs/ton)            | (2,262) | 9,535   | 17,603  | 7,337   | 12,434  | (649.7) | 69.5    | (6,394) | 10,253 | (260.4) |
| LPG & LHC (Rs/ton)          | 207     | 11,245  | 13,831  | 12,202  | 10,949  | 5,199.1 | (10.3)  | 4,703   | 11,529 | 145.1   |
| <b>Realisation (Rs/ton)</b> |         |         |         |         |         |         |         |         |        |         |
| Petchem                     | 103,769 | 95,356  | 93,236  | 96,538  | 96,282  | (7.2)   | (0.3)   | 104,466 | 96,410 | (7.7)   |
| LPG & LHC                   | 42,749  | 52,063  | 54,632  | 53,695  | 51,236  | 19.9    | (4.6)   | 48,075  | 52,465 | 9.1     |
| <b>CGD (Rs mn)</b>          |         |         |         |         |         |         |         |         |        |         |
| Revenue                     | 29,686  | 33,891  | 30,902  | 32,292  | 34,125  | 15.0    | 5.7     | 53,725  | 66,417 | 23.6    |
| EBIT                        | 931     | 1,837   | 1,503   | 1,885   | 2,050   | 120.3   | 8.8     | 2,267   | 3,935  | 73.6    |
| Asset                       | 74,905  | 77,577  | 79,306  | 82,529  | 86,237  | 15.1    | 4.5     | 74,905  | 86,237 | 15.1    |
| Liabilities                 | 11,827  | 11,490  | 11,759  | 12,223  | 12,826  | 8.4     | 4.9     | 11,827  | 12,826 | 8.4     |

**Exhibit 4: NG Transmission Performance**



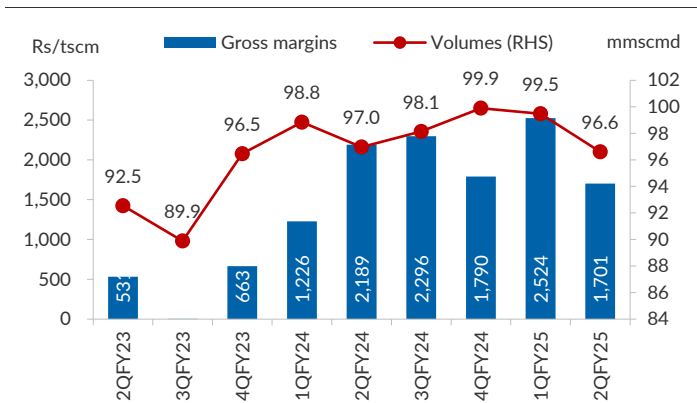
Source: Company, YES Sec

**Exhibit 5: LPG Transmission Performance**



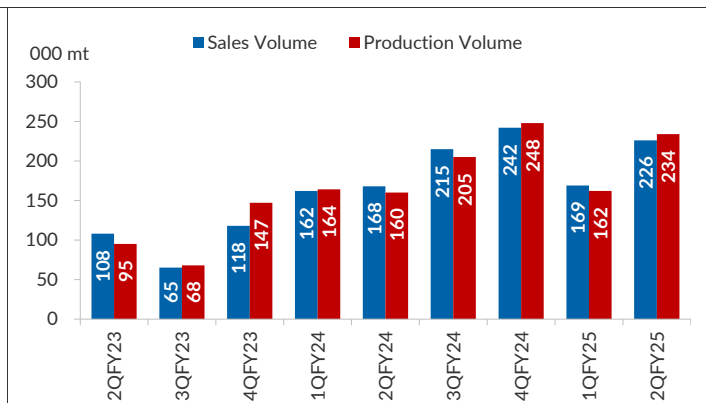
Source: Company, YES Sec

**Exhibit 6: Gas Trading Performance**



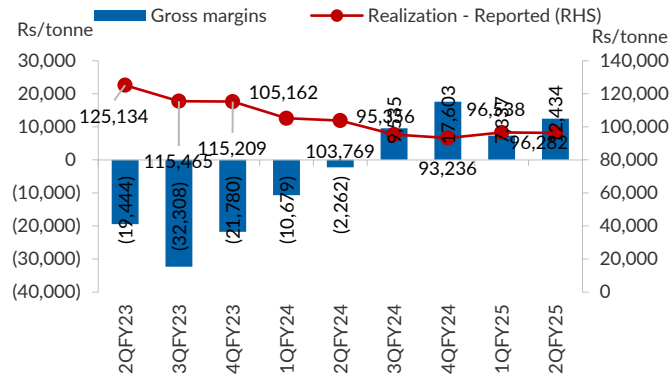
Source: Company, YES Sec

**Exhibit 7: Petchem Sales and Production Volume**



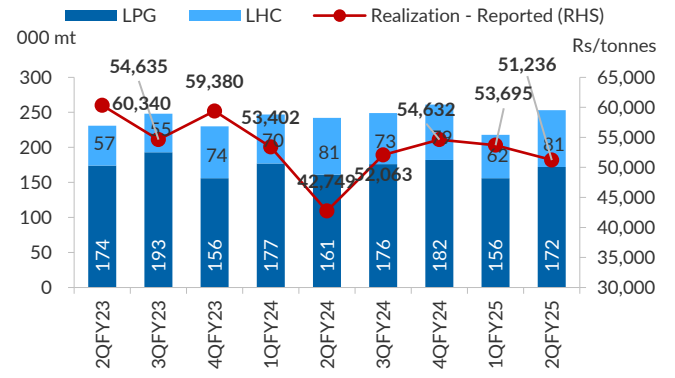
Source: Company, YES Sec

**Exhibit 8: Petchem Performance**



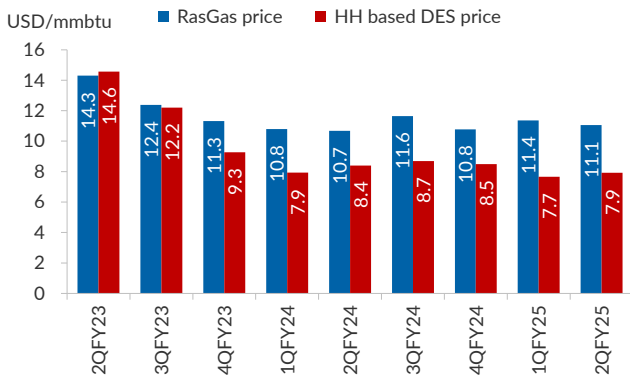
Source: Company, YES Sec

**Exhibit 9: LPG and LHC Performance**



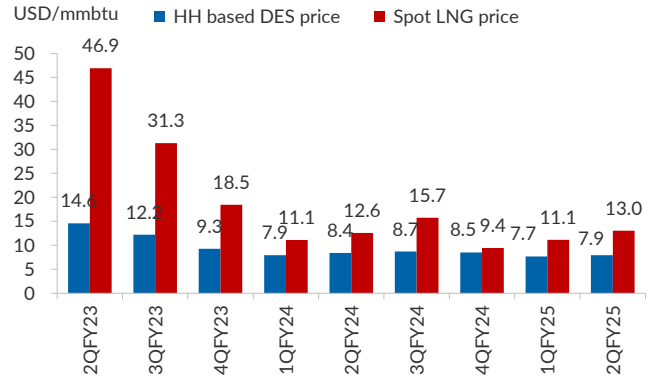
Source: Company, YES Sec

**Exhibit 10: RasGas price and HH based DES price**



Source: Company, YES Sec

**Exhibit 11: HH based DES price and Spot LNG price**



Source: Company, YES Sec

## CONCALL HIGHLIGHTS

- **Gas Transmission:** For FY25, gas transmission volume guidance stands at 130mmscmd, with a planned increase of 10-12mmscmd annually over the next 2-3 years. There has been an uptick in opex due to increased fuel consumption in compression, but as volumes increase, the current levels are expected to be maintained, with minimal fluctuations.
- **Gas Marketing:** Volume reduction primarily stemmed from lower gas consumption by the power sector, influenced by prolonged monsoon conditions and cooler temperatures. Q1 marketing volumes were higher by ~3mmscmd due to a favorable arbitrage between Henry Hub and crude-linked contracts, which narrowed in Q2, affecting margins. In Q1, GAIL sourced four cargoes, which also supported stronger margins than Q2, as upstream contracts operate on a nine-month average while downstream contracts use a three-month average. Guidance for marketing margin remains at more than Rs45bn for FY25, with Rs32.87bn (73% of the target) achieved in H1FY25.
- **Pipeline Projects:** Mumbai-Nagpur-Jharsuguda: Project in progress, expected completion by Jun'25; Jagdishpur-Haldia-Bokaro-Dhamra: 2,896km out of 3,289km completed, full completion expected by Mar'25; Kochi-Koottanad-Bangalore-Mangalore: 579km out of 901km completed; remaining section by Mar'25; Srikakulam-Angul: 421km pipeline set for completion by Jun'25; Gurdaspur-Jammu: 160km pipeline, targeted for Jul'26; Dhamra-Haldia: Of 253km, 154km is completed; remaining segment in West Bengal to be completed by Mar'25.
- **Petrochemical Performance:** Returned to profitability in H1FY25 with Rs1.16bn PBT, compared to a Rs4.61bn loss in H1FY24. For FY25, production at PATA is expected to reach its name plate capacity of 810tmt, which should sustain profitability.
- **Petrochemical Projects:** PDH-PP at Usar: 500ktpa capacity with a project cost of Rs112.66bn, aiming for mechanical completion by Apr'25 and commissioning by Oct'25, with 75% project progress to date; PP at PATA: 60ktpa capacity at a project cost of Rs12.99bn, with mechanical completion expected by Dec'24 and 91% of the project completed; GAIL Mangalore Petrochemicals: 1,250ktpa license capacity at a project cost of Rs42bn, with completion scheduled for Jun'25. Profitability is expected to start from FY27, with no profit anticipated in the initial year. The Usar PDH-PP project, conceived in FY19, is propane-based, providing a competitive advantage with steady correlation between propane input and polypropylene output. The polymer demand in India, growing at ~7% CAGR, supports the project's long-term viability.
- **Dabhol LNG Terminal:** The LNG terminal upgrades to full weather-proof (break water facility) status are on track for Feb'25, allowing full utilization by next monsoon.
- **City Gas Distribution:** Holding licenses for 72 out of a total of 307 cities/towns in India. They operate through their subsidiary GAIL Gas Ltd., Bengal Gas, TNGCL, and eight City Gas Distribution Joint Ventures. In Q2FY25, the direct CGD segment CNG stations has reached 194, DPNG customers with 3.48lkh connections. It aims to add 80 new CNG stations and 120,000 DPNG connections in next 2-years. GAIL Gas CNG stations reached 580 while DPNG connections were 10.3lkh.
- **APM Reduction Impact:** This quarter impact due to APM reduction is estimated at Rs160mn for GAIL Gas and Rs60mn for GAIL. Despite this, GAIL sees opportunities for increased LNG sourcing and marketing to offset the impact, driven by demand reallocation.
- **Long-Term Contracts:** GAIL sources 10-15% of LNG from the spot market, with recent cargo shortages due to spot price volatility and allocation rules in Q2. GAIL procured 1.53mtpa from two crude-linked sources, Vitol and ADNOC, both of which offer cheaper rates relative to existing contracts.
- **Capex:** A full-year capex guidance of Rs80-90bn and potential to reach Rs100bn. The second half is expected to see higher capex.

## GAIL (India) Ltd

- **Tariff Revision:** GAIL has submitted tariff petitions for its natural gas transmission, expecting approval by Mar'25, with the revised tariff effective from Apr'25.
- **Other Income:** GAIL earned Rs0.52bn from steam sales at Gandhar, Rs3.64bn in dividends, Rs1.63bn in interest from loans, and Rs0.51bn in interest from customer delays. BCPL's product sales and scrap sales also contributed.
- **One off Depreciation:** Q1FY25 saw Rs2.34bn in one-time depreciation, primarily due to annual maintenance at PATA (Rs0.41bn) and Hazira (Rs0.99bn), as well as the end-of-lease depreciation on one ship (Rs0.69bn).

## VIEW & VALUATION

### ADD with a TP of Rs 240/sh

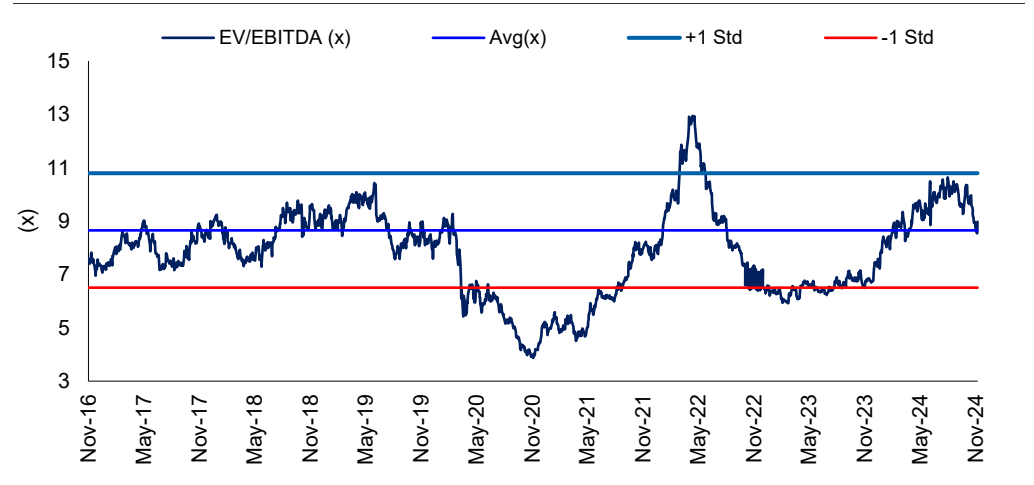
We note that the near-term outlook for gas transmission, trading and petchem has improved following the fall in spot LNG prices. Such lower prices could drive higher gas transmission and trading volumes and lead to lower operating costs.

We believe GAIL's EBITDA to record a 9% CAGR over FY24-27e led by a 12.3% CAGR in gas transmission EBITDA. The gas transmission business has bright prospects (currently contributing ~58% to EBITDA in FY27e, expected to increase further) while the commodity business is a little volatile. The stock recently corrected sharply, we maintain our rating of ADD with a revised TP of Rs240 (vs 272 earlier), valuing it on a sum-of-parts basis (core business at Rs208, 9.4x EV/EBITDA and investments at Rs32).

### Exhibit 12: SOTP Valuation table

| EV/EBITDA Based valuation                               |                |            |                  |            |
|---|----------------|------------|------------------|------------|
| Particulars   | FY27E          |            |                  |            |
|   | EBITDA         | (x)        | EV               |            |
| <b>Core Value</b>                                       |                |            |                  |            |
| Natural gas transmission                                | 95,268         | 10.0       | 952,680          | 145        |
| LPG Transmission  | 4,345          | 10.0       | 43,445           | 7          |
| Natural gas trading                                     | 54,951         | 8.5        | 467,087          | 71         |
| Petchem   | 5,821          | 6.0        | 34,924           | 5          |
| LPG & LHC   | 10,976         | 8.0        | 87,811           | 13         |
| Unallocated   | (7,000)        | 6.0        | (42,000)         | (6)        |
| <b>Standalone</b>                                       | <b>164,361</b> | <b>9.4</b> | <b>1,543,947</b> | <b>235</b> |
| <b>Net Debt</b>   |                |            | <b>175,695</b>   | <b>27</b>  |
| <b>Total Core value</b>                                 |                |            | <b>1,368,252</b> | <b>208</b> |
| <b>Value of investments</b>                             |                |            |                  |            |
| <b>Listed Investments</b>                               |                |            |                  |            |
| PLNG  | 61,875         | 30         | 43,313           | 7          |
| ONGC  | 83,219         | 30         | 58,253           | 9          |
| IGL   | 66,150         | 30         | 46,305           | 7          |
| China Gas   | 11,255         | 30         | 7,879            | 1          |
| MGL   | 43,660         | 30         | 30,562           | 5          |
| <b>Total value of listed investments @ 30% discount</b> | <b>266,159</b> | <b>30</b>  | <b>186,311</b>   | <b>28</b>  |
| <b>Unlisted Investments</b>                             |                |            |                  |            |
| Brahmaputra Cracker & Polymer Ltd (BCPL)                |                |            |                  | 2          |
| ONGC Petro-Additions Ltd (OPAL)                         |                |            |                  | 2          |
| Ramagundam Fertilizers                                  |                |            |                  | 0          |
| South East Asia Gas Pipeline Company                    |                |            |                  | 0          |
| <b>Total value of investments</b>                       |                |            |                  | <b>4</b>   |
| <b>Fair Value</b>                                       |                |            |                  | <b>240</b> |

**Exhibit 13: EV/EBITDA (x) band, one-year-forward**



Source: Company, YES Sec



## FINANCIALS

### Exhibit 14: Income statement

| Y/e 31 Mar (Rs mn)      | FY22           | FY23          | FY24           | FY25E          | FY26E          | FY27E          |
|-------------------------|----------------|---------------|----------------|----------------|----------------|----------------|
| Revenue                 | 916,265        | 1,442,497     | 1,305,731      | 1,233,396      | 1,250,542      | 1,324,190      |
| Total Expense           | 777,975        | 1,375,508     | 1,171,983      | 1,074,550      | 1,091,558      | 1,159,829      |
| <b>Operating Profit</b> | <b>138,290</b> | <b>66,989</b> | <b>133,747</b> | <b>158,846</b> | <b>158,984</b> | <b>164,361</b> |
| Other Income            | 20,469         | 26,847        | 22,079         | 24,287         | 25,744         | 27,289         |
| Depreciation            | 21,112         | 24,881        | 33,308         | 37,150         | 42,650         | 48,650         |
| EBIT                    | 137,647        | 68,955        | 122,518        | 145,983        | 142,078        | 143,000        |
| Interest                | 1,744          | 3,117         | 6,972          | 6,963          | 6,963          | 6,963          |
| Extraordinary Item      | -              | -             | -              | -              | -              | -              |
| <b>PBT</b>              | <b>135,903</b> | <b>65,838</b> | <b>115,546</b> | <b>139,020</b> | <b>135,115</b> | <b>136,037</b> |
| Tax                     | 32,263         | 12,823        | 27,181         | 33,601         | 32,657         | 32,880         |
| <b>PAT</b>              | <b>103,640</b> | <b>53,015</b> | <b>88,365</b>  | <b>105,419</b> | <b>102,458</b> | <b>103,157</b> |
| Adj. PAT                | 103,640        | 53,015        | 88,365         | 105,419        | 102,458        | 103,157        |
| Eps                     | 15.8           | 8.1           | 13.4           | 16.0           | 15.6           | 15.7           |

### Exhibit 15: Balance sheet

| Y/e 31 Mar (Rs mn)          | FY22           | FY23           | FY24           | FY25E          | FY26E            | FY27E            |
|-----------------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Equity capital              | 44,404         | 65,751         | 65,751         | 65,751         | 65,751           | 65,751           |
| Reserves                    | 511,464        | 490,786        | 576,043        | 638,724        | 698,444          | 758,862          |
| <b>Net worth</b>            | <b>555,868</b> | <b>556,537</b> | <b>641,794</b> | <b>704,475</b> | <b>764,195</b>   | <b>824,613</b>   |
| Debt                        | 76,558         | 157,295        | 192,105        | 192,105        | 192,105          | 192,105          |
| Deferred tax liab (net)     | 47,673         | 46,628         | 49,558         | 49,558         | 49,558           | 49,558           |
| <b>Capital Employed</b>     | <b>680,098</b> | <b>760,460</b> | <b>883,456</b> | <b>946,138</b> | <b>1,005,857</b> | <b>1,066,276</b> |
| Fixed assets                | 528,523        | 579,698        | 648,185        | 726,035        | 773,385          | 824,735          |
| Investments                 | 121,209        | 127,888        | 175,139        | 175,139        | 175,139          | 175,139          |
| Net working capital         | 30,366         | 52,874         | 60,133         | 44,964         | 57,333           | 66,402           |
| Inventories                 | 30,152         | 52,813         | 52,911         | 47,308         | 47,966           | 50,791           |
| Sundry debtors              | 73,164         | 103,663        | 96,091         | 87,906         | 89,299           | 95,539           |
| Cash & Bank Balance         | 20,850         | 4,020          | 7,032          | 2,666          | 13,878           | 17,715           |
| Other current assets        | 89,507         | 93,235         | 115,926        | 115,926        | 115,926          | 115,926          |
| Sundry creditors            | 54,660         | 72,992         | 67,189         | 64,204         | 65,097           | 68,930           |
| Other liabilities           | 128,647        | 127,864        | 144,639        | 144,639        | 144,639          | 144,639          |
| <b>Application of Funds</b> | <b>680,098</b> | <b>760,460</b> | <b>883,456</b> | <b>946,138</b> | <b>1,005,857</b> | <b>1,066,276</b> |

## Exhibit 16: Cash flow statement

| Y/e 31 Mar (Rs mn)                         | FY22            | FY23            | FY24            | FY25E            | FY26E           | FY27E            |
|--|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| PBT  | 135,903         | 65,838          | 115,546         | 139,020          | 135,115         | 136,037          |
| Depreciation & amortization                | 21,112          | 24,881          | 33,308          | 37,150           | 42,650          | 48,650           |
| Interest expense                           | 1,744           | 3,117           | 6,972           | 6,963            | 6,963           | 6,963            |
| (Inc)/Dec in working capital               | (14,723)        | (21,437)        | (18,828)        | -                | -               | -                |
| Tax paid                                   | (30,198)        | (30,932)        | 5,548           | 10,802           | (1,157)         | (5,232)          |
| Less: Interest/Dividend Income Received    | (31,960)        | (15,178)        | (27,982)        | (33,601)         | (32,657)        | (32,880)         |
| Other operating Cash Flow                  | 5,662           | 1,791           | 3,918           | -                | -               | -                |
| <b>Cash flow from operating activities</b> | <b>87,540</b>   | <b>28,080</b>   | <b>118,482</b>  | <b>160,334</b>   | <b>150,913</b>  | <b>153,538</b>   |
| Capital expenditure                        | (59,511)        | (74,191)        | (70,513)        | (115,000)        | (90,000)        | (100,000)        |
| Inc/(Dec) in investments                   | 12,965          | 18,047          | 14,982          | -                | -               | -                |
| Add: Interest/Dividend Income Received     | 2,417           | (9,390)         | (24,493)        | -                | -               | -                |
| <b>Cash flow from investing activities</b> | <b>(44,130)</b> | <b>(65,533)</b> | <b>(80,024)</b> | <b>(115,000)</b> | <b>(90,000)</b> | <b>(100,000)</b> |
| Inc/(Dec) in share capital                 | -               | -               | -               | -                | -               | -                |
| Inc/(Dec) in debt                          | 1,570           | 76,050          | 13,889          | -                | -               | -                |
| Interest Paid                              | (3,485)         | (6,567)         | (12,003)        | (6,963)          | (6,963)         | (6,963)          |
| Dividend Paid                              | (39,943)        | (30,679)        | (36,195)        | (42,738)         | (42,738)        | (42,738)         |
| Others                                     | -               | (13,289)        | -               | -                | -               | -                |
| <b>Cash flow from financing activities</b> | <b>(41,857)</b> | <b>25,515</b>   | <b>(34,310)</b> | <b>(49,701)</b>  | <b>(49,701)</b> | <b>(49,701)</b>  |
| <b>Net cash flow</b>                       | <b>1,553</b>    | <b>(11,938)</b> | <b>4,148</b>    | <b>(4,367)</b>   | <b>11,212</b>   | <b>3,837</b>     |

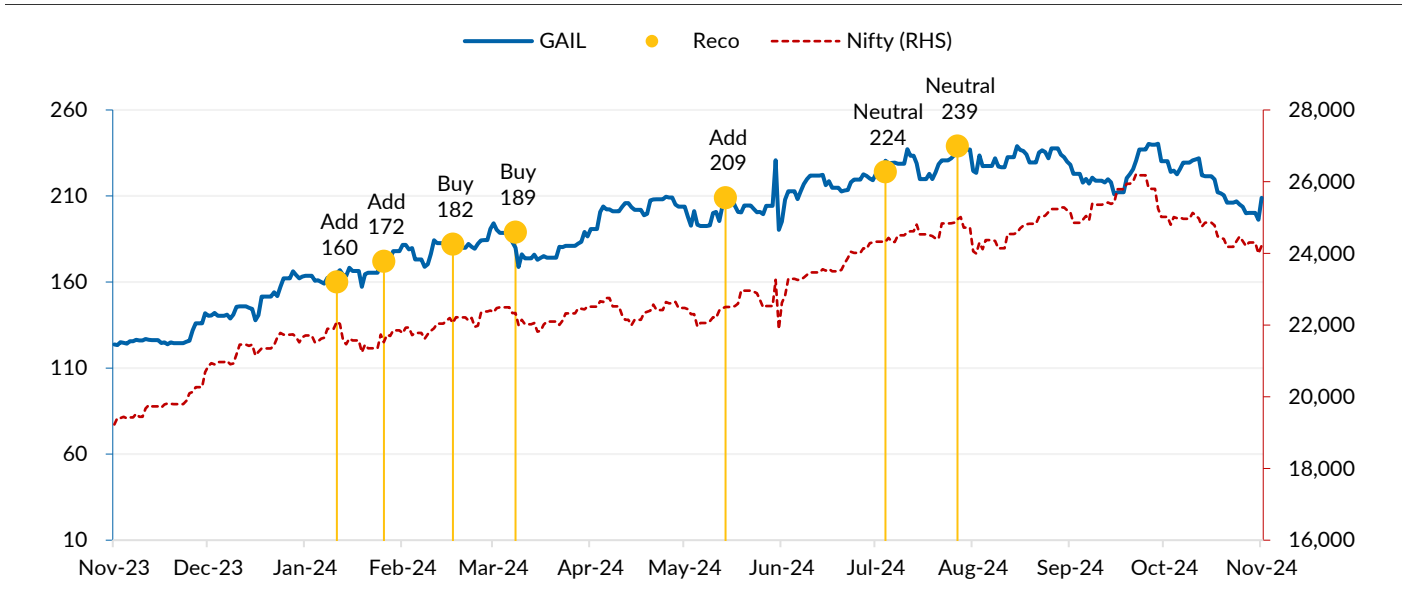
## Exhibit 17: Du-pont analysis

| Y/e 31 Mar (Rs mn)     | FY22        | FY23       | FY24        | FY25E       | FY26E       | FY27E       |
|------------------------|-------------|------------|-------------|-------------|-------------|-------------|
| Tax burden (x)         | 0.8         | 0.8        | 0.8         | 0.8         | 0.8         | 0.8         |
| Interest burden (x)    | 1.0         | 1.0        | 0.9         | 1.0         | 1.0         | 1.0         |
| EBIT margin (x)        | 0.2         | 0.0        | 0.1         | 0.1         | 0.1         | 0.1         |
| Asset turnover (x)     | 1.1         | 1.6        | 1.3         | 1.1         | 1.1         | 1.1         |
| Financial leverage (x) | 1.6         | 1.6        | 1.7         | 1.7         | 1.6         | 1.6         |
| <b>RoE (%)</b>         | <b>20.3</b> | <b>9.5</b> | <b>14.7</b> | <b>15.7</b> | <b>14.0</b> | <b>13.0</b> |

## Exhibit 18: Ratio analysis

| Y/e 31 Mar                      | FY22  | FY23   | FY24  | FY25E | FY26E | FY27E |
|---------------------------------|-------|--------|-------|-------|-------|-------|
| <b>Growth matrix (%)</b>        |       |        |       |       |       |       |
| Revenue growth                  | 61.5  | 57.4   | (9.5) | (5.5) | 1.4   | 5.9   |
| Op profit growth                | 114.6 | (51.6) | 99.7  | 18.8  | 0.1   | 3.4   |
| EBIT growth                     | 110.4 | (49.9) | 77.7  | 19.2  | (2.7) | 0.6   |
| Net profit growth               | 111.9 | (48.8) | 66.7  | 19.3  | (2.8) | 0.7   |
| <b>Profitability ratios (%)</b> |       |        |       |       |       |       |
| OPM                             | 15.1  | 4.6    | 10.2  | 12.9  | 12.7  | 12.4  |
| EBIT margin                     | 15.0  | 4.8    | 9.4   | 11.8  | 11.4  | 10.8  |
| Net profit margin               | 11.3  | 3.7    | 6.8   | 8.5   | 8.2   | 7.8   |
| RoCE                            | 22.0  | 9.6    | 14.9  | 16.0  | 14.6  | 13.8  |
| RoE                             | 20.3  | 9.5    | 14.7  | 15.7  | 14.0  | 13.0  |
| RoA                             | 13.0  | 5.8    | 8.6   | 9.4   | 8.6   | 8.3   |
| <b>Per share ratios</b>         |       |        |       |       |       |       |
| EPS                             | 15.8  | 8.1    | 13.4  | 16.0  | 15.6  | 15.7  |
| Dividend per share              | 6.1   | 4.0    | 5.5   | 6.5   | 6.5   | 6.5   |
| Cash EPS                        | 19.0  | 11.8   | 18.5  | 21.7  | 22.1  | 23.1  |
| Book value per share            | 84.5  | 84.6   | 97.6  | 107.1 | 116.2 | 125.4 |
| <b>Valuation ratios</b>         |       |        |       |       |       |       |
| P/E                             | 6.6   | 13.0   | 15.6  | 13.0  | 13.4  | 13.3  |
| P/CEPS                          | 5.5   | 8.9    | 11.3  | 9.6   | 9.5   | 9.1   |
| P/B                             | 1.2   | 1.2    | 2.1   | 2.0   | 1.8   | 1.7   |
| EV/EBIDTA                       | 5.3   | 12.6   | 11.7  | 9.8   | 9.8   | 9.4   |
| <b>Payout (%)</b>               |       |        |       |       |       |       |
| Dividend payout                 | 38.6  | 49.6   | 40.9  | 40.5  | 41.7  | 41.4  |
| Tax payout                      | 23.7  | 19.5   | 23.5  | 24.2  | 24.2  | 24.2  |
| <b>Liquidity ratios</b>         |       |        |       |       |       |       |
| Debtor days                     | 29.1  | 26.2   | 26.9  | 26.0  | 26.1  | 26.3  |
| Inventory days                  | 14.3  | 11.0   | 16.5  | 17.0  | 15.9  | 15.5  |
| Creditor days                   | 23.0  | 16.9   | 21.8  | 22.3  | 21.6  | 21.1  |

## Recommendation Tracker



## STANDARD DISCLAIMER:

YES Securities (India) Limited, Registered Address: 2<sup>nd</sup> Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | Correspondence Add: 7<sup>th</sup> Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: [www.yesinvest.in](http://www.yesinvest.in) | Email: [customer.service@ysil.in](mailto:customer.service@ysil.in)

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) and YES Wealth Maximiser AIF (Cat III AIF) SEBI Registration No.: IN/AIF3/20- 21/0818 | AMFI ARN Code - 94338

Details of Compliance Officer: Aditya Goenka | Email: [compliance@ysil.in](mailto:compliance@ysil.in) / Contact No.: 022-65078127 | Grievances Redressal Cell: [customer.service@ysil.in](mailto:customer.service@ysil.in) / [igc@ysil.in](mailto:igc@ysil.in)

**Standard Disclaimer:** Investment in securities market are subject to market risks; read all the related documents carefully before investing. Above representation provides an overview related to our past performance neither does it provide any guarantee of future performance, nor we are ensuring any guaranteed returns. Actual Client returns may vary depending upon time premium, volatility Index, intrinsic value of the script, open interest, other geopolitical conditions and choice of the customer to execute the recommendation in full or part. All recommendations are published under Research Analyst License of YES Securities (India) Limited (YSIL); execution of the recommendation is at complete discretion of customer without any intervention by the research publisher.

Contents which are exclusively for Non-Broking Products/Services e.g. Mutual Fund, Mutual Fund-SIP, Research reports, Insurance, etc. where the YSIL is just a distributor. These are not Exchange traded product and the YSIL is just acting as distributor. Kindly note that all disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

YSIL is a wholly owned subsidiary of YES Bank Limited. Savings, Current, PIS and Demat Account are offered by YES Bank Limited. Please note Brokerage would not exceed the SEBI prescribed limit. YSIL also acts in the capacity of distributor for Products such as IPOs, Mutual Funds, Mutual Fund-SIPs, NCD/Bonds, etc., All disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

Margin Trading Funding (MTF) is an exchange approved product offered to YSIL trading account holders, as per the regulation and guideline of SEBI Circular: CIR/MRD/DP/54/2017 dated June 13, 2017. For product specification, T&C, rights and obligations statement issued by the YSIL visit [https://yesinvest.in/standard\\_documents\\_policies](https://yesinvest.in/standard_documents_policies)

## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSIL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSIL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that Price of each of the securities or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. YES Securities (India) Limited conforms with the rules and regulations enumerated in the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 as amended from time to time.

Technical analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSIL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed 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, regulation or which would subject YSIL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through Rule 15a-6 under the Securities Exchange Act of 1934 (the "Exchange Act")<sup>[1]</sup> and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This research report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s), the authors of this research report. YES Securities (India) Limited is the concerned representatives (employees) of YES Securities (India) Limited, are responsible for the content of this research report including but not limited to any material conflict of interest of YES Securities (India) Limited in relation the issuer(s) or securities as listed in this research report. This YES Securities (India) Limited research report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ 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 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. As per SEC Rule 15a-6, the U.S. broker-dealer must accompany any third party research report it distributes with, or provide a web address that directs a recipient to, disclosure of any material conflict of interest that can reasonably be expected to have influenced the choice of a third-party research report provider or the subject company of a third-party research.

FINRA Rules 2241 and 2242, which govern the conduct of research analysts and the content of equity and debt research reports, respectively, apply to all research distributed by a FINRA member firm, including research prepared by a foreign broker-dealer under Rule 15a-6.

- Research reports prepared by a foreign broker-dealer and distributed by a U.S. broker-dealer are deemed to be third party research reports, as reports produced by a person other than a FINRA member.
- Prior to distributing any third party research, a U.S. broker-dealer must assure that such report contains the required disclosures under FINRA Rule 2241(h) or 2242(g)(3), as applicable.

This report is intended for distribution by YES Securities (India) Limited only 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). As per Rule 15a-6(b)(4) of the Exchange Act, 1934, "Major U.S. institutional investor" means a U.S. institutional investor with assets, or assets under management, in excess of US\$100 million, or a registered investment adviser with assets under management in excess of US\$100 million. 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 or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

---

<sup>[1]</sup> Rule 15a-6 under the Securities Exchange Act of 1934 provides conditional exemptions from broker-dealer registration for foreign broker-dealers that engage in certain specified activities involving U.S. investors. These activities include:

- (a) Effecting unsolicited securities transactions;
- (b) Providing research reports to major U.S. institutional investors, and effecting transactions in the subject securities with or for those investors;
- (c) Soliciting and effecting transactions with or for U.S. institutional investors or major U.S. institutional investors through a "chaperoning broker-dealer"; and
- (d) Soliciting and effecting transactions with or for registered broker-dealers, banks<sup>3</sup> acting in a broker or dealer capacity, certain international organizations, foreign persons temporarily present in the U.S., U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Harshraj Aggarwal

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

| Sr. No. | Particulars  | Yes/No |
|---------|--|--------|
| 1       | Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)  | No     |
| 2       | Research Analyst or his/her relative or YSIL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the research report | No     |
| 3       | Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report   | No     |
| 4       | Research Analyst has served as an officer, director or employee of the subject company(ies)  | No     |
| 5       | YSIL has received any compensation from the subject company in the past twelve months  | No     |
| 6       | YSIL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months   | No     |
| 7       | YSIL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months                                       | No     |
| 8       | YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report  | No     |
| 9       | YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months   | No     |
| 10      | Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)   | No     |

Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

Analyst signature

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a wholly owned subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.