

We downgrade Gujarat Gas Limited (GGL) to SELL from Reduce, with an unchanged Dec-24E DCF-based TP of Rs440 primarily due to uncertain Morbi volume outlook and volatile margin profile amid expensive valuations (trading at ~27x Dec-25E EPS vs. peers at ~15x). GGL reported a 20% miss in Q3FY24 EBITDA of Rs4bn due to 6% lower-than-expected volumes at 9.2mmscmd (down 2% QoQ). Morbi volumes fell 7% QoQ to 3.7mmscmd. EBITDA/scm fell 18% QoQ to Rs4.8 (15% miss). Mgmt. indicated current Morbi volumes are at ~3.7mmscmd and Red Sea crisis has impacted ceramic exports. EBITDA/scm guidance is unchanged at Rs4.5-5.5, while FY25 volume growth is targeted at ~10%, driven by 15% CNG growth, with capex of Rs10bn (lower due to the new full DODO scheme). Our FY24-26E earnings are slightly cut by 1-3% each.

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

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	164,562	167,594	154,017	172,231	191,389
EBITDA	20,763	23,920	20,080	21,742	24,115
Adj. PAT	12,946	15,255	12,046	13,552	15,305
Adj. EPS (Rs)	18.8	22.2	17.5	19.7	22.2
EBITDA margin (%)	12.6	14.3	13.0	12.6	12.6
EBITDA growth (%)	(0.4)	15.2	(16.1)	8.3	10.9
Adj. EPS growth (%)	1.4	18.7	(21.0)	12.5	12.9
RoE (%)	25.8	24.2	16.2	16.3	16.4
RoIC (%)	22.8	24.1	17.7	17.9	18.6
P/E (x)	30.9	26.2	33.2	29.5	26.1
EV/EBITDA (x)	19.6	16.5	19.4	17.7	15.7
P/B (x)	7.1	5.7	5.1	4.6	4.1
FCFF yield (%)	0.7	3.3	1.9	1.9	2.4

Source: Company, Emkay Research

**Result Highlights**

PAT fell 26% QoQ and 41% YoY to Rs2.2bn (27% miss) in Q3FY24. IPNG volumes fell 6% QoQ to 5.5mmscmd (up 37% YoY on a low base). Non-Morbi volumes were range-bound. CNG volume was up 14% YoY/6% QoQ at 2.78mmscmd, while domestic PNG was up 6% YoY/1% QoQ to 0.71mmscmd. Gross margin fell 9% QoQ to Rs8.4/scm. Employee costs fell 1% YoY/5% QoQ to Rs481mn, while other expenditure grew 14% YoY/5% QoQ to Rs2.57bn. Opex/scm rose 5% QoQ to Rs3.6 vs. Rs3.4 estimated by us (down 11% YoY). Other income fell 28% YoY to Rs230mn (down 23% QoQ). GGL added 38,000 DPNG connections, 197 commercial customers, and 69 industrial customers (volume of 116mmscmd) in Q3. 11 CNG stations were added in Q3, taking the total CNG station base to 817 stations as of Dec'23-end.

**Management takeaways**

Current Morbi volumes are at ~3.7mmscmd vs. the overall potential of 8-8.5mmscmd. There was a slowdown in non-Morbi volumes in Q3FY24 due to alternate fuel economics. GGL expects 1-1.2mmscmd of incremental CNG volumes in two years. Capex target for FY25E is ~Rs10bn; while that for 9MFY24 was >Rs6bn. Management has revised its capex downwards due to the shift to the full DODO model (>200 CNG stations in two years) for CNG network expansion. Rural Ahmedabad has a total demand potential of 0.5mmscmd across segments, while 1-1.5mmscmd demand could come from industrial clusters of Surat, Bharuch, and Ankleshwar. GGL has recently contracted 0.5mmscmd of domestic gas for four years to meet priority needs. Out of 4.5mmscmd term contracts, 3.3mmscmd would expire by mid-CY25. GGL received PNGRB approval for 8% green hydrogen blending in the pilot at NTPC Hazira. Spot LNG exposure is sub-2mmscmd.

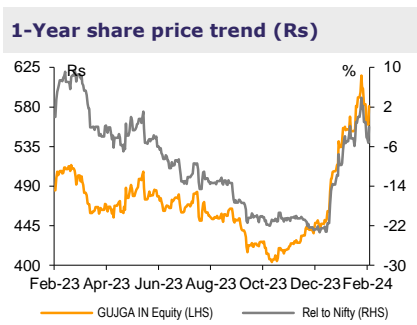
**Valuation**

We value GGL using the DCF method. Our TP implies a 20.4x Dec-25E target P/E. We roll over to Dec-25E and cut FY24-26E EPS by 1-3% each on slightly lower volumes. Key risks: Adverse oil-gas prices, currency, regulations, competition, and operational issues.

Target Price – 12M	Dec-24
<b>Change in TP (%)</b>	-
Current Reco.	SELL
Previous Reco.	REDUCE
Upside/(Downside) (%)	(24.3)
CMP (15-Feb-24) (Rs)	580.9

Stock Data	Ticker
52-week High (Rs)	621
52-week Low (Rs)	397
Shares outstanding (mn)	688.4
Market-cap (Rs bn)	400
Market-cap (USD mn)	4,815
Net-debt, FY24E (Rs mn)	-9,864
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	816.5
ADTV-3M (USD mn)	9.8
Free float (%)	25.0
Nifty-50	21,911
INR/USD	83.0
<b>Shareholding, Dec-23</b>	
Promoters (%)	60.9
FPIs/MFs (%)	3.3/14.0

Price Performance			
(%)	1M	3M	12M
Absolute	7.2	37.7	20.2
Rel. to Nifty	8.2	23.6	(1.2)



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## Exhibit 1: Actuals vs. Estimates (Q3FY24)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	39,291	43,056	40,400	-9%	-3%	Lower volumes and realizations
Adjusted EBITDA	4,007	5,019	4,664	-20%	-14%	Lower margins and volumes
EBITDA Margin (%)	10.2%	11.7%	11.5%	-146bps	-135bps	
Adjusted Net Profit	2,203	3,038	2,705	-27%	-19%	Lower other income and higher ETR

Source: Company, Emkay Research

## Exhibit 2: Quarterly Summary

Rs mn	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY	QoQ	9MFY23	9MFY24	YoY
Total Revenue	36,843	39,286	37,815	38,454	39,291	7%	2%	128,308	115,560	-10%
Dec./(Inc.) in Stock In Trade	-32	16	14	-11	-17			-44	-15	
Raw-Material Cost	28,313	30,781	30,931	30,546	32,248	14%	6%	101,981	93,725	-8%
Purchases	-	-	-	-	-			-	-	
Total COGS	28,280	30,797	30,945	30,535	32,230	14%	6%	101,937	93,710	-8%
<b>Adjusted Gross Profit</b>	<b>8,563</b>	<b>8,489</b>	<b>6,870</b>	<b>7,919</b>	<b>7,061</b>	<b>-18%</b>	<b>-11%</b>	<b>26,371</b>	<b>21,850</b>	<b>-17%</b>
Employee Cost	486	495	520	507	481	-1%	-5%	1,461	1,508	3%
Other Expenses	2,253	2,391	2,470	2,446	2,573	14%	5%	6,593	7,489	14%
OPEX	2,739	2,886	2,990	2,953	3,054	11%	3%	8,054	8,997	12%
<b>Adjusted EBITDA</b>	<b>5,823</b>	<b>5,603</b>	<b>3,880</b>	<b>4,966</b>	<b>4,007</b>	<b>-31%</b>	<b>-19%</b>	<b>18,317</b>	<b>12,853</b>	<b>-30%</b>
Depreciation	1,093	1,094	1,151	1,179	1,201	10%	2%	3,188	3,531	11%
EBIT	4,731	4,509	2,729	3,787	2,806	-41%	-26%	15,128	9,322	-38%
Interest Cost	76	61	74	78	72	-6%	-8%	343	224	-35%
Other Income	320	318	239	298	230	-28%	-23%	695	767	10%
PBT Before Exceptional Items	4,974	4,766	2,894	4,007	2,964	-40%	-26%	15,480	9,865	-36%
Exceptional Items	-	-	-	-	-			-	-	
PBT	4,974	4,766	2,894	4,007	2,964	-40%	-26%	15,480	9,865	-36%
Current Tax	1,208	898	647	925	586	-51%	-37%	3,736	2,158	-42%
Deferred Tax	54	176	96	104	175	225%	68%	182	375	106%
Total Tax	1,261	1,074	743	1,029	761	-40%	-26%	3,918	2,533	-35%
<b>Reported PAT</b>	<b>3,713</b>	<b>3,692</b>	<b>2,151</b>	<b>2,978</b>	<b>2,203</b>	<b>-41%</b>	<b>-26%</b>	<b>11,563</b>	<b>7,332</b>	<b>-37%</b>
Reported EPS (Rs)	5.4	5.4	3.1	4.3	3.2	-41%	-26%	16.8	10.7	-37%
Adjusted PAT	3,713	3,692	2,151	2,978	2,203	-41%	-26%	11,563	7,332	-37%
Adjusted EPS (Rs)	5.4	5.4	3.1	4.3	3.2	-41%	-26%	16.8	10.7	-37%
Shares O/S (mn)	688	688	688	688	688	0%	0%	688	688	0%
EBITDA Margin	16%	14%	10%	13%	10%			14%	11%	
NPM	10%	9%	6%	8%	6%			9%	6%	
Effective Tax Rate	25%	23%	26%	26%	26%			25%	26%	
<b>Sales Volume (mmscmd)</b>	<b>7.3</b>	<b>8.9</b>	<b>9.2</b>	<b>9.3</b>	<b>9.2</b>	<b>26%</b>	<b>-2%</b>	<b>8.2</b>	<b>9.2</b>	<b>12%</b>
Industrial PNG	4.1	5.4	5.9	5.9	5.5	37%	-6%	5.0	5.8	14%
Commercial PNG	0.1	0.1	0.1	0.1	0.1	0%	0%	0.1	0.1	0%
Domestic PNG	0.7	0.8	0.6	0.7	0.7	6%	1%	0.6	0.7	5%
CNG	2.4	2.5	2.6	2.6	2.8	14%	6%	2.4	2.7	11%
Average Realisation (Rs./scm)	54.9	49.3	45.1	44.8	46.6	-15%	4%	56.8	45.5	-20%
<b>Gross Margin (Rs./scm)</b>	<b>12.8</b>	<b>10.6</b>	<b>8.2</b>	<b>9.2</b>	<b>8.4</b>	<b>-34%</b>	<b>-9%</b>	<b>11.7</b>	<b>8.6</b>	<b>-26%</b>
Opex (Rs./scm)	4.1	3.6	3.6	3.4	3.6	-11%	5%	3.6	3.5	-1%
<b>EBITDA/scm (Rs.)</b>	<b>8.7</b>	<b>7.0</b>	<b>4.6</b>	<b>5.8</b>	<b>4.8</b>	<b>-45%</b>	<b>-18%</b>	<b>8.1</b>	<b>5.1</b>	<b>-38%</b>

Source: Company, Emkay Research; Note: Some numbers may not fully match with annual tables due to different adjustment methods in the detailed Emkay annual model, averaging discrepancies, and past revisions.

## Concall Highlights

- GGL has CGD authorization in 27 GAs and operates/services 817 CNG stations (~0.39mn vehicles/day), 2.064mn DPNG connections, 14,900/4,350+ commercial/industrial customers, and a pipeline network of more than 38,100km as on 31-12-23. The company estimates 75,000 vehicle conversions in 9MFY24 while pegging the total vehicle population at ~1mn in its GAs.
- Morbi volumes in Q3FY24 stood at 3.65mmcmd, while current volumes at Morbi are ~3.7mmcmd. Overall, Morbi demand (potential) is pegged at 8-8.5mmcmd. Current propane/IPNG prices in Morbi are at Rs43/45 per scm. There was a slowdown in non-Morbi volumes in Q3FY24 due to alternate fuel economics. The Red Sea crisis has impacted ceramic exports from India and, thereby, volumes have seen some dip.
- Management estimates FY25E overall volume growth of 10% YoY mainly driven by CNG (15-20% y-o-y) and DPNG/CPNG. Management has refrained from guiding on IPNG volumes. GGL expects 1-1.2mmcmd of incremental CNG volumes in two years. It has also guided on a long-term EBITDA margin of Rs4.5-5.5/scm and plans to keep a balance between volume and margins going ahead.
- GGL's capex target for FY25E is ~Rs10bn, while the capex incurred in 9MFY24 was >Rs6bn. Management has revised the capex run-rate downwards due to the shift to the full DODO model for CNG network expansion. Going ahead, 50% of GGL's capex would be in steel and PE pipelines besides upgradation-related capex. 60% of GGL's capex would be invested in its newer GAs.
- GGL is optimistic about CNG demand in its GAs with new CNG models (four OEMs), infrastructure improvement, and lower prices. Management expects CNG penetration among vehicles to grow from 11% in 2023 to 18% by 2027 and CNG will become the second most preferred fuel by then; while GGL currently has 14% of the total CNG stations' share in India.
- The company has launched a full DODO scheme recently for setting up more than 200 CNG stations in two years in its GAs to expedite network expansion. EOI submission for this scheme ended on 31-Jan-24 in Gujarat, while it ends on 29-Feb-24 in other states. GGL has received 700 online applications and traction is healthy.
- GGL sells IPNG in non-Morbi areas at a premium of Rs1.8/scm to Morbi prices. Management estimates growth in non-Morbi as it is setting up infrastructure; while it has received APTEL order for rural Ahmedabad in Jan-24 and volumes would be scaled up here. Besides this, industrial demand from Thane, Silvassa, Vapi, etc. would gradually improve going ahead, led by ceramic, chemicals, pharma, and other manufacturing sectors on account of better connectivity.
- Rural Ahmedabad has a total demand potential of 0.5mmcmd across all segments and it would be scaled up soon. 1-1.5mmcmd demand could come from industrial clusters of Surat, Bharuch, and Ankleshwar, subject to alternate fuel pricing.
- Management stated that propane and IPNG are at par in Morbi and the company would evaluate IPNG price cuts while balancing volume growth. The company said that propane forwards are slightly on the higher side at present; while it estimates spot LNG to decline amid stable alternate fuel prices.
- GGL's priority volumes comprise 80% APM and the balance 20% is HP-HT gas; while industrial volumes are catered through 70% term LNG and spot exposure is ~30% (sub-2mmcmd). GGL has recently contracted 0.5mmcmd of domestic gas for four years and this would be used to meet the priority sector's requirements.
- GGL's total long-term contracts currently are for 4.5mmcmd (including 0.5mmcmd recently contracted). Its LNG contracts are through GSPC for both long-term and spot needs. ~3.3mmcmd of term contracts would expire in mid-2025.
- The company has received PNGRB approval for 8% green hydrogen blending (vs. 5% earlier) in its pilot project at NTPC Hazira; while it is also adding biogas to its network in Jalore and Sirohi etc.
- GGL highlighted its MOU with HPCL for DODO outlets and the sale of lubricants and liquid fuels at GGL's outlets. The company has also signed an MOU with FEV Germany for hydrogen and CBG in the transport sector besides undertaking digital transformation as well. Management maintains its stable dividend payout policy of ~30% subject to cash flows, capex, etc.

**Exhibit 3: Change in assumptions**

	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
EBITDA/scm (Rs)	5.8	5.9	2%	5.9	5.8	-1%	6.0	5.9	-1%
Volumes (mmscmd)	9.5	9.3	-2%	10.4	10.2	-2%	11.3	11.1	-2%
Growth	13%	11%	-200bps	10%	10%	0bps	9%	9%	-0bps

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY24E			FY25E			FY26E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	156,775	154,017	-2%	175,317	172,231	-2%	194,820	191,389	-2%
EBITDA	19,974	20,080	1%	22,367	21,742	-3%	24,803	24,115	-3%
EBITDA Margins	12.7%	13.0%	30bps	12.8%	12.6%	-13bps	12.7%	12.6%	-13bps
PAT	12,174	12,046	-1%	14,020	13,552	-3%	15,820	15,305	-3%
EPS (Rs)	17.7	17.5	-1%	20.4	19.7	-3%	23.0	22.2	-3%

Source: Company, Emkay Research

**Exhibit 5: DCF-based valuation (Dec-24E)**

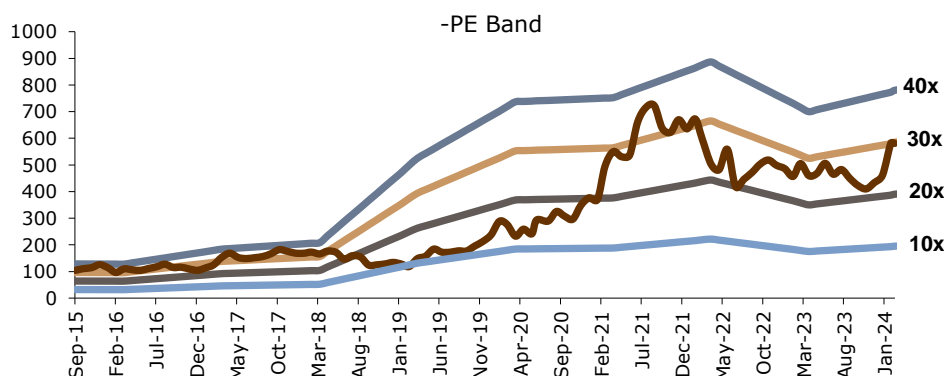
DCF Assumptions	Dec-25E (Rs mn)		
Risk-Free Rate	7.0%	NPV Of FCF	137,598
Risk Premium	5.3%	Terminal Value	503,088
Beta	0.7	PV Of TV	147,687
Cost Of Equity	10.8%	<b>Total Value</b>	<b>285,285</b>
Cost Of Debt	9.0%	Less: Adjusted Net Debt (Y/E)	-17,452
Post-Tax Cost Of Debt	6.8%	<b>Equity Value</b>	<b>302,737</b>
Average Debt:Equity Ratio	0.0%	No. Of Shares O/S (mn)	688
<b>WACC</b>	<b>10.8%</b>	<b>Target Price (Rs)</b>	<b>440</b>
Terminal Growth Rate	3.0%		

Source: Company, Emkay Research

**Exhibit 6: PER-based valuation (Dec-25E)**

Rs	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Adjusted EPS	13.1	18.4	18.8	22.2	17.5	19.7	22.2
<b>Target Multiple (x)</b>							<b>20.4</b>
<b>DCF Target Price</b>							<b>440</b>

Source: Company, Emkay Research

**Exhibit 7: GGL's one-year forward P/E**

Source: Company, Bloomberg, Emkay Research

## Exhibit 8: Peer Comparison

Co.	Rating	TP Rs/sh	P/E (x)			EV/EBITDA (x)			RoE			RoCE			PAT growth			Dividend yield		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
MGL	Buy	1,650	11.1	12.7	11.8	7.3	8.0	7.2	27%	21%	20%	27%	20%	20%	70%	-12%	7%	4%	3%	4%
IGL	Add	450	14.9	13.5	12.6	10.8	9.4	8.3	22%	21%	19%	20%	19%	18%	26%	10%	8%	2%	2%	2%
GGL	Sell	440	33.2	29.5	26.1	19.4	17.7	15.7	15%	15%	16%	15%	15%	15%	-21%	13%	13%	1%	1%	1%

Source: Company, Bloomberg, Emkay Research

## Gujarat Gas: Standalone Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>164,562</b>	<b>167,594</b>	<b>154,017</b>	<b>172,231</b>	<b>191,389</b>
Revenue growth (%)	66.8	1.8	(8.1)	11.8	11.1
<b>EBITDA</b>	<b>20,763</b>	<b>23,920</b>	<b>20,080</b>	<b>21,742</b>	<b>24,115</b>
EBITDA growth (%)	(0.4)	15.2	(16.1)	8.3	10.9
Depreciation & Amortization	3,849	4,283	4,728	5,139	5,602
<b>EBIT</b>	<b>16,914</b>	<b>19,637</b>	<b>15,352</b>	<b>16,603</b>	<b>18,513</b>
EBIT growth (%)	(2.8)	16.1	(21.8)	8.1	11.5
Other operating income	0	0	0	0	0
Other income	907	1,013	1,027	1,621	1,956
Financial expense	568	404	274	105	8
<b>PBT</b>	<b>17,253</b>	<b>20,247</b>	<b>16,104</b>	<b>18,118</b>	<b>20,461</b>
Extraordinary items	(119)	0	0	0	0
Taxes	4,278	4,992	4,058	4,566	5,156
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>12,856</b>	<b>15,255</b>	<b>12,046</b>	<b>13,552</b>	<b>15,305</b>
PAT growth (%)	1.4	18.7	(21.0)	12.5	12.9
<b>Adjusted PAT</b>	<b>12,946</b>	<b>15,255</b>	<b>12,046</b>	<b>13,552</b>	<b>15,305</b>
<b>Diluted EPS (Rs)</b>	<b>18.8</b>	<b>22.2</b>	<b>17.5</b>	<b>19.7</b>	<b>22.2</b>
Diluted EPS growth (%)	1.4	18.7	(21.0)	12.5	12.9
<b>DPS (Rs)</b>	<b>2.0</b>	<b>6.6</b>	<b>5.2</b>	<b>5.9</b>	<b>6.7</b>
<b>Dividend payout (%)</b>	<b>10.7</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>	<b>30.0</b>
EBITDA margin (%)	12.6	14.3	13.0	12.6	12.6
EBIT margin (%)	10.3	11.7	10.0	9.6	9.7
Effective tax rate (%)	24.8	24.7	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>12,720</b>	<b>14,796</b>	<b>11,483</b>	<b>12,419</b>	<b>13,848</b>
Shares outstanding (mn)	688.4	688.4	688.4	688.4	688.4

Source: Company, Emkay Research

Cash Flows					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	17,253	20,247	16,104	18,118	20,461
Others (non-cash items)	3,942	4,093	3,976	3,624	3,654
Taxes paid	(4,363)	(4,608)	(3,697)	(4,201)	(4,787)
Change in NWC	(95)	4,071	190	4	(36)
<b>Operating cash flow</b>	<b>16,618</b>	<b>23,803</b>	<b>16,574</b>	<b>17,546</b>	<b>19,292</b>
Capital expenditure	(13,663)	(10,865)	(9,134)	(10,149)	(10,149)
Acquisition of business	0	0	0	0	0
Interest & dividend income	329	499	1,027	1,621	1,956
<b>Investing cash flow</b>	<b>(12,935)</b>	<b>(10,413)</b>	<b>(8,108)</b>	<b>(8,528)</b>	<b>(8,193)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(4,378)	(5,024)	(1,000)	(300)	(80)
Payment of lease liabilities	(186)	(186)	(186)	(186)	(186)
Interest paid	(531)	(381)	(274)	(105)	(8)
Dividend paid (incl tax)	(1,375)	(1,379)	(3,614)	(4,066)	(4,591)
Others	(376)	(7)	0	0	0
<b>Financing cash flow</b>	<b>(6,660)</b>	<b>(6,791)</b>	<b>(4,888)</b>	<b>(4,471)</b>	<b>(4,679)</b>
Net chg in Cash	(2,978)	6,599	3,578	4,546	6,420
OCF	16,618	23,803	16,574	17,546	19,292
Adj. OCF (w/o NWC chg.)	16,713	19,732	16,384	17,541	19,328
FCFF	2,955	12,938	7,439	7,396	9,143
FCFE	2,716	13,033	8,192	8,912	11,091
OCF/EBITDA (%)	80.0	99.5	82.5	80.7	80.0
FCFE/PAT (%)	21.1	85.4	68.0	65.8	72.5
<b>FCFF/NOPLAT (%)</b>	<b>23.2</b>	<b>87.4</b>	<b>64.8</b>	<b>59.6</b>	<b>66.0</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	1,377	1,377	1,377	1,377	1,377
Reserves & Surplus	54,616	68,579	77,012	86,498	97,212
<b>Net worth</b>	<b>55,993</b>	<b>69,956</b>	<b>78,388</b>	<b>87,875</b>	<b>98,589</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	8,077	8,461	8,823	9,188	9,557
<b>Total debt</b>	<b>6,289</b>	<b>1,523</b>	<b>523</b>	<b>223</b>	<b>143</b>
<b>Total liabilities and equity</b>	<b>70,359</b>	<b>79,940</b>	<b>87,734</b>	<b>97,286</b>	<b>108,288</b>
Net tangible fixed assets	59,678	66,742	70,853	75,559	81,149
Net intangible assets	4,039	4,039	4,039	4,039	4,039
Net ROU assets	2,582	2,582	2,582	2,582	2,582
Capital WIP	9,923	9,831	10,126	10,430	9,387
Goodwill	0	0	0	0	0
Investments [JV/Associates]	237	317	317	317	317
<b>Cash &amp; equivalents</b>	<b>211</b>	<b>6,810</b>	<b>10,388</b>	<b>14,934</b>	<b>21,354</b>
Current assets (ex-cash)	14,513	13,989	13,207	14,481	15,819
Current Liab. & Prov.	25,194	29,011	28,558	29,979	31,429
<b>NWC (ex-cash)</b>	<b>(10,681)</b>	<b>(15,022)</b>	<b>(15,351)</b>	<b>(15,499)</b>	<b>(15,610)</b>
<b>Total assets</b>	<b>70,359</b>	<b>79,940</b>	<b>87,734</b>	<b>97,286</b>	<b>108,288</b>
Net debt	6,077	(5,287)	(9,864)	(14,711)	(21,210)
Capital employed	70,359	79,940	87,734	97,286	108,288
<b>Invested capital</b>	<b>59,988</b>	<b>62,982</b>	<b>66,903</b>	<b>71,605</b>	<b>77,231</b>
BVPS (Rs)	81.3	101.6	113.9	127.7	143.2
Net Debt/Equity (x)	0.1	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBITDA (x)	0.3	(0.2)	(0.5)	(0.7)	(0.9)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>26.9</b>	<b>27.5</b>	<b>19.5</b>	<b>19.7</b>	<b>19.9</b>

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E March	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	30.9	26.2	33.2	29.5	26.1
P/CE(x)	23.8	20.5	23.8	21.4	19.1
P/B (x)	7.1	5.7	5.1	4.6	4.1
EV/Sales (x)	2.5	2.4	2.5	2.2	2.0
EV/EBITDA (x)	19.6	16.5	19.4	17.7	15.7
EV/EBIT(x)	24.0	20.1	25.4	23.2	20.5
EV/IC (x)	6.8	6.3	5.8	5.4	4.9
FCFF yield (%)	0.7	3.3	1.9	1.9	2.4
FCFE yield (%)	0.7	3.3	2.0	2.2	2.8
Dividend yield (%)	0.3	1.1	0.9	1.0	1.1
<b>DuPont-RoE split</b>					
Net profit margin (%)	7.9	9.1	7.8	7.9	8.0
Total asset turnover (x)	2.5	2.2	1.8	1.9	1.9
Assets/Equity (x)	1.3	1.2	1.1	1.1	1.1
<b>RoE (%)</b>	<b>25.8</b>	<b>24.2</b>	<b>16.2</b>	<b>16.3</b>	<b>16.4</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	7.7	8.8	7.5	7.2	7.2
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>22.8</b>	<b>24.1</b>	<b>17.7</b>	<b>17.9</b>	<b>18.6</b>
<b>Operating metrics</b>					
Core NWC days	10.5	5.4	5.4	5.4	5.4
<b>Total NWC days</b>	<b>10.5</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
Fixed asset turnover	1.8	1.6	1.4	1.4	1.4
Opex-to-revenue (%)	5.7	6.5	8.0	7.4	7.2

Source: Company, Emkay Research

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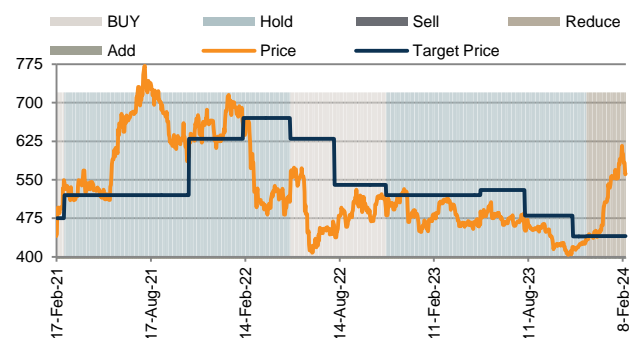
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
03-Jan-24	499	440	Reduce	Sabri Hazarika
30-Nov-23	433	440	Reduce	Sabri Hazarika
04-Nov-23	419	440	Hold	Sabri Hazarika
04-Aug-23	451	480	Hold	Sabri Hazarika
03-Jul-23	475	530	Hold	Sabri Hazarika
11-May-23	488	530	Hold	Sabri Hazarika
30-Mar-23	470	520	Hold	Sabri Hazarika
14-Feb-23	475	520	Hold	Sabri Hazarika
11-Nov-22	481	520	Hold	Sabri Hazarika
04-Aug-22	444	540	Buy	Sabri Hazarika
11-May-22	537	630	Buy	Sabri Hazarika
10-Feb-22	648	670	Hold	Sabri Hazarika
23-Nov-21	648	630	Hold	Sabri Hazarika
29-Oct-21	622	630	Hold	Sabri Hazarika
26-Jul-21	715	520	Hold	Sabri Hazarika
23-Jun-21	653	520	Hold	Sabri Hazarika
02-Jun-21	567	520	Hold	Sabri Hazarika
29-May-21	511	520	Hold	Sabri Hazarika
23-Apr-21	546	520	Hold	Sabri Hazarika
22-Mar-21	510	520	Hold	Sabri Hazarika
04-Mar-21	544	520	Hold	Sabri Hazarika
18-Feb-21	478	475	Buy	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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