

Stable Q2; first oil from KG-98/2 by Nov-23 endOil & Gas ▶ Result Update ▶ **November 15, 2023****TARGET PRICE (Rs): 235**

ONGC reported Q2FY24 SA EBITDA of Rs171.2bn, a 5% beat, led by higher closing stock and lower opex and survey cost-dry well write-offs. PAT was a 2% beat at Rs102.2bn on lower other income. Oil/gas production was a marginal 1-2% miss (down 2/3% YoY) at 5.25mmt/5.2bcm due to a natural decline and temporary shut-down in Panna-Mukta field. OVL's Q2 consolidated EBITDA improved 45% QoQ to Rs14.9bn, led by better realization. ONGC has officially stated its first KG-basin oil to start this month at ~10kbpd, with peak oil of ~45kbpd by FY25E. ONGC expects 4-5% YoY volume growth in FY25E mainly led by KG-basin. Capex for FY24 is expected at ~Rs300bn, while APM gas pricing premium modalities have been submitted by DGH to MOPNG. We trim FY24-25E SA EPS by 3-4% each on lower other income, while raising Sep-24E TP (rolled over) by 7% to Rs235/sh. We maintain our positive view and BUY rating.

ONGC: Financial Snapshot (Standalone)

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	11,03,454	15,55,173	14,32,139	12,79,279	12,73,811
EBITDA	5,44,300	7,14,987	6,36,333	6,29,600	6,21,279
Adj. PAT	3,06,979	4,46,036	3,57,327	3,55,979	3,53,155
Adj. EPS (Rs)	24.4	35.5	28.4	28.3	28.1
EBITDA margin (%)	49.3	46.0	44.4	49.2	48.8
EBITDA growth (%)	106.0	31.4	(11.0)	(1.1)	(1.3)
Adj. EPS growth (%)	258.4	(3.7)	(8.0)	(0.4)	(0.8)
RoE (%)	18.3	19.4	13.3	12.3	11.3
RoIC (%)	34.5	41.9	32.2	30.3	28.5
P/E (x)	8.2	5.6	7.0	7.1	7.1
EV/EBITDA (x)	4.9	3.4	3.6	3.2	3.0
P/B (x)	1.1	1.0	0.9	0.8	0.8
FCFF yield (%)	8.2	17.2	13.9	15.3	14.9

Source: Company, Emkay Research

Result Highlights

Nominated block crude realization discount to Brent was at USD1.9/bbl vs. USD1.7/bbl in Q1. Revenue was a marginal 1% miss on lower gas revenue, largely offset by higher LPG and naphtha income. Production cost in Q2 was 15% below our estimate at Rs60.1bn. Statutory levies came 13% above our estimate at Rs107.9bn mainly on higher windfall levy (due to inventory adjustments). Survey cost rose 78% YoY to Rs3.6bn vs. our estimate of Rs10bn, while dry-well write-offs were lower at Rs8.8bn vs. Rs15bn est. DD&A fell 6% QoQ to Rs47.2bn, 5% below our estimate, mainly due to lower depletion and impairment reversal. Finance cost rose 1% QoQ to Rs10.2bn (vs. our est: Rs11.1bn), while other income fell 41% YoY to Rs20.9bn (vs. our est: Rs32bn). H1 consolidated EPS rose 38% YoY to Rs22.2/share, led by HPCL's earnings recovery. OVL's core PAT stood at Rs2.2bn, as crude output rose 19% YoY but fell 2% QoQ, while gas output fell 12% YoY/3% QoQ with crude realization improving to USD23.4/bbl (vs. USD20.0/bbl in Q1). ONGC's H1FY24 cash capex was Rs157bn vs. FY24 target of ~Rs301bn. The board has declared an interim dividend of Rs5.75/share, implying ~36% payout on H1 earnings.

Management KTAs

First oil from KG-98/2 is expected from the end of this month. The initial output would be ~10kbpd, which will ramp up to 45kbpd peak in FY25. The gas platform will be ready from Apr-24 and gas production will start from May-Jun 2024. Peak gas output of 10mmscmd will also be hit in FY25. Production outlook for ONGC SA is 1%/4-5% YoY growth in FY24/25E on the base of 40.21mmtoe in FY23. OVL output is expected at 10.68/11/11.22 mmtoe in FY24/25/26E. Communication w.r.t. to premium pricing for new APM gas wells is awaited as DGH committee has submitted a report to the MOPNG and final guidelines should be out soon. ONGC is exploring two petchem projects (excl. OPaL) amounting to Rs1trn investments by 2028-30 through the JV mode. Capex runrate ahead can be Rs330-350bn p.a., though dividend payout would be maintained.

Valuation

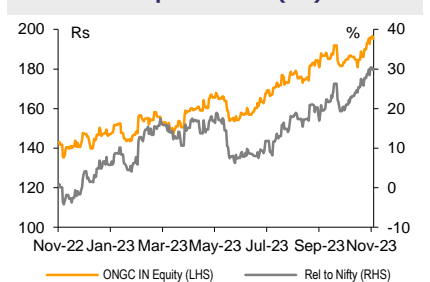
We value ONGC on DCF-based SOTP, comprising SA, KG 98/2, OVL and OPaL. Investments are valued at our TP/CMP, with a 30% holdco discount. Key risks: Adverse oil-gas prices, policy issues, local tensions, cost overruns, outages and dry holes.

Target Price – 12M	Sep-24
Change in TP (%)	6.9
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.7
CMP (15-Nov-23) (Rs)	199.5

Stock Data	Ticker
52-week High (Rs)	203
52-week Low (Rs)	133
Shares outstanding (mn)	12,580.3
Market-cap (Rs bn)	2,510
Market-cap (USD mn)	30,185
Net-debt, FY24E (Rs mn)	-2,48,639
ADTV-3M (mn shares)	10
ADTV-3M (Rs mn)	1,834.8
ADTV-3M (USD mn)	22.1
Free float (%)	31.0
Nifty-50	19,675
INR/USD	83.1
Shareholding, Jun-23	
Promoters (%)	58.9
FPIs/MFs (%)	8.1/19.8

Price Performance

(%)	1M	3M	12M
Absolute	7.9	12.1	40.1
Rel. to Nifty	8.3	10.7	30.6

1-Year share price trend (Rs)**Sabri Hazarika**

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Exhibit 1: Actuals vs. Estimates (Q2FY24)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	3,51,630	3,54,731	3,60,117	-1%	-2%	Lower gas revenue due to production miss
Adjusted EBITDA	1,71,176	1,63,421	1,85,627	5%	-8%	Lower opex and seismic-dry wells partly offset by higher statutory levies
EBITDA Margin (%)	48.7%	46.1%	51.5%	261bps	-287bps	
Adjusted Net Profit	1,02,163	1,00,625	1,02,624	2%	0%	Lower DDA, finance costs and ETR

Source: Company, Emkay Research; *Non-comparable as the street assumes survey and dry wells below EBITDA

Exhibit 2: Quarterly Summary – ONGC (Standalone)

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ	H1FY23	H1FY24	YoY
Revenue	3,83,208	3,85,833	3,62,926	3,38,143	3,51,630	-8%	4%	8,06,415	6,89,774	-14%
COGS + OPEX	48,775	70,299	87,849	69,096	60,122	23%	-13%	1,06,532	1,29,218	21%
Statutory Levies	1,46,316	1,11,422	88,957	74,513	1,07,911	-26%	45%	2,52,463	1,82,424	-28%
Survey + Dry Wells	27,201	16,065	44,686	17,058	12,422	-54%	-27%	39,194	29,480	-25%
EBITDA	1,60,915	1,88,047	1,41,434	1,77,476	1,71,176	6%	-4%	4,08,225	3,48,652	-15%
DD&A	25,946	48,545	48,359	49,912	47,153	82%	-6%	71,048	97,065	37%
EBIT	1,34,969	1,39,502	93,075	1,27,564	1,24,023	-8%	-3%	3,37,178	2,51,587	-25%
Finance Charges	6,669	6,895	7,077	10,077	10,160	52%	1%	13,024	20,237	55%
Other Income	35,294	14,113	19,281	16,119	20,857	-41%	29%	42,871	36,975	-14%
Exceptional Items	0	0	-1,15,071	0	0			0	0	
PBT	1,63,595	1,46,720	-9,792	1,33,606	1,34,720	-18%	1%	3,67,025	2,68,325	-27%
Total Tax	35,335	36,273	-7,315	33,455	32,556	-8%	-3%	86,706	66,012	
PAT	1,28,260	1,10,447	-2,477	1,00,150	1,02,163	-20%	2%	2,80,318	2,02,314	-28%
Adjusted PAT	1,28,260	1,10,447	78,749	1,00,150	1,02,163	-20%	2%	2,80,318	2,02,314	-28%
Adjusted EPS (Rs)	10.2	8.8	6.3	8.0	8.1	-20%	2%	22.3	16.1	-28%
Crude Production (mmt)	5.4	5.4	5.2	5.3	5.2	-2%	-1%	10.9	10.6	-3%
Gas Production (bcm)	5.4	5.4	5.3	5.2	5.2	-3%	0%	10.7	10.4	-3%
VAP Production (mmt)	0.6	0.6	0.6	0.6	0.7	1%	4%	1.3	1.3	-4%
NB Gross Oil Realization (USD/bbl)	95.5	87.1	77.1	76.4	84.8	-11%	11%	102.0	80.6	-21%
NB Net Oil Realization (USD/bbl)	95.5	87.1	77.1	76.4	84.8	-11%	11%	102.0	80.6	-21%
NB Gas Realization (Rs/scm)	17.8	25.6	25.8	20.5	20.0	12%	-3%	17.6	20.3	15%

Source: Company, Emkay Research; Note: Adjusted PAT may not fully match the annual tables due to a different adjustment method in the Emkay detailed annual model

Exhibit 3: Quarterly Summary – OVL (Consolidated)

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY	QoQ	H1FY23	H1FY24	YoY
Revenue	27,330	32,350	11,450	27,310	30,910	13%	13%	67,570	58,220	-14%
COGS + OPEX	14,960	9,430	11,970	12,800	12,110	-19%	-5%	26,370	24,910	-6%
Statutory Levies	6,870	5,260	3,370	4,180	3,860	-44%	-8%	14,230	8,040	-43%
EBITDA	5,500	17,660	-3,890	10,330	14,940	172%	45%	26,970	25,270	-6%
DD&A	4,640	5,140	3,920	4,230	4,480	-3%	6%	11,690	8,710	-25%
EBIT	860	12,520	-7,810	6,100	10,460	1116%	71%	15,280	16,560	8%
Finance Charges	4,220	4,820	5,740	4,780	7,020	66%	47%	7,980	11,800	48%
Other Income	1,750	3,060	2,590	2,890	2,200	26%	-24%	3,220	5,090	58%
Exceptional Items	-	-	-	-	-			-	-	
PBT	-1,610	10,760	-10,960	4,210	5,640	-450%	34%	10,520	9,850	-6%
Total Tax	2,850	5,080	-7,570	2,970	3,470	22%	17%	7,130	6,440	-10%
Core PAT (ex. impairment)	-4,460	5,680	-3,390	1,240	2,170	-149%	75%	3,390	3,410	1%
ONGC EPS Contri. (Rs)	-0.3	0.4	-0.3	0.1	0.2	-154%	83%	0.3	0.3	-5%
Crude Production (mmt)	1.5	1.6	1.7	1.8	1.8	19%	-2%	3.0	3.6	18%
Gas Production (bcm)	0.9	0.9	1.0	0.8	0.8	-12%	-3%	1.9	1.6	-14%
Crude Realization (USD/bbl)	25.9	29.3	7.9	20.0	23.4	-10%	17%	33.4	21.7	-35%
Gas Realization (USD/mmbtu)	2.2	1.6	1.3	1.9	2.1	-3%	9%	2.2	2.0	-9%

Source: Company, Emkay Research; Note: Adjusted PAT may not fully match the annual tables due to a different adjustment method in the Emkay detailed annual model

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Concall Highlights

- ONGC's Q2FY24 standalone earnings were lower YoY on account of a decline in sales realization (crude and VAP), lower dividend income and additional provision for GST on royalty. Opex was higher YoY due to raw-material consumption, up Rs3.1bn, towards LNG needs in Dahej C2-C3 plant, workover by Rs540mn in KG-98/2, repair and maintenance by Rs440mn, power and fuel by Rs620mn at western offshore (WO), water injection costs by Rs890mn and higher transport costs as well. There were some impairment reversals undertaken in DSF fields. Inventory impact was there on SAED (windfall), amounting to Rs9.3bn (out of Rs33.5bn total). Hence, effective SAED in Q2 was at USD8.23/bbl.
- First oil from KG-98/2 is expected from this month's end (with revenue from Dec-23) as pre-commissioning activities are underway. The initial output would be ~10kbopd, which will ramp up to 45kbopd peak in FY25. The gas platform will be ready from Apr-24 and gas production will start from May-Jun 2024. Peak gas output of 10mmscmd will also be hit in FY25. In FY25, ONGC expected 1.5mmt/2bcm of incremental oil/gas production mainly from KG-98/2. ONGC has already spent Rs260bn as capex towards KG-98/2, while the balance would be spent in the next 1.0-1.5 years, as the total project cost estimation is currently at USD5bn.
- Windfall tax will be applicable on NELP-based KG-98/2 block also, while ONGC expects a normal decline rate in this asset (not accelerated). In terms of statutory levies in 98/2, royalty on crude/gas is at 10% (offshore assets vs. 12.5%+ onshore etc.) with 5% royalty rate applicable for the first seven years, if water depth is more than 400meters (10% thereafter). No cess is there. Opex/bbl could be higher than usual, but it is subject to the quantum of volumes coming in. Main opex is FPSO rental charge of USD700,000 per day gross and ~USD600,000 net of taxes.
- Production volume outlook for ONGC SA is 1%/4-5% YoY growth in FY24/25E on the base of 40.21mmtoe in FY23. OVL output is expected at 10.68/11/11.22 mmtoe in FY24/25/26E (up 5%). The focused basins are Mahanadi, Western Offshore, Assam Arakan and new basins like Bengal and Vindyan. Oil output from Panna-Mukta field is steady at 7-8kbpd. ONGC is aiming to reach 25mmtpa oil again as new areas under OALP etc. come in.
- Communication w.r.t. to premium pricing for new APM gas wells is awaited as DGH committee has submitted a report to the MOPNG and final guidelines (premium on new wells and incremental output from well interventions) should be out soon. New wells should get out-and-out premium, while interventionals may get on the incremental overall production. ONGC expects 2mmscmd of new gas (from wells) from nominated blocks (APM) by this fiscal end.
- FY24 capex should be ~Rs300bn, while capex run-rate could increase to Rs330-350bn p.a. going ahead, as the company focuses on exploration and petchem. Post KG-98/2 also, development capex should continue (Rs200bn, while Rs100bn is exploration). 9-10 projects are expected to come under tendering (~Rs250bn) and would get allotted in FY24 with construction beginning in FY25. MHRDP5, Cluster 9, North Tapti, Mehsana, WO-16 cluster development etc. are to be done in FY24 itself.
- OVL is reporting production for all three Russian assets. The new Sakhalin company shares are expected to be allotted soon. It made an application last week to receive abandonment funds in Russian Rubles; while also evaluating the usage of dividends stuck in Russia worth Rubles 16bn for abandonment obligations. It also wants to borrow in Rubles and expects all this to be permitted very soon.
- Sanctions were lifted in Venezuela on October 19, 2023, and work is underway with the resumption in production likely by Apr-24; while an on-ground team of ONGC is working towards repatriation of pending dividends (discussions with PDVSA etc.). No further investments have been planned in Venezuela. Mozambique project work is expected to restart in Jan-24 as the security situation has improved significantly.
- ONGC intends to correct the capital structure of OPaL and has received board approval for the capital infusion of Rs183.7bn. Its recommendation has gone to the expert committee. MOPNG will now take up the OPaL decision and would take it to the cabinet for further approvals (sum being Rs50bn+). Fund infusion would result in OPaL becoming a 96% subsidiary of ONGC; however, ONGC does not plan to keep it as a subsidiary or merge with itself but make it a JV again. Its current JV partners are not infusing further, but ONGC plans to have a new JV partner by FY27 and reduce the shareholding to ~50%.

- ONGC expects EBITDA losses as well as net losses for OPaL in FY24, although it aims to make it profitable by FY25 and turnaround thereafter (before inducting a new partner). ONGC expects petchem spreads for OPaL to remain depressed for the next six months and then some improvements could be seen in FY25. ONGC is seeking new APM gas of ~2mmscmd from new wells for feedstock needs of OPaL as that would make it sustainable. OPaL is a strategically important project for the state as well as the center w.r.t. job creation, PCPIR investments etc.
- ONGC is exploring two separate projects (excluding OPaL) towards oil to chemicals and refinery cum petchem ventures amounting to Rs1trn investments by 2028-30 through the JV mode (to diversify from hydrocarbon risk in transport sectors etc.). This would raise its petchem capacity to 8.5-9mmtpa by 2030 from 3mmtpa currently (OMPL and OPaL).
- ONGC plans to invest Rs1trn by 2030 towards renewables and EVs as it targets net zero by 2038. ONGC targets the RE portfolio of 10GW by 2030 and has recently acquired 288MW RE assets of PTC Energy for Rs9bn and is exploring other M&A opportunities.
- The company does not have any buyback plans for now but the same is not ruled out. Dividend payouts would be maintained despite capex plans. Its investment in downstream assets is yielding results. ONGC is looking for better volumes and realizations.

Exhibit 4: Change in estimates

(Rs bn)	FY24E			FY25E			FY26E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	1,428	1,432	0%	1,294	1,279	-1%	1,274
EBITDA	630	636	1%	637	630	-1%	621
EBITDA Margin	44.1%	44.4%	31bps	49.2%	49.2%	-2bps	48.8%
PAT	370	357	-3%	371	356	-4%	353
EPS (Rs)	29.4	28.4	-3%	29.5	28.3	-4%	28.1

Source: Company, Emkay Research

Exhibit 5: SOTP-based valuation – Sep-24E

Components (Rs mn)	Basis	Sep'24 Eq. Val	Value/Sh (Rs)	Comments
ONGC Standalone (ex 98/2)	DCF	26,42,133	210	WACC/TG at 11.0%/-1.0%
KG-DWN-98/2	NPV/DCF	1,70,355	14	30% Discount to NPV, 11% Discount Rate
OVL (ex. Mozambique Upside)	DCF	(2,13,892)	(17)	WACC/TG at 8.3%/-5.0%
Mozambique Upside	DCF	-	-	
OpaL Value	EV/EBITDA	(1,34,399)	(11)	6.0x Sep-25 EV/EBITDA
Core Business Valuation		24,64,196	196	
Value of Investments	TP/CMP/BV	4,89,577	39	At 30% Holdco Discount
Target Price-Fair Value		29,53,773	235	

Source: Company, Emkay Research

Exhibit 6: ONGC – Standalone DCF-based valuation

Assumptions		Standalone	Rs mn
Risk-Free Rate	7.0%	NPV Of FCF (Sep-25–Sep-36)	16,57,394
Risk Premium	5.3%	Terminal Value	16,90,154
Beta	0.8	PV Of TV	4,83,638
Cost Of Equity	11.0%	Total Value	21,41,032
Cost Of Debt	9.0%	Less: Adj. Net Debt (Mar'24E)	(5,01,102)
Post-Tax Cost Of Debt	6.7%	Equity Value	26,42,133
Average Debt:Equity Ratio	0.0%	No. Of Shares O/S (mn)	12,580
WACC	11.0%	Fair Value of ONGC S/A (Rs/sh)	210
Terminal Growth Rate	-1.0%		

Source: Company, Emkay Research

Exhibit 7: Schedule and Value of Investments (Sep-24E Valuation)

Listed	Type	Basis of Valuation	TP/CMP (Rs/sh)	Equity Value (Rs bn)	ONGC Stake	Pro-rata Value (Rs bn)	Holdco Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
HPCL	Subsidiary	TP (Emkay)	305	433	54.9%	238	30%	166	13.2
PLNG	JV	CMP	195	293	12.5%	37	30%	26	2.0
MRPL	Subsidiary*	CMP*1.12x	127	222	71.6%	159	30%	111	8.8
IOCL	Financial	TP (Emkay)	100	1,412	14.2%	201	30%	140	11.2
GAIL	Financial	TP (Emkay)	125	822	4.8%	40	30%	28	2.2
Total Listed						673		471	37.5
Unlisted									
ONGC Tripura Power Co (OTPC)	JV	BV			~50%	6	30%	4	0.3
OpaL + OTPC Warrants						19	30%	13	1.0
Petronet MHB Ltd (PMHB)	Subsidiary#	BV			29%	2	30%	1	0.1
Total Unlisted						26		18	1.5
Grand Total Investments						699		490	39

Source: Company, Emkay Research; Note: *1.12x is taken as one-year forward over CMP; #HPCL has a 29% stake in P-MHB, which is, hence, a subsidiary

ONGC: Standalone Financials and Valuations

Profit and Loss					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	11,03,454	15,55,173	14,32,139	12,79,279	12,73,811
Revenue growth (%)	61.9	40.9	(7.9)	(10.7)	(0.4)
EBITDA	5,44,300	7,14,987	6,36,333	6,29,600	6,21,279
EBITDA growth (%)	106.0	31.4	(11.0)	(1.1)	(1.3)
Depreciation & Amortization	1,75,457	1,67,952	1,93,943	2,08,564	2,20,400
EBIT	3,68,843	5,47,035	4,42,390	4,21,036	4,00,880
EBIT growth (%)	265.2	48.3	(19.1)	(4.8)	(4.8)
Other operating income	0	0	0	0	0
Other income	65,156	76,266	74,859	90,966	1,07,582
Financial expense	23,599	26,996	39,540	36,095	36,329
PBT	4,10,400	5,96,304	4,77,710	4,75,907	4,72,132
Extraordinary items	0	0	0	0	0
Taxes	7,343	1,15,665	1,20,383	1,19,929	1,18,977
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	4,03,057	3,88,289	3,57,327	3,55,979	3,53,155
PAT growth (%)	258.4	(3.7)	(8.0)	(0.4)	(0.8)
Adjusted PAT	3,06,979	4,46,036	3,57,327	3,55,979	3,53,155
Diluted EPS (Rs)	24.4	35.5	28.4	28.3	28.1
Diluted EPS growth (%)	258.4	(3.7)	(8.0)	(0.4)	(0.8)
DPS (Rs)	10.5	11.3	11.4	11.3	11.2
Dividend payout (%)	32.8	36.4	40.0	40.0	40.0
EBITDA margin (%)	49.3	46.0	44.4	49.2	48.8
EBIT margin (%)	33.4	35.2	30.9	32.9	31.5
Effective tax rate (%)	1.8	19.4	25.2	25.2	25.2
NOPLAT (pre-IndAS)	3,62,244	4,40,927	3,30,908	3,14,935	2,99,858
Shares outstanding (mn)	12,580.3	12,580.3	12,580.3	12,580.3	12,580.3

Source: Company, Emkay Research

Cash Flows					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	4,10,400	5,96,304	4,77,710	4,75,907	4,72,132
Others (non-cash items)	1,90,420	3,30,296	1,58,623	1,53,693	1,49,147
Taxes paid	(97,799)	(1,28,448)	(1,02,112)	(1,01,292)	(99,968)
Change in NWC	(10,006)	85,409	45,674	53,995	26,915
Operating cash flow	4,93,014	7,91,210	5,79,896	5,82,304	5,48,226
Capital expenditure	(2,73,932)	(3,68,063)	(2,66,578)	(2,70,387)	(2,74,249)
Acquisition of business	0	0	0	0	0
Interest & dividend income	52,860	43,379	74,859	90,966	1,07,582
Investing cash flow	(2,34,985)	(3,42,778)	(2,04,109)	(1,83,351)	(1,70,637)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(1,37,865)	(51,698)	(1,51,018)	(10,000)	0
Payment of lease liabilities	(54,206)	(61,472)	(61,472)	(61,472)	(61,472)
Interest paid	(6,340)	(6,666)	(39,540)	(36,095)	(36,329)
Dividend paid (incl tax)	(1,14,487)	(1,76,090)	(1,42,931)	(1,42,391)	(1,41,262)
Others	0	0	0	0	0
Financing cash flow	(2,58,692)	(2,34,454)	(3,33,488)	(1,88,486)	(1,77,591)
Net chg in Cash	(663)	2,13,978	42,299	2,10,466	1,99,997
OCF	4,93,014	7,91,210	5,79,896	5,82,304	5,48,226
Adj. OCF (w/o NWC chg.)	5,03,021	7,05,801	5,34,221	5,28,308	5,21,311
FCFF	2,19,082	4,23,147	3,13,318	3,11,917	2,73,977
FCFE	2,48,344	4,39,529	3,48,637	3,66,788	3,45,229
OCF/EBITDA (%)	90.6	110.7	91.1	92.5	88.2
FCFE/PAT (%)	61.6	113.2	97.6	103.0	97.8
FCFF/NOPLAT (%)	60.5	96.0	94.7	99.0	91.4

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	62,901	62,901	62,901	62,901	62,901
Reserves & Surplus	23,08,580	25,15,557	27,29,953	29,43,540	31,55,433
Net worth	23,71,481	25,78,458	27,92,855	30,06,442	32,18,335
Minority interests	0	0	0	0	0
Deferred tax liability (net)	1,97,333	2,17,612	2,35,883	2,54,519	2,73,529
Total debt	1,64,126	1,61,018	10,000	0	0
Total liabilities & equity	27,32,939	29,57,088	30,38,737	32,60,961	34,91,863
Net tangible fixed assets	12,66,383	13,28,309	13,96,307	14,53,446	15,02,565
Net intangible assets	1,824	1,677	1,677	1,677	1,677
Net ROU assets	1,01,149	86,162	86,162	86,162	86,162
Capital WIP	4,19,707	4,63,683	4,68,319	4,73,003	4,77,733
Goodwill	0	0	0	0	0
Investments [JV/Associates]	12,24,315	12,59,764	12,72,361	12,76,502	12,80,683
Cash & equivalents	2,362	2,16,340	2,58,639	4,69,105	6,69,103
Current assets (ex-cash)	3,56,902	3,14,436	2,89,561	2,58,654	2,57,548
Current Liab. & Prov.	6,39,704	7,13,283	7,34,289	7,57,588	7,83,608
NWC (ex-cash)	(2,82,801)	(3,98,847)	(4,44,729)	(4,98,934)	(5,26,060)
Total assets	27,32,939	29,57,088	30,38,737	32,60,961	34,91,863
Net debt	1,61,763	(55,323)	(2,48,639)	(4,69,105)	(6,69,103)
Capital employed	27,32,939	29,57,088	30,38,737	32,60,961	34,91,863
Invested capital	10,86,555	10,17,301	10,39,418	10,42,352	10,64,345
BVPS (Rs)	188.5	205.0	222.0	239.0	255.8
Net Debt/Equity (x)	0.1	0.0	(0.1)	(0.2)	(0.2)
Net Debt/EBITDA (x)	0.3	(0.1)	(0.4)	(0.7)	(1.1)
Interest coverage (x)	0.1	0.0	0.1	0.1	0.1
RoCE (%)	16.4	21.9	17.3	16.3	15.1

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E March	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	8.2	5.6	7.0	7.1	7.1
P/CE(x)	4.3	3.9	4.6	4.4	4.4
P/B (x)	1.1	1.0	0.9	0.8	0.8
EV/Sales (x)	2.4	1.6	1.6	1.6	1.5
EV/EBITDA (x)	4.9	3.4	3.6	3.2	3.0
EV/EBIT(x)	7.2	4.5	5.1	4.8	4.6
EV/IC (x)	2.5	2.4	2.2	2.0	1.7
FCFF yield (%)	8.2	17.2	13.9	15.3	14.9
FCFE yield (%)	9.9	17.5	13.9	14.6	13.8
Dividend yield (%)	5.3	5.6	5.7	5.7	5.6
DuPont-RoE split					
Net profit margin (%)	36.5	30.9	25.0	27.8	27.7
Total asset turnover (x)	0.4	0.5	0.5	0.4	0.4
Assets/Equity (x)	1.2	1.1	1.1	1.1	1.1
RoE (%)	18.3	19.4	13.3	12.3	11.3
DuPont-RoIC					
NOPLAT margin (%)	32.8	28.4	23.1	24.6	23.5
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	34.5	41.9	32.2	30.3	28.5
Operating metrics					
Core NWC days	24.8	16.4	14.7	7.8	7.4
Total NWC days	24.8	16.4	14.7	7.8	7.4
Fixed asset turnover	0.5	0.6	0.5	0.4	0.4
Opex-to-revenue (%)	50.8	54.3	55.9	50.8	51.2

Source: Company, Emkay Research

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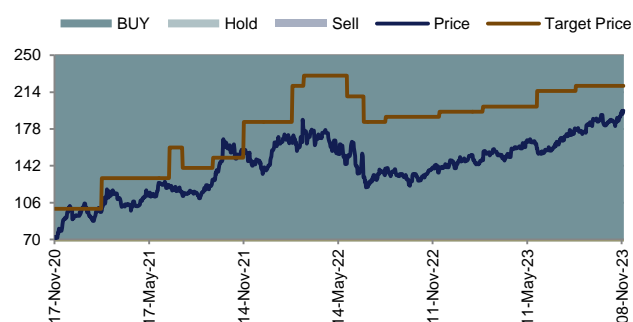
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
12-Aug-23	177	220	Buy	Sabri Hazarika
30-May-23	159	215	Buy	Sabri Hazarika
15-Feb-23	148	200	Buy	Sabri Hazarika
06-Dec-22	142	195	Buy	Sabri Hazarika
01-Dec-22	140	195	Buy	Sabri Hazarika
24-Nov-22	139	195	Buy	Sabri Hazarika
02-Oct-22	127	190	Buy	Sabri Hazarika
07-Sep-22	133	190	Buy	Sabri Hazarika
13-Aug-22	139	190	Buy	Sabri Hazarika
15-Jul-22	127	185	Buy	Sabri Hazarika
02-Jul-22	131	185	Buy	Sabri Hazarika
28-Jun-22	149	210	Buy	Sabri Hazarika
31-May-22	151	210	Buy	Sabri Hazarika
22-May-22	162	230	Buy	Sabri Hazarika
01-Apr-22	168	230	Buy	Sabri Hazarika
09-Mar-22	175	230	Buy	Sabri Hazarika
15-Feb-22	164	220	Buy	Sabri Hazarika
25-Dec-21	139	185	Buy	Sabri Hazarika
23-Nov-21	147	185	Buy	Sabri Hazarika
14-Nov-21	155	185	Buy	Sabri Hazarika
16-Sep-21	129	150	Buy	Sabri Hazarika
14-Aug-21	116	140	Buy	Sabri Hazarika
26-Jul-21	115	140	Buy	Sabri Hazarika
20-Jul-21	113	140	Buy	Sabri Hazarika
25-Jun-21	121	160	Buy	Sabri Hazarika
23-Jun-21	123	130	Buy	Sabri Hazarika
29-May-21	112	130	Buy	Sabri Hazarika
19-May-21	115	130	Buy	Sabri Hazarika
23-Apr-21	102	130	Buy	Sabri Hazarika
23-Mar-21	107	130	Buy	Sabri Hazarika
18-Feb-21	111	130	Buy	Sabri Hazarika
15-Feb-21	98	130	Buy	Sabri Hazarika
06-Jan-21	97	100	Buy	Sabri Hazarika
26-Nov-20	80	100	Buy	Sabri Hazarika
17-Nov-20	71	100	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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