

Indraprastha Gas | BUY



Weak earnings driven by both lower margins and volume

IGL's 3QFY24 standalone EBITDA was INR 5.6bn, significantly lower than JMFe/consensus of INR 6.9bn/INR 6.5bn, due to QoQ decline in margin to INR 7.2/scm (from INR 8.6/scm in 2QFY24 and vs. JMFe of INR 8.5/scm) because of higher gas cost on account of lower allocation of APM gas. Further, sales volume was 1.4% below JMFe (up only 4.4% YoY) driven by weak CNG volume. We have cut FY24 EBITDA by 7% and FY25-26 EBITDA by 3% as we have reduced our EBITDA margin to INR 8/scm for FY24 (from INR 8.5/scm) and to INR 7.7-7.9/scm for FY25-26 (from INR 7.9-8.1/scm) to account for impact of lower APM gas allocation; our revised TP stands at INR 470 (from INR 500). However, we still maintain BUY on valuation grounds and due to IGL's: a) decent pricing power, and b) steady volume growth story based on its existing lucrative NCR market and expansion into new, lucrative nearby cities and intercity traffic. At CMP, IGL is trading at FY25 P/E of 13.5x and FY25 P/B of 2.8x.

- EBITDA margin declines to INR 7.2/scm vs. JMFe of INR 8.5/scm due to higher average gas cost on account of lower allocation of APM gas:** Gross spread was lower at INR 12.9/scm vs. JMFe at INR 13.9/scm in 3QFY24 (vs. INR 14.1/scm in 2QFY24) as average cost of gas was higher at USD 10.9/mmbtu or INR 32.7 /scm vs. JMFe of USD 10.5/mmbtu (and USD 10.5/mmbtu in 2QFY24) — this seems to be primarily due to lower allocation of APM gas. Further, opex was also higher at INR5.7 /scm vs. JMFe of INR 5.4/scm (vs. INR 5.5/scm in 2QFY24). Hence, EBITDA margin was lower at INR 7.2/scm in 3QFY24 vs. JMFe of INR 8.5/scm (and vs. INR 8.6/scm in 2QFY24).
 - Sales volume 1.4% below JMFe (up only 4.4% YoY) driven by weak CNG volume:** Sales volume at 8.5mmcmd or 780mmscm (up 2.2% QoQ and up only 4.4% YoY) was 1.4% below JMFe; this was because CNG sales volume at 582mmscm (up 1.3% QoQ and up only 4.2% YoY) was 2.6% below JMFe. However, PNG sales volume was 2.2% above JMFe at 198mmscm (up 4.8% QoQ/5.2 % YoY), with domestic PNG sales volume at 57mmscm (up 7.1% QoQ/0.8% YoY) and industrial/commercial PNG sales volume at 95mmscm (up 6% QoQ/4.4% YoY).
 - TP cut to INR 470 to account for lower margins; maintain BUY on valuation grounds:** We have cut FY24 EBITDA by 7% and FY25-26 EBITDA by 3% as we have reduced our EBITDA margin to INR 8/scm for FY24 (from INR 8.5/scm) and to INR 7.7-7.9/scm for FY25-26 (from INR 7.9-8.1/scm) to account for impact of lower APM gas allocation; our revised TP stands at INR 470 (from INR 500). However, we still maintain BUY on valuation grounds and due to IGL's: **a)** decent pricing power given that CNG is 45%/20% cheaper than diesel/petrol, and **b)** steady volume growth story based on its existing lucrative NCR market (CNG penetration in private cars is 25-30%) and expansion into new, lucrative nearby cities and intercity traffic. At CMP, IGL is trading at FY25 P/E of 13.5x (3-year avg: 19.3x) and FY25 P/B of 2.8x (3-year avg: 4.4x).
- Key Risks:** muted volume growth and margin concerns due to rise in penetration of electric vehicles and/or cut in domestic gas allocation; and sharp hike in HPHT/spot LNG gas price.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	470
Upside/(Downside)	15.9%
Previous Price Target	500
Change	-6.1%

Key Data – IGL IN

Current Market Price	INR405
Market cap (bn)	INR283.6/US\$3.4
Free Float	41%
Shares in issue (mn)	700.0
Diluted share (mn)	700.0
3-mon avg daily val (mn)	INR1,036.1/US\$12.5
52-week range	516/376
Sensex/Nifty	70,701/21,353
INR/US\$	83.1

Price Performance

%	1M	6M	12M
Absolute	-0.7	-14.5	-1.9
Relative*	-0.1	-19.7	-16.5

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	77,100	141,460	139,974	143,570	172,977
Sales Growth (%)	56.0	83.5	-1.1	2.6	20.5
EBITDA	18,811	20,399	24,753	25,674	28,503
EBITDA Margin (%)	24.4	14.4	17.7	17.9	16.5
Adjusted Net Profit	13,150	14,452	17,543	18,105	20,100
Diluted EPS (INR)	18.8	20.6	25.1	25.9	28.7
Diluted EPS Growth (%)	30.8	9.9	21.4	3.2	11.0
ROIC (%)	26.3	22.5	23.7	22.6	23.7
ROE (%)	20.5	20.6	22.5	19.6	18.7
P/E (x)	21.6	19.6	16.2	15.7	14.1
P/B (x)	4.1	4.0	3.3	2.9	2.5
EV/EBITDA (x)	14.0	13.5	10.8	10.0	8.6
Dividend Yield (%)	1.4	3.2	1.2	1.3	1.4

Source: Company data, JM Financial. Note: Valuations as of 25/Jan/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

3QFY24 Result Review

Exhibit 1. Quarterly Snapshot

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	% YoY	% QoQ
Net Sales	31,939	35,540	37,108	36,872	34,070	34,585	35,562	(4.2)	2.8
Operating expenditure	25,763	30,265	32,823	32,209	27,646	28,016	29,921	(8.8)	6.8
EBITDA	6,175	5,275	4,285	4,663	6,424	6,569	5,641	31.7	(14.1)
EBITDA Margin %	19.3%	14.8%	11.5%	12.6%	18.9%	19.0%	15.9%	432 bps	-313 bps
Depreciation	857	914	925	938	989	1,022	1,018	10.1	(0.4)
Other Income	307	1,100	557	654	457	1,340	550	(1.4)	(59.0)
PBT	5,602	5,430	3,891	4,354	5,867	6,862	5,155	32.5	(24.9)
Tax	1,394	1,269	1,109	1,057	1,483	1,514	1,235	11.4	(18.5)
PAT	4,209	4,162	2,783	3,297	4,384	5,348	3,921	40.9	(26.7)
EPS (INR)	6.0	5.9	4.0	4.7	6.3	7.6	5.6	40.9	(26.7)
Tax rate	24.9%	23.4%	28.5%	24.3%	25.3%	22.1%	23.9%		
Consolidated EPS (INR)	6.9	6.1	4.8	5.7	7.5	7.9	6.8	42.3	(14.0)

Source: Company, JM Financial

Exhibit 2. Operational details

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	% YoY	% QoQ
Gas Volume									
CNG Sales Volume (mmscm)	540	560	559	550	561	575	582	4.2	1.3
PNG Sales Volume-(mmscm)	178	184	188	193	185	189	198	5.2	4.8
Industrial/commercial Volume	89	92	91	92	87	90	95	4.4	6.0
Domestic Volume	44	46	51	56	52	53	57	10.8	7.1
Natural Gas volume	46	46	46	45	45	46	46	0.5	(0.3)
Overall Sales Volume-(mmscm)	718	744	747	743	746	764	780	4.4	2.2
Overall sales volume-(mmscmd)	7.9	8.1	8.1	8.3	8.2	8.3	8.5	4.4	2.2
Gas Volume growth (% YoY)									
CNG Sales Volume (in KGs)	62.7%	14.9%	7.8%	8.1%	4.0%	2.6%	4.2%		
CNG Sales Volume (in scm)	62.7%	14.9%	7.8%	8.1%	4.0%	2.6%	4.2%		
PNG Sales Volume (mmscm)	17.1%	3.3%	1.2%	2.7%	3.8%	2.8%	5.2%		
Industrial/commercial Volume	19.9%	1.1%	-4.0%	0.0%	-1.7%	-1.8%	4.4%		
Domestic Volume	-0.3%	11.2%	13.5%	9.8%	19.9%	14.7%	10.8%		
Natural Gas volume	33.5%	0.5%	-0.3%	0.0%	-1.0%	0.1%	0.5%		
Overall Sales Volume (mmscm)	48.4%	11.8%	6.1%	6.6%	3.9%	2.6%	4.4%		
Gas Volume growth (% QoQ)									
CNG Sales Volume (in KGs)	6.1%	3.8%	-0.3%	-1.6%	2.1%	2.4%	1.3%		
CNG Sales Volume (in scm)	6.1%	3.8%	-0.3%	-1.6%	2.1%	2.4%	1.3%		
PNG Sales Volume	-5.3%	3.3%	2.4%	2.5%	-4.3%	2.3%	4.8%		
Industrial/commercial Volume	-3.5%	3.4%	-0.3%	0.6%	-5.2%	3.3%	6.0%		
Domestic Volume	-14.2%	5.5%	10.8%	9.4%	-6.3%	0.9%	7.1%		
Natural Gas volume	1.1%	1.0%	-0.7%	-1.4%	0.1%	2.1%	-0.3%		
Overall Sales Volume	3.0%	3.7%	0.4%	-0.5%	0.4%	2.4%	2.2%		
IGL per unit break-up (INR/scm)									
Realisation	44.5	47.8	49.7	49.6	45.7	45.3	45.6		
Average cost of gas	30.3	35.1	38.3	37.6	31.3	31.2	32.7		
Blended gross spread	14.2	12.7	11.3	12.0	14.4	14.1	12.9		
Other expense	5.6	5.6	5.6	5.7	5.8	5.5	5.7		
EBITDA	8.6	7.1	5.7	6.3	8.6	8.6	7.2		
Depreciation	1.2	1.2	1.2	1.3	1.3	1.3	1.3		
Interest exp net of other income	-0.4	-1.4	-0.7	-0.8	-0.6	-1.7	-0.7		
PBT	7.8	7.3	5.2	5.9	7.9	9.0	6.6		
Tax	1.9	1.7	1.5	1.4	2.0	2.0	1.6		
PAT	5.9	5.6	3.7	4.4	5.9	7.0	5.0		

Source: Company, JM Financial

Assumptions and Estimates

Exhibit 3. Key Assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	Comments
GAS VOLUME BREAK-UP (mm scm)							
CNG	1,357	1,847	2,209	2,319	2,505	2,705	
PNG- Domestic	169	182	197	213	230	248	
PNG-Industrial/Commercial	286	352	364	368	390	413	
PNG-Sale to other CGD cos	132	170	182	189	204	221	
Total sales volume	1,944	2,551	2,952	3,089	3,329	3,587	
Internal consumption and normal loss	50	65	76	79	85	92	Normal loss is 1.4% and internal consumption is 1.2% of sales
Total quantity of gas purchased	1,994	2,616	3,028	3,168	3,414	3,679	
Total gas sold (mm scmd)	5.3	7.0	8.1	8.5	9.1	9.8	
Total gas purchased (mm scmd)	5.5	7.2	8.3	8.7	9.4	10.1	
Gas sales volume change Y-o-Y							
CNG	-22%	36%	20%	5%	8%	8%	Factoring 8-9% growth from FY24 onwards
PNG- Domestic	20%	8%	8%	8%	8%	8%	Expect steady 4-6% volume growth to continue
PNG-Industrial/Commercial	-4%	23%	3%	1%	6%	6%	Factoring 4% growth from FY24 onwards
PNG-Sale to other CGD cos	-26%	29%	7%	4%	8%	8%	
Overall	-18%	31%	16%	5%	8%	8%	
Gas sales volume composition							
CNG	70%	72%	75%	75%	75%	75%	CNG to continue to dominate gas mix with ~75% volume
PNG- Domestic	9%	7%	7%	7%	7%	7%	Domestic PNG segment share to be ~7%
PNG-Industrial/Commercial	7%	7%	6%	6%	6%	6%	Industrial segment share to be ~6%
PNG-Sale to other CGD cos	15%	14%	12%	12%	12%	12%	
GAS SOURCING & COST BREAK-UP							
Gas sourcing mix (mm scmd)							
APM gas	2.0	3.6	3.8	3.8	3.9	4.0	
Non-APM/RIL/Vedanta/Cairn HPHT gas	2.5	2.5	3.0	3.5	4.0	4.2	
Long term RasGas LNG	0.5	0.8	1.0	1.1	1.2	1.3	Long-term contract that is valid till CY28 at 12.67% linkage to JCC crude price
Spot LNG/mid-term LNG	0.4	0.3	0.6	0.2	0.2	0.6	Assumed 100% industrial and commercial segment demand to be met via LNG imports; hence, excess demand is met via spot LNG
Total gas purchased	5.5	7.2	8.3	8.7	9.4	10.1	
Gas cost (USD/mmbtu)							
APM gas/Uniform price gas from GAIL for CNG/dom PNG	3.7	4.2	8.0	7.5	7.5	7.8	Based on domestic gas price formula
Non-APM/RIL/Vedanta/Cairn HPHT gas	3.7	5.5	11.2	9.8	9.8	10.1	
Long term RasGas LNG	7.2	10.0	18.0	11.0	11.0	11.0	
Spot LNG/mid-term LNG	5.9	16.0	30.0	13.0	13.0	13.0	
Weighted average gas cost	4.2	6.2	11.9	9.0	9.0	9.4	
OVERALL MARGINS (INR/scm)							
Overall							
Net realisation	25.4	30.2	47.9	45.3	43.1	48.2	
Average cost of gas	11.5	17.2	35.4	31.4	29.3	34.2	
Blended gross margin	13.9	13.0	12.6	14.0	13.8	14.0	
Other expense	6.3	5.6	5.7	5.9	6.1	6.1	
EBITDA	7.6	7.4	6.9	8.0	7.7	7.9	Expect FY24-26E EBITDA ~ INR 7.5-8/SCM as per management guidance
Depreciation	1.5	1.2	1.2	1.2	1.3	1.3	
Interest exp net of other income	-0.7	-0.8	-0.9	-0.9	-0.9	-0.9	
PBT	6.8	6.9	6.5	7.7	7.3	7.6	
Tax	1.7	1.8	1.6	2.0	1.9	2.0	
PAT	5.2	5.1	4.9	5.7	5.4	5.6	Hence, expect FY24-25E PAT/scm at ~INR 5.5/scm

Source: JM Financial, Company

Valuation

Exhibit 4. Valuation

Terminal FCF (INR Mn)	30,014
Terminal Growth Rate	2%
WACC	10.6%
Terminal Value (INR Mn)	340,434
PV of Terminal Value (INR Mn)	124,168
PV of Cash Flow (INR Mn)	116,232
Enterprise Value	240,400
Net Debt /(Net cash)	(50,213)
Equity Value excluding unlisted equity investments (INR Mn)	290,614
Add: Unlisted equity investments (15x CUGL and MNGL FY23 PAT)	38,045
Total Equity value (INR Mn)	328,659
No of shares (Mn)	700
Valuation (INR)	470

Source: JM Financial

If FY25 EBITDA changes by +/- INR0.2/scm, our valuation will change by +/- INR13/share (or +/-2.7%). Similarly, if FY25 volume growth changes by +/- 2%, our valuation will change by +/- INR 5/share (or +/- 1.1%).

Exhibit 5. Valuation sensitivity to volume growth and EBITDA margin

		FY25 volume growth						
		2%	4%	6%	8%	10%	12%	14%
FY25 EBITDA (INR/scm)	7.1	416	422	427	432	437	441	445
	7.3	428	434	439	444	449	454	459
	7.5	440	446	452	457	462	467	472
	7.7	452	458	464	470	475	480	485
	7.9	464	470	476	482	488	493	498
	8.1	475	482	489	495	500	506	512
	8.3	487	494	501	507	513	519	525

Source: Company, JM Financial

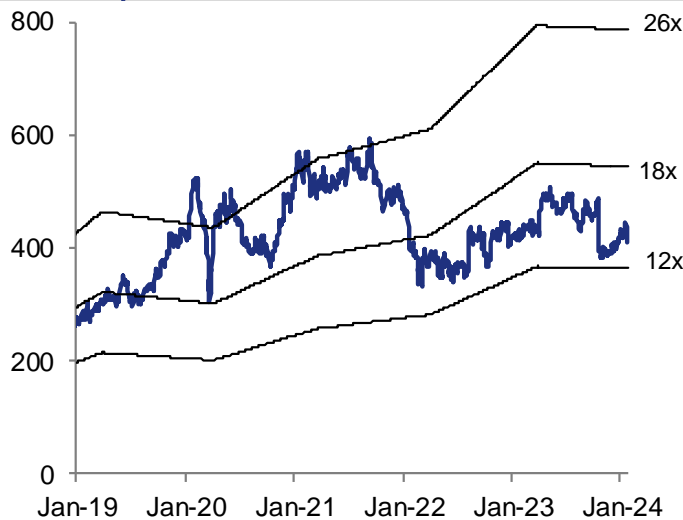
If FY25 EBITDA changes by +/- INR0.2/scm, our EPS will change by +/-2.0%. Similarly, if FY25 volume growth changes by +/- 2%, our EPS will change by +/- 1.2%.

Exhibit 6. FY25 EPS sensitivity to volume growth and EBITDA margin

		FY25 volume growth						
		2%	4%	6%	8%	10%	12%	14%
FY25 EBITDA (INR/scm)	7.1	23.1	23.6	23.9	24.3	24.6	24.8	25.0
	7.3	23.6	24.1	24.5	24.8	25.1	25.4	25.6
	7.5	24.1	24.6	25.0	25.3	25.6	25.9	26.1
	7.7	24.6	25.1	25.5	25.9	26.2	26.4	26.7
	7.9	25.1	25.6	26.0	26.4	26.7	27.0	27.3
	8.1	25.6	26.1	26.5	26.9	27.3	27.5	27.8
	8.3	26.1	26.6	27.1	27.5	27.8	28.1	28.4

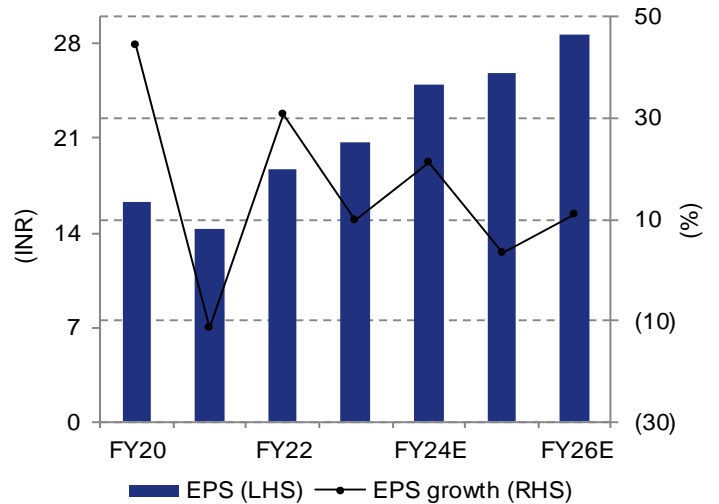
Source: Company, JM Financial

Exhibit 7. 1-year forward PE chart



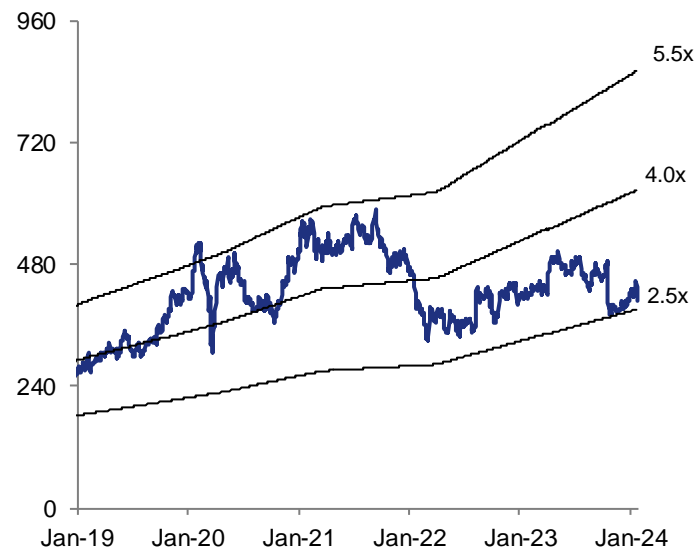
Source: JM Financial, Company

Exhibit 8. EPS vs. EPS growth



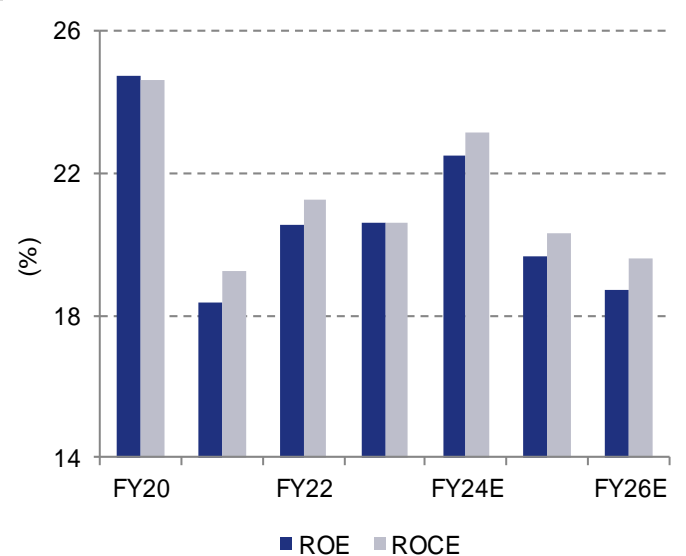
Source: JM Financial, Bloomberg

Exhibit 9. 1-year forward PB chart



Source: JM Financial, Company

Exhibit 10. RoE vs. RoCE



Source: JM Financial, Company

Exhibit 11. Global gas companies' valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)		
	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24	FY23/CY22	FY24/CY23	FY25/CY24
US Peers															
Sempra Energy	18.3	13.7	13.4	16.7	16.1	15.3	1.9	1.6	1.5	0.3	0.4	0.4	8.2	10.3	10.6
Nsource	11.7	11.4	10.2	20.6	16.3	15.2	1.9	1.6	1.5	0.4	0.4	0.4	13.1	10.6	10.6
UGI Corp	6.1	36.8	7.0	6.4	7.7	7.9	1.1	NM	NM	0.2	-0.1	0.2	19.1	-29.7	9.1
Atmos Energy	13.3	12.1	10.6	17.4	17.2	16.1	1.4	1.4	1.4	0.4	0.4	0.4	8.7	8.8	8.5
US peers average	12.3	18.5	10.3	15.3	14.3	13.6	1.6	1.5	1.4	0.3	0.3	0.3	12.3	0.0	9.7
European Peers															
Enagas	14.0	9.2	9.8	10.8	13.1	16.7	1.3	1.3	1.4	0.6	0.8	0.8	12.0	10.1	8.3
European peers average	14.0	9.2	9.8	10.8	13.1	16.7	1.3	1.3	1.4	0.6	0.8	0.8	12.0	10.1	8.3
Asian peers															
BN Energy	11.7	5.7	5.4	18.6	7.5	7.0	2.8	1.3	1.1	0.1	0.1	0.1	15.7	17.3	17.0
Towngas China	12.3	9.6	8.1	13.0	7.6	7.3	0.6	0.5	0.4	0.1	0.1	0.2	4.3	6.3	6.0
Hong Kong & China Gas	16.5	13.0	12.5	26.4	17.3	17.2	2.3	1.7	1.7	0.2	0.2	0.2	8.2	9.6	9.9
China Resources Gas	7.9	6.7	6.2	14.0	9.1	8.5	1.7	1.2	1.1	0.1	0.1	0.1	11.7	13.8	12.8
China Gas Holdings	11.9	8.8	8.1	13.8	9.0	7.8	1.0	0.6	0.6	0.1	0.1	0.1	7.1	7.2	8.1
Beijing Enterprises	9.9	6.7	6.4	4.2	4.3	4.0	0.4	0.4	0.3	0.1	0.2	0.2	8.1	8.6	8.8
Korea Gas	11.2	12.0	10.9	2.1	11.0	3.3	0.3	0.2	0.2	0.1	0.1	0.1	15.6	2.3	5.5
Petronas Gas BHD	10.3	10.0	9.8	20.6	18.4	18.1	2.6	2.6	2.5	0.5	0.6	0.6	12.5	14.0	13.9
IGL	13.2	11.2	10.4	20.8	16.3	15.5	4.2	3.6	3.1	0.1	0.2	0.2	20.6	23.5	21.3
MGL	7.0	6.2	6.8	12.3	11.1	12.2	2.3	2.6	2.4	0.2	0.3	0.3	20.4	26.0	20.2
Gujarat Gas	13.0	18.9	15.5	20.7	32.8	26.0	4.5	4.9	4.4	0.1	0.1	0.1	24.2	16.2	17.4
Petronet LNG	6.1	6.5	6.0	10.6	11.0	10.3	2.3	2.2	2.0	0.1	0.1	0.1	22.8	20.4	19.7
GAIL	12.6	10.0	9.0	13.1	12.7	11.5	1.2	1.8	1.6	0.0	0.1	0.1	9.5	14.2	14.2
GSPL	11.8	10.7	8.4	15.8	15.1	15.3	1.6	1.7	1.6	0.7	0.9	0.4	10.7	12.6	11.4
Asian peers average	11.1	9.7	8.8	14.7	13.1	11.7	2.0	1.8	1.6	0.2	0.2	0.2	13.7	13.7	13.3
Global peers average	11.5	11.5	9.2	14.6	13.3	12.4	1.9	1.7	1.6	0.2	0.3	0.3	13.3	10.6	12.3
Global peers median	11.8	10.0	9.0	14.0	12.7	12.2	1.7	1.6	1.5	0.1	0.2	0.2	12.0	10.6	10.6

Source: Bloomberg, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	77,100	141,460	139,974	143,570	172,977	
Sales Growth	56.0%	83.5%	-1.1%	2.6%	20.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	77,100	141,460	139,974	143,570	172,977	
Cost of Goods Sold/Op. Exp	43,923	104,360	96,851	97,689	122,649	
Personnel Cost	1,760	1,882	2,070	2,277	2,459	
Other Expenses	12,606	14,819	16,301	17,931	19,365	
EBITDA	18,811	20,399	24,753	25,674	28,503	
EBITDA Margin	24.4%	14.4%	17.7%	17.9%	16.5%	
EBITDA Growth	26.9%	8.4%	21.3%	3.7%	11.0%	
Depn. & Amort.	3,171	3,634	3,821	4,271	4,721	
EBIT	15,641	16,766	20,932	21,403	23,782	
Other Income	2,150	2,619	2,881	3,169	3,486	
Finance Cost	132	106	106	106	106	
PBT before Excep. & Forex	17,659	19,279	23,707	24,466	27,163	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	17,659	19,279	23,707	24,466	27,163	
Taxes	4,509	4,827	6,164	6,361	7,062	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	13,150	14,452	17,543	18,105	20,100	
Adjusted Net Profit	13,150	14,452	17,543	18,105	20,100	
Net Margin	17.1%	10.2%	12.5%	12.6%	11.6%	
Diluted Share Cap. (mn)	700.0	700.0	700.0	700.0	700.0	
Diluted EPS (INR)	18.8	20.6	25.1	25.9	28.7	
Diluted EPS Growth	30.8%	9.9%	21.4%	3.2%	11.0%	
Total Dividend + Tax	3,850	9,100	3,509	3,621	4,020	
Dividend Per Share (INR)	5.5	13.0	5.0	5.2	5.7	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	69,362	70,866	84,900	99,384	115,464	
Share Capital	1,400	1,400	1,400	1,400	1,400	
Reserves & Surplus	67,962	69,466	83,500	97,984	114,064	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	2,737	3,168	3,168	3,168	3,168	
Total - Equity & Liab.	72,098	74,033	88,068	102,552	118,632	
Net Fixed Assets	63,803	71,673	78,139	84,160	89,738	
Gross Fixed Assets	63,957	74,908	84,908	94,908	104,908	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	13,939	17,573	21,394	25,664	30,385	
Capital WIP	13,786	14,337	14,624	14,917	15,215	
Investments	19,758	6,773	7,450	8,195	9,014	
Current Assets	20,962	39,314	47,844	57,612	71,088	
Inventories	455	492	487	499	601	
Sundry Debtors	5,206	9,034	8,939	9,168	11,046	
Cash & Bank Balances	750	1,056	9,514	18,858	30,163	
Loans & Advances	398	299	313	329	346	
Other Current Assets	14,153	28,434	28,592	28,758	28,932	
Current Liab. & Prov.	32,425	43,726	45,365	47,416	51,207	
Current Liabilities	18,149	21,344	21,864	22,740	25,298	
Provisions & Others	14,276	22,382	23,501	24,676	25,910	
Net Current Assets	-11,463	-4,412	2,480	10,197	19,880	
Total - Assets	72,098	74,033	88,068	102,552	118,632	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	17,659	19,279	23,707	24,466	27,163	
Depn. & Amort.	3,171	3,634	3,821	4,271	4,721	
Net Interest Exp. / Inc. (-)	-1,502	-1,683	-2,775	-3,063	-3,380	
Inc (-) / Dec in WCap.	3,777	6,469	951	981	943	
Others	-367	-560	0	0	0	
Taxes Paid	-3,759	-4,833	-6,164	-6,361	-7,062	
Operating Cash Flow	18,979	22,306	19,540	20,294	22,384	
Capex	-13,370	-11,221	-10,287	-10,292	-10,298	
Free Cash Flow	5,610	11,085	9,254	10,001	12,086	
Inc (-) / Dec in Investments	-3,224	8,248	-677	-745	-819	
Others	746	-5,441	2,881	3,169	3,486	
Investing Cash Flow	-15,848	-8,414	-8,083	-7,868	-7,632	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-3,285	-13,586	-3,615	-3,727	-4,126	
Inc / Dec (-) in Loans	0	0	615	646	678	
Others	0	0	0	0	0	
Financing Cash Flow	-3,285	-13,586	-2,999	-3,081	-3,448	
Inc / Dec (-) in Cash	-153	306	8,458	9,344	11,304	
Opening Cash Balance	903	750	1,056	9,514	18,858	
Closing Cash Balance	750	1,056	9,514	18,858	30,163	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		17.1%	10.2%	12.5%	12.6%	11.6%
Asset Turnover (x)		1.0	1.7	1.5	1.3	1.4
Leverage Factor (x)		1.2	1.2	1.2	1.2	1.2
RoE		20.5%	20.6%	22.5%	19.6%	18.7%

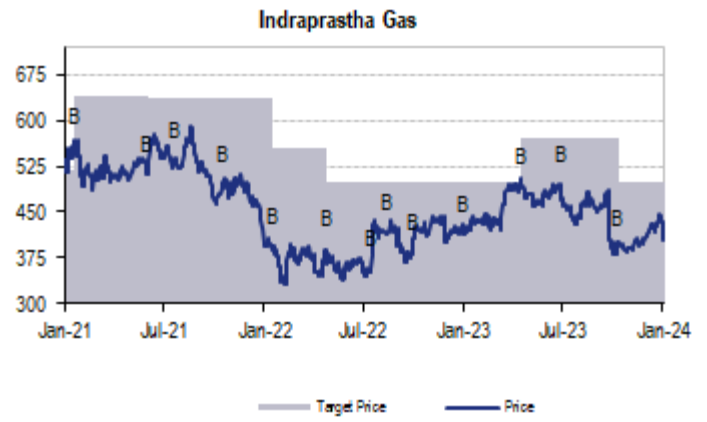
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		99.1	101.2	121.3	142.0	164.9
ROIC		26.3%	22.5%	23.7%	22.6%	23.7%
ROE		20.5%	20.6%	22.5%	19.6%	18.7%
Net Debt/Equity (x)		-0.3	-0.1	-0.2	-0.3	-0.3
P/E (x)		21.6	19.6	16.2	15.7	14.1
P/B (x)		4.1	4.0	3.3	2.9	2.5
EV/EBITDA (x)		14.0	13.5	10.8	10.0	8.6
EV/Sales (x)		3.4	1.9	1.9	1.8	1.4
Debtor days		25	23	23	23	23
Inventory days		2	1	1	1	1
Creditor days		49	27	28	28	28

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
18-Jun-20	Buy	566	
27-Aug-20	Buy	505	-10.7
11-Sep-20	Buy	510	0.9
11-Nov-20	Buy	520	2.0
10-Feb-21	Buy	640	23.0
25-Jun-21	Buy	635	-0.8
13-Aug-21	Buy	635	0.0
9-Nov-21	Buy	635	0.0
8-Feb-22	Buy	555	-12.6
18-May-22	Buy	500	-10.0
9-Aug-22	Buy	500	0.0
5-Sep-22	Buy	500	0.1
24-Oct-22	Buy	500	0.0
25-Jan-23	Buy	500	-0.1
12-May-23	Buy	570	14.1
23-Jul-23	Buy	570	0.0
2-Nov-23	Buy	500	-12.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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