

# Gujarat Gas | BUY



## Earnings beat driven by higher volume & margin; maintain BUY

Gujarat Gas' (GGas) 4QFY24 standalone EBITDA, at INR 5.9bn, was significantly higher than JMFe/consensus of INR 4.7bn/INR 5.3bn due to higher-than-expected volume across segments and sharper-than-expected jump in margin driven by higher realisation. Overall volume was 2.8% higher than JMFe at 9.7mmcmd (up 5.8% QoQ and up 9.4% YoY) led by industrial volume being 2.2% above JMFe at 5.8mmcmd (up 4.9% QoQ and up 8.2% YoY) and CNG volume being 1.3% above JMFe at 2.9mmcmd (up 4.0% QoQ and up 14.2% YoY). Further, EBITDA margin was also better than expected at INR 6.7/scm vs. JMFe of INR 5.5/scm (vs. INR 4.8/scm in 3QFY24) driven by higher realisation. The board approved a dividend of INR 5.66/share (or 36% payout) for FY24 (vs. FY23 dividend of INR 6.65/share, implying 30% payout). We reiterate BUY (revised TP of INR 615) as we expect volume growth momentum to sustain in the medium to long term led by rise in gas use in the industrial segment, normalisation of spot LNG and propane prices, expansion of CNG in new geographical areas (GA's) and limited threat from electric vehicles.

- Volume at 9.7mmcmd was 2.8% above JMFe led by strong growth in Industrial and CNG segments:** Overall volume was 2.8% higher than JMFe at 9.7mmcmd in 4QFY24 (up 5.8% QoQ and up 9.4% YoY) led by industrial volume being 2.2% above JMFe at 5.8mmcmd (up 4.9% QoQ and up 8.2% YoY) aided by improved competitiveness of gas (on account of moderation in spot LNG price relative to alternative fuel propane). Further, CNG volume was also 1.3% above JMFe at 2.9mmcmd (up 4.0% QoQ and up 14.2% YoY) driven by expansion in its new GAs. Domestic PNG volume jumped 18.4% QoQ while commercial segment volume also grew 6% QoQ. Separately, during 4QFY24, the company commissioned +76 new industrial customers with a cumulative volume of ~0.3mmcmd. Further, as of end-FY24, the company has a signed volume of ~0.8mmcmd that will be commissioned in coming days.
- EBITDA margin improvement was also better than JMFe at INR 6.7/scm driven by higher realisation:** EBITDA margin was also better than expected at INR 6.7/scm vs. JMFe of INR 5.5/scm (vs. INR 4.8/scm in 3QFY24) driven by higher realisation. Average realisation was higher than JMFe at INR 46.9/scm (vs. INR 46.6/scm in 3QFY24). However, the average cost of gas was slightly higher than JMFe at INR 36.1/scm or USD 12.1/mmbtu (though slightly lower than INR 38.3/scm or USD 12.8/mmbtu in 3QFY24); opex was also slightly higher QoQ at INR 4.1/scm in 4QFY24 (vs. INR 3.6/scm in 3QFY24).
- Maintain BUY as we expect spot LNG price to remain muted on account of significant jump in LNG supply over medium to long term:** We have increased our FY26-26 EBITDA estimate by 1-2% factoring in FY24 results; our TP has been revised to INR 615 (from INR 590). We maintain BUY as we expect volume growth momentum to sustain in the medium to long term led by rise in gas use in the industrial segment (driven by economics, and also due to regulatory push), normalisation of spot LNG and propane prices, expansion of CNG in new GAs and limited threat from electric vehicles. We expect spot LNG prices to remain muted on account of significant jump in LNG supply over the medium to long term. At CMP, GGas is trading at 22.4x FY26 P/E and 3.8x FY26 P/B. **Key risk** could be jump in spot LNG prices and fall in propane price, posing a significant competitive threat from propane.

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	615
Upside/(Downside)	12.2%
Previous Price Target	590
Change	4.3%

### Key Data – GUJGA IN

Current Market Price	INR548
Market cap (bn)	INR377.4/US\$4.5
Free Float	25%
Shares in issue (mn)	688.4
Diluted share (mn)	688.4
3-mon avg daily val (mn)	INR799.2/US\$9.6
52-week range	621/397
Sensex/Nifty	73,896/22,443
INR/US\$	83.5

### Price Performance

%	1M	6M	12M
Absolute	0.0	31.4	19.0
Relative*	0.5	15.5	-1.7

\* To the BSE Sensex

### Financial Summary (Consolidated)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	167,594	156,902	152,273	170,542	190,997
Sales Growth (%)	1.8	-6.4	-3.0	12.0	12.0
EBITDA	24,862	19,735	23,807	26,922	30,461
EBITDA Margin (%)	14.8	12.5	15.5	15.7	15.9
Adjusted Net Profit	15,284	11,437	14,640	16,749	19,173
Diluted EPS (INR)	22.2	16.6	21.3	24.3	27.9
Diluted EPS Growth (%)	18.7	-25.2	28.0	14.4	14.5
ROIC (%)	24.7	16.8	20.0	22.1	24.4
ROE (%)	24.1	15.5	17.8	17.9	18.1
P/E (x)	24.7	33.0	25.8	22.5	19.7
P/B (x)	5.4	4.9	4.3	3.8	3.3
EV/EBITDA (x)	15.0	18.7	15.2	13.1	11.2
Dividend Yield (%)	0.4	1.2	1.0	1.2	1.3

Source: Company data, JM Financial. Note: Valuations as of 06/May/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.

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## 4QFY24 Result Review

## Exhibit 1. GGas quarterly snapshot

INR Mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	% QoQ	% YoY
Net Sales	51,701	39,765	36,843	39,286	37,815	38,454	39,291	41,342	5.2%	5.2%
Operating expenditure	(45,635)	(33,337)	(31,020)	(33,683)	(33,935)	(33,488)	(35,284)	(35,431)	0.4%	5.2%
<b>EBITDA</b>	<b>6,066</b>	<b>6,427</b>	<b>5,823</b>	<b>5,603</b>	<b>3,880</b>	<b>4,966</b>	<b>4,007</b>	<b>5,911</b>	<b>47.5%</b>	<b>5.5%</b>
EBITDA Margin	11.7%	16.2%	15.8%	14.3%	10.3%	12.9%	10.2%	14.3%	410bps	3bps
Depreciation	(1,032)	(1,064)	(1,093)	(1,094)	(1,151)	(1,179)	(1,201)	(1,212)	0.9%	10.8%
Interest	(136)	(131)	(76)	(61)	(74)	(78)	(72)	(69)		
Other Income	190	185	320	318	239	298	230	311		
PBT	5,089	5,418	4,974	4,766	2,894	4,007	2,964	5,497		
Tax	(1,278)	(1,379)	(1,261)	(1,074)	(743)	(1,029)	(761)	(1,402)		
<b>PAT</b>	<b>3,811</b>	<b>4,039</b>	<b>3,713</b>	<b>3,692</b>	<b>2,151</b>	<b>2,978</b>	<b>2,203</b>	<b>4,095</b>	85.9%	10.9%
EPS (INR)	5.5	5.9	5.4	5.4	3.1	4.3	3.2	5.1		
Tax rate	-25%	-25%	-25%	-23%	-26%	-26%	-26%	-25%		

Source: Company, JM Financial

## Exhibit 2. Volume and realisation break-up

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	% QoQ	% YoY
<b>Gas volume</b>										
Industrial (mmscm)	603	411	373	482	535	539	509	528	3.7%	9.4%
CNG (mmscm)	222	213	224	228	238	241	256	263	2.8%	15.5%
PNG Domestic (mmscm)	50	63	62	75	55	64	65	77	18.4%	3.5%
Commercial (mmscm)	12	13	13	13	12	13	13	14	6.0%	8.3%
<b>Total (mmscm)</b>	<b>887</b>	<b>701</b>	<b>671</b>	<b>797</b>	<b>839</b>	<b>857</b>	<b>843</b>	<b>882</b>	<b>4.6%</b>	<b>10.6%</b>
Industrial (mmscmd)	6.6	4.5	4.1	5.4	5.9	5.9	5.5	5.8	4.9%	8.2%
CNG (mmscmd)	2.4	2.3	2.4	2.5	2.6	2.6	2.8	2.9	4.0%	14.2%
<b>Total (mmscmd)</b>	<b>9.8</b>	<b>7.6</b>	<b>7.3</b>	<b>8.9</b>	<b>9.2</b>	<b>9.3</b>	<b>9.2</b>	<b>9.7</b>	<b>5.8%</b>	<b>9.4%</b>
<b>Gas volume growth (% QoQ)</b>										
Industrial	0.1%	-31.8%	-9.4%	29.5%	10.9%	0.8%	-5.6%	3.7%		
CNG	10.6%	-3.9%	4.7%	1.9%	4.3%	1.5%	6.1%	2.8%		
PNG Domestic	-32.2%	26.8%	-2.9%	21.2%	-26.9%	17.9%	1.4%	18.4%		
Commercial	-6.1%	8.9%	0.0%	-2.2%	-6.1%	8.9%	0.0%	6.0%		
Total	-0.3%	-21.0%	-4.3%	18.9%	5.2%	2.2%	-1.7%	4.6%		
<b>Gas volume growth (% YoY)</b>										
Industrial	-14.8%	-48.6%	-51.8%	-20.0%	-11.3%	31.1%	36.5%	9.4%		
CNG	57.5%	18.4%	12.0%	13.5%	7.0%	12.9%	14.4%	15.5%		
PNG Domestic	-7.3%	7.8%	0.0%	1.2%	9.1%	1.4%	6.0%	3.5%		
Commercial	47.9%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%		
Total	-2.6%	-33.2%	-36.0%	-10.4%	-5.4%	22.3%	25.7%	10.6%		
<b>Per unit break-up (INR/scm)</b>										
Avg. realisation (INR/scm)	58.3	56.7	54.9	49.3	45.1	44.8	46.6	46.9	0.6%	-4.8%
Avg. cost of gas (INR/scm)	48.5	43.7	42.2	38.6	36.9	35.6	38.3	36.1	-5.7%	-6.5%
Blended gross spread (INR/scm)	9.8	13.0	12.7	10.7	8.2	9.2	8.4	10.8	29.1%	1.1%
Other expense (INR/scm)	3.0	3.8	4.1	3.6	3.6	3.4	3.6	4.1	12.2%	12.3%
<b>EBITDA (INR/scm)</b>	<b>6.8</b>	<b>9.2</b>	<b>8.7</b>	<b>7.0</b>	<b>4.6</b>	<b>5.8</b>	<b>4.8</b>	<b>6.7</b>	<b>41.0%</b>	<b>-4.6%</b>
Avg cost of gas (USD/mmBtu)	17.5	15.2	14.3	13.0	12.5	12.0	12.8	12.1	-5.4%	-7.4%

Source: Company, JM Financial

## Assumption and Estimates

## Exhibit 3. Key assumptions

	FY21	FY22	FY23	FY24	FY25E	FY26E	Comments
<b>GAS VOLUME BREAK-UP (mmscm)</b>							
Industrial segment	2,687	2,887	1,870	2,111	2,216	2,327	
CNG	475	726	887	997	1,137	1,296	
PNG Domestic	236	248	250	262	275	288	
Commercial	28	44	50	51	55	60	
Total gas sold (mmcmd)	3,426	3,906	3,057	3,421	3,683	3,971	
Internal consumption and line loss	51	59	46	51	55	60	At ~1.5% of sales based on historical trend
Total gas purchased (mmscm)	3,477	3,964	3,102	3,472	3,739	4,031	
<b>Total gas sold (mmcmd)</b>	<b>9.4</b>	<b>10.7</b>	<b>8.4</b>	<b>9.4</b>	<b>10.1</b>	<b>10.9</b>	
<b>Total gas purchased (mmcmd)</b>	<b>9.5</b>	<b>10.9</b>	<b>8.5</b>	<b>9.5</b>	<b>10.2</b>	<b>11.0</b>	
<b>Gas sales volume change Y-o-Y</b>							
Industrial segment	0.9%	7.4%	-35.2%	12.9%	5.0%	5.0%	Assumed volume growth continues to be ~5% with moderation in spot LNG prices
CNG	-12.5%	52.9%	22.1%	12.4%	14.0%	14.0%	
PNG Domestic	13.5%	5.2%	0.7%	4.7%	5.0%	5.0%	
Commercial	-31.7%	56.4%	14.6%	2.1%	8.0%	8.0%	
Overall	-0.8%	14.0%	-21.7%	11.9%	7.7%	7.8%	
<b>Gas sales volume composition:</b>							
Industrial segment	78%	74%	61%	62%	60%	59%	Industrial segment to continue to dominate gas mix with ~60% share
CNG	14%	19%	29%	29%	31%	33%	CNG segment share to be ~30%
PNG Domestic	7%	6%	8%	8%	7%	7%	Domestic PNG segment share to be ~7%
Commercial	1%	1%	2%	1%	2%	2%	
<b>GAS SOURCING &amp; COST BREAK-UP (mmcmd)</b>							
<b>Gas sourcing mix (mmcmd)</b>							
APM/GAIL uniform price gas	1.9	2.7	2.5	2.6	2.6	2.7	As per gas allocation policy
RIL/Vedanta/Cairn HPHT gas	0.4	2.5	2.3	2.5	2.6	2.7	
Long term LNG- BG contract (valid till 2025)	2.5	2.3	1.8	2.5	2.5	2.5	Long-term contract till CY25 for 2.5mmcmd volumes at ~14% linkage to the Brent crude price
Long term LNG- Rasgas contract (valid till 2028)	1.0	0.9	0.8	0.9	1.0	1.0	Long-term contract till CY28 for 1mmcmd volume at 12.67% linkage to the JCC crude price
Spot LNG	3.6	2.5	1.1	1.1	1.6	2.2	LNG from spot market (and some volume from KG D6) to meet balance demand
<b>Total gas purchased (mmcmd)</b>	<b>9.5</b>	<b>10.9</b>	<b>8.5</b>	<b>9.5</b>	<b>10.2</b>	<b>11.0</b>	
<b>Gas cost (USD/mm btu)</b>							
APM/GAIL uniform price gas	3.7	4.1	8.0	7.5	7.5	7.8	Based on domestic gas price formula
RIL/Vedanta/Cairn HPHT gas	5.2	5.7	11.2	9.8	9.8	10.1	
Long term LNG- BG contract (valid till 2025)	10.4	12.5	16.2	12.1	12.1	12.1	
Long term LNG- Rasgas contract (valid till 2028)	9.5	11.3	14.7	11.0	11.0	11.0	
Spot LNG	7.2	28.9	35.0	12.1	12.1	12.1	
<b>Weighted average gas cost</b>	<b>7.5</b>	<b>12.6</b>	<b>14.9</b>	<b>10.1</b>	<b>10.2</b>	<b>10.5</b>	
<b>OVERALL MARGINS (INR/scm)</b>							
Realisation	28.8	40.8	54.8	45.9	41.5	43.1	
Average cost of gas	20.4	34.4	43.4	36.7	31.6	32.9	
<b>Blended gross spread</b>	<b>8.3</b>	<b>6.4</b>	<b>11.4</b>	<b>9.2</b>	<b>9.9</b>	<b>10.1</b>	
Net other expense/ (income)	2.2	2.2	3.3	3.4	3.3	3.2	
<b>EBITDA</b>	<b>6.2</b>	<b>4.2</b>	<b>8.1</b>	<b>5.8</b>	<b>6.6</b>	<b>6.9</b>	Expect EBITDA at ~INR 6-7/scm from FY25 onwards
Depreciation	1.0	1.0	1.4	1.4	1.4	1.4	
Interest exp net of other income	0.1	-0.1	-0.2	-0.4	-0.2	-0.2	
PBT	5.0	3.3	6.9	4.8	5.4	5.7	
Tax	1.2	1.1	1.6	1.2	1.3	1.4	
PAT	3.8	2.2	5.3	3.6	4.1	4.3	Hence, expect PAT/scm at ~INR 4.0-4.5/scm from FY25 onwards

Source: JM Financial, Company

## Valuation

### Exhibit 4. Valuation

Terminal FCF (INR Mn)	44,497
Terminal Growth Rate	4.0%
WACC	10.6%
Terminal Value (INR Mn)	704,978
PV of Terminal Value (INR Mn)	258,241
PV of Cash Flow (INR Mn)	142,747
Enterprise Value (INR Mn)	400,988
Less: Net Debt (INR Mn)	(22,549)
Equity Value (INR Mn)	423,536
No of shares (Mn)	688
<b>Total equity value (INR/share)</b>	<b>615</b>

Source: JM Financial

If FY25 EBITDA margin changes by +/- INR 0.2/scm our FY25 EPS will change by +/-3.8%. Similarly, if FY25 industrial segment volume growth changes by +/- 2%, our FY25 EPS will change by +/- 3.4%.

### Exhibit 5. FY25 EPS sensitivity to volume growth and margin

		FY25 volume growth						
		1.7%	3.7%	5.7%	7.7%	9.7%	11.7%	13.7%
FY25 EBITDA margin (INR/scm)	6.0	16.8	17.5	18.2	18.9	19.5	20.2	20.9
	6.2	17.6	18.3	19.0	19.7	20.4	21.1	21.8
	6.4	18.3	19.0	19.8	20.5	21.2	21.9	22.6
	6.6	19.1	19.8	20.5	21.3	22.0	22.7	23.5
	6.8	19.8	20.6	21.3	22.1	22.8	23.6	24.3
	7.0	20.6	21.4	22.1	22.9	23.6	24.4	25.1
	7.2	21.4	22.1	22.9	23.7	24.4	25.2	26.0

Source: Company, JM Financial

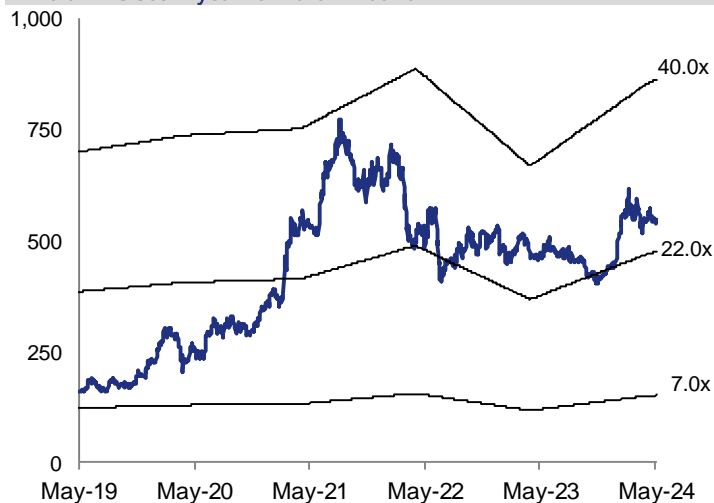
If FY25 EBITDA changes by +/- INR 0.2/scm our valuation will change by +/- INR 20/share (or +/-3.4%). Similarly, if FY25 industrial segment volume growth changes by +/- 2%, our valuation will change by +/- INR 60/share (or +/- 9.8%).

### Exhibit 6. Valuation sensitivity to FY25 volume growth and margin

		FY25 volume growth						
		1.7%	3.7%	5.7%	7.7%	9.7%	11.7%	13.7%
FY25 EBITDA margin (INR/scm)	6.0	408	453	501	553	609	670	737
	6.2	426	471	520	574	631	694	762
	6.4	444	490	540	594	653	717	787
	6.6	461	508	560	615	675	741	812
	6.8	479	527	579	636	698	764	836
	7.0	496	546	599	657	720	788	861
	7.2	514	564	619	678	742	811	886

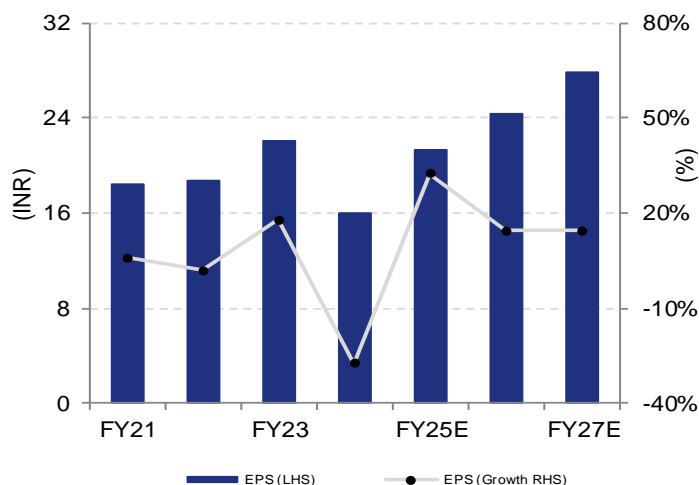
Source: Company, JM Financial

Exhibit 7. GGas 1-year forward PE band



Source: Company, JM Financial

Exhibit 8. EPS vs. EPS growth



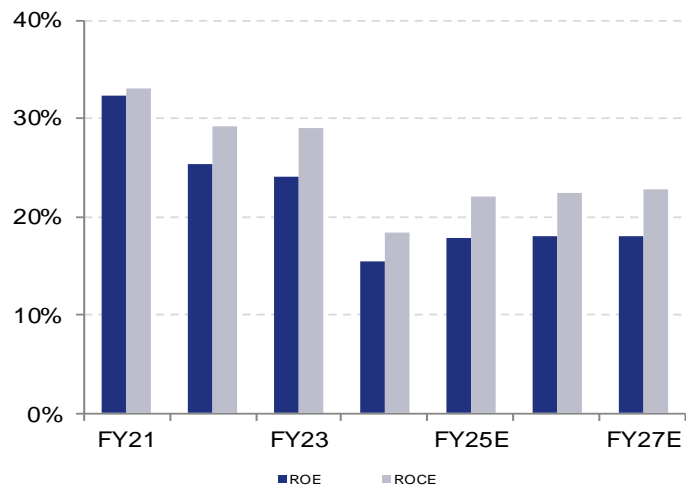
Source: Company, JM Financial

Exhibit 9. GGas 1-year forward PB band



Source: Company, JM Financial

Exhibit 10. RoE vs. RoCE



Source: Company, JM Financial

Exhibit 11. Global gas companies valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)		
	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25	FY24/CY23	FY25/CY24	FY26/CY25
<b>US Peers</b>															
Sempra Energy	13.9	13.7	12.5	15.9	15.1	14.1	1.5	1.5	1.4	37.6	37.6	39.3	10.4	10.3	10.5
Nisource	12.0	10.6	9.6	17.9	16.6	15.4	1.7	1.5	1.4	38.7	41.2	43.5	10.7	9.1	9.3
Atmos Energy	12.4	11.1	9.9	18.1	16.9	15.7	1.5	1.4	1.3	45.2	47.2	49.3	8.9	8.7	8.5
<b>US peers average</b>	<b>12.8</b>	<b>11.8</b>	<b>10.7</b>	<b>17.3</b>	<b>16.2</b>	<b>15.1</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>40.5</b>	<b>42.0</b>	<b>44.0</b>	<b>10.0</b>	<b>9.3</b>	<b>9.4</b>
<b>European Peers</b>															
Enagas	9.8	10.1	10.7	11.9	14.0	15.9	1.2	1.3	1.3	82.4	83.3	82.6	10.1	9.0	8.2
<b>European peers average</b>	<b>9.8</b>	<b>10.1</b>	<b>10.7</b>	<b>11.9</b>	<b>14.0</b>	<b>15.9</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>	<b>82.4</b>	<b>83.3</b>	<b>82.6</b>	<b>10.1</b>	<b>9.0</b>	<b>8.2</b>
<b>Asian peers</b>															
ENN Energy	7.0	6.9	6.4	10.1	10.2	9.4	1.7	1.5	1.4	11.9	11.3	11.5	17.4	15.6	15.7
Towngas China	8.8	6.9	6.1	8.0	7.2	6.0	0.5	0.4	0.4	14.2	18.4	19.3	6.3	6.2	6.7
Hong Kong & China Gas	13.2	13.9	13.0	19.0	17.7	16.7	1.8	1.9	1.9	21.1	20.9	21.1	9.5	11.0	11.7
China Resources Gas	7.3	6.9	6.3	10.4	10.8	9.7	1.4	1.3	1.2	13.5	13.0	13.3	13.8	12.5	12.9
China Gas Holdings	9.1	8.3	7.8	9.3	8.0	7.4	0.7	0.6	0.6	11.6	12.0	12.3	7.3	8.2	8.5
Beijing Enterprises	6.9	6.1	6.0	4.0	4.8	4.6	0.3	0.3	0.3	14.0	17.1	17.2	8.5	7.7	7.6
Korea Gas	12.4	10.8	11.2	35.7	4.2	3.9	0.2	0.2	0.2	7.5	9.9	9.6	1.3	5.6	5.9
Petronas Gas BHD	10.3	10.1	10.1	19.1	18.7	18.2	2.7	2.6	2.5	56.6	56.0	54.8	14.0	13.9	13.8
<b>Asian peers average</b>	<b>11.8</b>	<b>11.3</b>	<b>10.4</b>	<b>18.0</b>	<b>16.8</b>	<b>15.7</b>	<b>3.8</b>	<b>3.3</b>	<b>2.9</b>	<b>18.3</b>	<b>17.9</b>	<b>18.2</b>	<b>23.3</b>	<b>20.6</b>	<b>19.2</b>
<b>Global Peers</b>															
IGL	6.6	7.3	6.9	11.1	12.7	12.2	2.9	2.5	2.2	29.1	26.2	26.0	28.2	20.8	19.0
Gujarat Gas	19.2	15.7	13.9	34.2	27.7	22.4	4.8	4.2	3.7	12.3	13.2	13.9	14.7	16.7	17.4
Petronet LNG	8.2	8.0	7.4	13.7	13.4	12.7	2.8	2.6	2.3	9.5	9.6	10.0	21.9	19.9	18.9
GAIL	10.8	10.4	9.6	14.3	13.8	12.8	2.2	2.0	1.8	10.2	10.4	10.8	15.8	14.7	14.5
GSPL	11.0	11.9	10.9	13.0	17.4	16.1	1.7	1.6	1.5	73.4	41.1	56.9	12.9	8.8	9.0
<b>Global peers average</b>	<b>10.2</b>	<b>9.6</b>	<b>9.0</b>	<b>15.7</b>	<b>13.1</b>	<b>12.0</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>	<b>21.7</b>	<b>19.8</b>	<b>21.1</b>	<b>13.9</b>	<b>13.0</b>	<b>12.9</b>
<b>Global peers median</b>	<b>10.6</b>	<b>10.3</b>	<b>9.8</b>	<b>14.0</b>	<b>13.9</b>	<b>13.4</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>16.3</b>	<b>18.1</b>	<b>18.7</b>	<b>11.8</b>	<b>10.6</b>	<b>11.1</b>

Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	167,594	156,902	152,273	170,542	190,997	
Sales Growth	1.8%	-6.4%	-3.0%	12.0%	12.0%	
Other Operating Income	942	971	1,002	1,035	1,070	
<b>Total Revenue</b>	<b>168,536</b>	<b>157,873</b>	<b>153,275</b>	<b>171,577</b>	<b>192,067</b>	
Cost of Goods Sold/Op. Exp	132,734	125,557	116,258	130,784	147,042	
Personnel Cost	1,956	1,989	2,088	2,193	2,302	
Other Expenses	8,984	10,593	11,122	11,679	12,262	
<b>EBITDA</b>	<b>24,862</b>	<b>19,735</b>	<b>23,807</b>	<b>26,922</b>	<b>30,461</b>	
EBITDA Margin	14.8%	12.5%	15.5%	15.7%	15.9%	
EBITDA Growth	19.7%	-20.6%	20.6%	13.1%	13.1%	
Deprn. & Amort.	4,283	4,743	5,126	5,513	5,903	
EBIT	20,579	14,992	18,681	21,409	24,558	
Other Income	1,013	1,061	1,114	1,170	1,228	
Finance Cost	404	293	275	247	223	
PBT before Excep. & Forex	21,189	15,760	19,520	22,332	25,564	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	21,189	15,760	19,520	22,332	25,564	
Taxes	4,992	3,934	4,880	5,583	6,391	
Extraordinary Inc./Loss(-)	0	557	0	0	0	
Assoc. Profit/Min. Int.(-)	29	26	0	0	0	
Reported Net Profit	16,169	12,357	14,640	16,749	19,173	
<b>Adjusted Net Profit</b>	<b>15,284</b>	<b>11,437</b>	<b>14,640</b>	<b>16,749</b>	<b>19,173</b>	
Net Margin	9.1%	7.2%	9.6%	9.8%	10.0%	
Diluted Share Cap. (mn)	688.4	688.4	688.4	688.4	688.4	
<b>Diluted EPS (INR)</b>	<b>22.2</b>	<b>16.6</b>	<b>21.3</b>	<b>24.3</b>	<b>27.9</b>	
Diluted EPS Growth	18.7%	-25.2%	28.0%	14.4%	14.5%	
Total Dividend + Tax	1,377	4,578	3,896	4,392	5,025	
Dividend Per Share (INR)	2.0	6.7	5.7	6.4	7.3	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	70,280	77,225	87,473	99,197	112,618	
Share Capital	1,377	1,377	1,377	1,377	1,377	
Reserves & Surplus	68,903	75,848	86,096	97,820	111,241	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	2,500	2,434	2,191	1,972	1,774	
Def. Tax Liab. / Assets (-)	8,461	9,108	9,108	9,108	9,108	
<b>Total - Equity &amp; Liab.</b>	<b>81,241</b>	<b>88,766</b>	<b>98,771</b>	<b>110,276</b>	<b>123,500</b>	
Net Fixed Assets	87,848	86,808	90,957	94,818	98,388	
Gross Fixed Assets	107,112	111,466	120,466	129,556	138,736	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	29,095	33,838	38,964	44,476	50,380	
Capital WIP	9,831	9,180	9,455	9,739	10,031	
Investments	690	1,784	2,121	2,525	3,009	
Current Assets	20,736	28,324	34,738	43,905	55,155	
Inventories	612	587	573	642	718	
Sundry Debtors	10,212	10,298	10,060	11,262	12,607	
Cash & Bank Balances	6,747	9,160	16,234	24,520	34,716	
Loans & Advances	66	52	55	57	60	
Other Current Assets	3,100	8,227	7,815	7,425	7,053	
Current Liab. & Prov.	28,034	28,149	29,045	30,972	33,052	
Current Liabilities	7,156	7,002	6,840	7,657	8,571	
Provisions & Others	20,878	21,147	22,205	23,315	24,481	
Net Current Assets	-7,298	174	5,693	12,933	22,103	
<b>Total - Assets</b>	<b>81,241</b>	<b>88,766</b>	<b>98,771</b>	<b>110,276</b>	<b>123,500</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	21,189	15,760	19,520	22,332	25,564	
Deprn. & Amort.	4,283	4,743	5,126	5,513	5,903	
Net Interest Exp. / Inc. (-)	-116	-340	-839	-923	-1,006	
Inc (-) / Dec in WCcap.	4,028	-201	90	-453	-507	
Others	-78	19	0	0	0	
Taxes Paid	-4,608	-3,227	-4,880	-5,583	-6,391	
<b>Operating Cash Flow</b>	<b>24,697</b>	<b>16,755</b>	<b>19,016</b>	<b>20,886</b>	<b>23,563</b>	
Capex	-10,867	-8,371	-9,275	-9,374	-9,473	
Free Cash Flow	13,830	8,383	9,741	11,513	14,090	
Inc (-) / Dec in Investments	21	-1,038	72	-16	-116	
Others	456	623	1,114	1,170	1,228	
<b>Investing Cash Flow</b>	<b>-10,391</b>	<b>-8,787</b>	<b>-8,089</b>	<b>-8,220</b>	<b>-8,361</b>	
Inc / Dec (-) in Capital	3,274	0	0	0	0	
Dividend + Tax thereon	-5,034	-4,848	-4,667	-5,272	-5,974	
Inc / Dec (-) in Loans	-5,024	-293	814	891	969	
Others	0	0	0	0	0	
<b>Financing Cash Flow</b>	<b>-6,784</b>	<b>-5,141</b>	<b>-3,853</b>	<b>-4,381</b>	<b>-5,006</b>	
<b>Inc / Dec (-) in Cash</b>	<b>7,523</b>	<b>2,827</b>	<b>7,074</b>	<b>8,286</b>	<b>10,196</b>	
Opening Cash Balance	42	7,565	10,392	17,467	25,752	
Closing Cash Balance	7,565	10,392	17,467	25,752	35,949	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		9.1%	7.2%	9.6%	9.8%	10.0%
Asset Turnover (x)		2.2	1.9	1.6	1.6	1.6
Leverage Factor (x)		1.2	1.2	1.1	1.1	1.1
RoE		24.1%	15.5%	17.8%	17.9%	18.1%

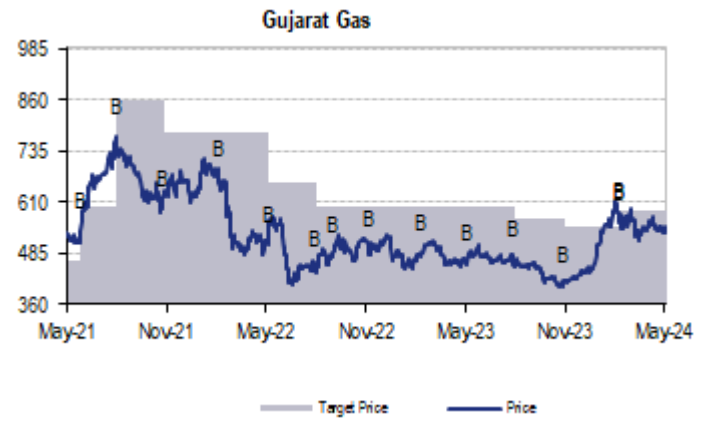
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		102.1	112.2	127.1	144.1	163.6
ROIC		24.7%	16.8%	20.0%	22.1%	24.4%
ROE		24.1%	15.5%	17.8%	17.9%	18.1%
Net Debt/Equity (x)		-0.1	-0.1	-0.2	-0.3	-0.3
P/E (x)		24.7	33.0	25.8	22.5	19.7
P/B (x)		5.4	4.9	4.3	3.8	3.3
EV/EBITDA (x)		15.0	18.7	15.2	13.1	11.2
EV/Sales (x)		2.2	2.3	2.4	2.1	1.8
Debtor days		22	24	24	24	24
Inventory days		1	1	1	1	1
Creditor days		18	19	19	19	19

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
7-Jun-20	Buy	330	
4-Aug-20	Buy	360	9.0
5-Nov-20	Buy	385	6.9
5-Feb-21	Buy	465	20.8
1-Jun-21	Buy	600	29.0
5-Aug-21	Buy	860	43.3
28-Oct-21	Buy	780	-9.3
8-Feb-22	Buy	780	0.0
10-May-22	Buy	660	-15.5
4-Aug-22	Buy	600	-9.0
5-Sep-22	Buy	600	0.0
10-Nov-22	Buy	600	0.0
13-Feb-23	Buy	600	0.0
10-May-23	Buy	600	0.0
2-Aug-23	Buy	570	-5.0
2-Nov-23	Buy	550	-3.4
13-Feb-24	Buy	590	7.2
14-Feb-24	Buy	590	0.0

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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