

Gujarat Gas | BUY



Robust quarter driven by recovery in volume and margins

Gujarat Gas' (GGas) 2QFY24 standalone EBITDA was INR 5.0bn, slightly above JMFe of INR 4.9bn but significantly above consensus of INR 3.8bn due to higher-than-expected volume while margin was a tad lower. Volume was 4.7% above JMFe at 9.2mmcmd in 2QFY24 (up 2.2% QoQ) due to higher volume in the key industrial segment. EBITDA margin recovered to INR 5.8/scm (from INR 4.6/scm in 1QFY24) aided by lower gas cost and some price hike undertaken in the industrial segment due to rise in the price of propane; however, this was slightly lower than JMFe of INR 6.0/scm. Despite near-term volatility in earnings depending on propane price competitiveness, we reiterate BUY (unchanged TP of INR 550) 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 propane prices and limited threat from electric vehicles.

- Volume up 2.2% QoQ at 9.3mmcmd vs. JMFe of 8.9mmcmd led by higher industrial volume:** Gujarat Gas' (GGas) 2QFY24 standalone EBITDA was INR 5.0bn, slightly above JMFe of INR 4.9bn but significantly above consensus of INR 3.8bn due to higher-than-expected volume while margin was a tad lower. Hence, PAT at INR 3.0bn was also slightly higher than JMFe of INR 2.9bn but significantly above consensus of 2.2bn. Volume was 4.7% above JMFe at 9.2mmcmd in 2QFY24 (up 2.2% QoQ and up 22% YoY on a low base) due to higher volume in the key industrial segment. Industrial volume was 6.1% above JMFe at 5.9mmcmd (up 0.8% QoQ and up 31% YoY on a low base). CNG volume was marginally lower at 2.6mmcmd (up 1.5% QoQ and up 12.9% YoY). Domestic PNG volume rose 17.9% QoQ in 2QFY24, after declining sharply in 1QFY24. Commercial segment volume was also 6.7% above JMFe at 13mmcmd (up 8.9% QoQ).
- EBITDA margin recovered to INR 5.8/scm (from INR 4.6/scm in 1QFY24) though it was a little lower than JMFe of INR 6.0/scm:** EBITDA margin recovered to INR 5.8/scm (from INR 4.6/scm in 1QFY24) aided by lower gas cost and some price hike undertaken in the industrial segment due to rise in the price of alternative fuel (propane); however, this was a tad lower than JMFe of INR 6.0/scm. Average cost of gas declined to USD 12.0/mmbtu or INR 35.6/scm (vs. USD12.5/mmbtu in 4QFY23); this could be due to purchase of spot LNG at lower price during the quarter, given the volatility. However, average realisation was marginally lower at INR44.8/scm (vs. INR 45.1/scm in 1QFY24). Further, Opex also declined to INR 3.5/scm in 2QFY24 (vs. INR 3.7/scm in 1QFY24) partly aided by positive operating leverage on account of higher volume.
- Reiterate BUY despite near-term concerns on account of competitive threat from propane:** Despite near-term volatility in earnings depending on spot LNG vs. propane price competitiveness, we reiterate BUY (unchanged TP of INR 550) 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 and limited threat from electric vehicles. At CMP, GGas is trading at 21.4x FY25 P/E and 3.6x FY25 P/B. **Key risk** could be high spot LNG prices and low propane price posing significant competitive threat from propane.

Dayanand Mittal

dayanand.mittal@jmfl.com | Tel: (91 96) 19388870

Shivam Gupta

shivam.gupta@jmfl.com | +91 22 66303082

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	550
Upside/(Downside)	34.8%
Previous Price Target	550
Change	0.1%

Key Data – GUJGA IN

Current Market Price	INR408
Market cap (bn)	INR281.1/US\$3.4
Free Float	20%
Shares in issue (mn)	688.4
Diluted share (mn)	688.4
3-mon avg daily val (mn)	INR703.3/US\$8.4
52-week range	539/397
Sensex/Nifty	64,081/19,133
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	-3.5	-13.1	-21.8
Relative*	-1.3	-17.0	-25.8

* To the BSE Sensex

Financial Summary (Consolidated)

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	164,562	167,594	130,958	153,378	174,505
Sales Growth (%)	67.0	1.8	-21.9	17.1	13.8
EBITDA	20,763	24,862	18,853	24,279	27,808
EBITDA Margin (%)	12.6	14.8	14.3	15.7	15.8
Adjusted Net Profit	12,874	15,284	11,346	15,217	17,656
Diluted EPS (INR)	18.7	22.2	16.5	22.1	25.6
Diluted EPS Growth (%)	1.3	18.7	-25.8	34.1	16.0
ROIC (%)	22.7	24.7	16.1	20.8	23.1
ROE (%)	25.4	24.1	15.3	18.2	18.6
P/E (x)	21.8	18.4	24.8	18.5	15.9
P/B (x)	5.0	4.0	3.6	3.2	2.8
EV/EBITDA (x)	13.8	11.1	14.3	10.9	9.1
Dividend Yield (%)	0.5	0.5	1.6	1.2	1.6

Source: Company data, JM Financial. Note: Valuations as of 02/Nov/2023

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.

2QFY24 Result Review

Exhibit 1. GGas quarterly snapshot

INR Mn	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	% QoQ	% YoY
Net Sales	30,109	36,249	51,444	46,694	51,701	39,765	36,843	39,286	37,815	38,454	1.7%	-3.3%
Operating expenditure	(22,880)	(32,059)	(49,069)	(39,720)	(45,635)	(33,337)	(31,020)	(33,683)	(33,935)	(33,488)	-1.3%	0.5%
EBITDA	7,229	4,190	2,375	6,974	6,066	6,427	5,823	5,603	3,880	4,966	28.0%	-22.7%
EBITDA Margin	24.0%	11.6%	4.6%	14.9%	11.7%	16.2%	15.8%	14.3%	10.3%	12.9%	265bps	-325bps
Depreciation	(905)	(947)	(969)	(1,021)	(1,032)	(1,064)	(1,093)	(1,094)	(1,151)	(1,179)	2.4%	10.8%
Interest	(159)	(124)	(140)	(145)	(136)	(131)	(76)	(61)	(74)	(78)		
Other Income	213	178	353	176	190	185	320	318	239	298		
PBT	6,377	3,297	1,619	5,867	5,089	5,418	4,974	4,766	2,894	4,007		
Tax	(1,616)	(843)	(400)	(1,424)	(1,278)	(1,379)	(1,261)	(1,074)	(743)	(1,029)		
PAT	4,762	2,454	1,219	4,443	3,811	4,039	3,713	3,692	2,151	2,978	38.5%	-26.3%
EPS (INR)	6.9	3.6	1.8	6.6	5.5	5.9	5.4	5.4	3.1	4.3		
Tax rate	-25%	-26%	-25%	-24%	-25%	-25%	-25%	-23%	-26%	-26%		

Source: Company, JM Financial

Exhibit 2. Volume and realisation break-up

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	% QoQ	% YoY
Gas volume												
Industrial (mmscm)	708	799	774	603	603	411	373	482	535	539	0.8%	31.1%
CNG (mmscm)	141	180	200	201	222	213	224	228	238	241	1.5%	12.9%
PNG Domestic (mmscm)	54	59	62	74	50	63	62	75	55	64	17.9%	1.4%
Commercial (mmscm)	8	11	13	13	12	13	13	13	12	13	8.9%	0.0%
Total (mmscm)	911	1050	1048	890	887	701	671	797	839	857	2.2%	22.3%
Total (mmscmd)	10.0	11.4	11.4	9.9	9.8	7.6	7.3	8.9	9.2	9.3	1.1%	22.3%
Gas volume growth (% QoQ)												
Industrial	-17.9%	12.9%	-3.2%	-22.1%	0.1%	-31.8%	-9.4%	29.5%	10.9%	0.8%		
CNG	-8.4%	27.9%	10.7%	0.5%	10.6%	-3.9%	4.7%	1.9%	4.3%	1.5%		
PNG Domestic	-18.2%	9.0%	4.7%	19.7%	-32.2%	26.8%	-2.9%	21.2%	-26.9%	17.9%		
Commercial	-20.0%	38.0%	16.7%	-2.2%	-6.1%	8.9%	0.0%	-2.2%	-6.1%	8.9%		
Total	-16.6%	15.2%	-0.2%	-15.1%	-0.3%	-21.0%	-4.3%	18.9%	5.2%	2.2%		
Gas volume growth (% YoY)												
Industrial	172.3%	10.6%	-8.2%	-30.0%	-14.8%	-48.6%	-51.8%	-20.0%	-11.3%	31.1%		
CNG	127.4%	52.8%	40.6%	30.3%	57.5%	18.4%	12.0%	13.5%	7.0%	12.9%		
PNG Domestic	3.8%	-0.2%	4.5%	11.8%	-7.3%	7.8%	0.0%	1.2%	9.1%	1.4%		
Commercial	166.7%	84.0%	43.1%	26.0%	47.9%	16.7%	0.0%	0.0%	0.0%	0.0%		
Total	141.6%	15.9%	-0.5%	-18.5%	-2.6%	-33.2%	-36.0%	-10.4%	-5.4%	22.3%		
Per unit break-up (INR/scm)												
Avg. realisation (INR/scm)	33.1	34.5	49.1	52.5	58.3	56.7	54.9	49.3	45.1	44.8	-0.5%	-20.9%
Avg. cost of gas(INR/scm)	22.6	28.5	44.6	41.8	48.5	43.7	42.2	38.6	36.9	35.6	-3.4%	-18.5%
Blended gross spread (INR/scm)	10.4	6.1	4.5	10.7	9.8	13.0	12.7	10.7	8.2	9.2	12.4%	-29.0%
Other expense (INR/scm)	2.5	2.1	2.3	2.8	3.0	3.8	4.1	3.6	3.6	3.4	-3.4%	-9.0%
EBITDA (INR/scm)	7.9	4.0	2.3	7.8	6.8	9.2	8.7	7.0	4.6	5.8	25.2%	-36.8%
Avg cost of gas(USD/mmBtu)	8.5	10.7	16.5	15.4	17.5	15.2	14.3	13.0	12.5	12.0	-3.9%	-21.3%

Source: Company, JM Financial

Assumption and Estimates

Exhibit 3. Key assumptions

	FY21	FY22	FY23	FY24E	FY25E	FY26E	Comments
GAS VOLUME BREAK-UP (mmscm)							
Industrial segment	2,687	2,887	1,870	2,019	2,261	2,442	
CNG	475	726	887	993	1,113	1,246	
PNG Domestic	236	248	250	265	281	295	
Commercial	28	44	50	55	61	67	
Total gas sold (mmcmd)	3,426	3,906	3,057	3,333	3,716	4,050	
Internal consumption and line loss	51	59	46	50	56	61	At ~1.5% of sales based on historical trend
Total gas purchased (mmscm)	3,477	3,964	3,102	3,383	3,771	4,111	
Total gas sold (mmcmd)	9.4	10.7	8.4	9.1	10.2	11.1	
Total gas purchased (mmcmd)	9.5	10.9	8.5	9.3	10.3	11.3	
Gas sales volume change Y-o-Y							
Industrial segment	0.9%	7.4%	-35.2%	8.0%	12.0%	8.0%	Assumed volume growth continues to be high with moderation in spot LNG prices
CNG	-12.5%	52.9%	22.1%	12.0%	12.0%	12.0%	
PNG Domestic	13.5%	5.2%	0.7%	6.0%	6.0%	5.0%	
Commercial	-31.7%	56.4%	14.6%	10.0%	10.0%	10.0%	
Overall	-0.8%	14.0%	-21.7%	9.0%	11.5%	9.0%	
Gas sales volume composition:							
Industrial segment	78%	74%	61%	61%	61%	60%	Industrial segment to continue to dominate gas mix with ~60% share
CNG	14%	19%	29%	30%	30%	31%	CNG segment share to be ~30%
PNG Domestic	7%	6%	8%	8%	8%	7%	Domestic PNG segment share to be ~7%
Commercial	1%	1%	2%	2%	2%	2%	
GAS SOURCING & COST BREAK-UP (mmcmd)							
Gas sourcing mix (mmcmd)							
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	0.8	1.7	2.5	LNG from spot market (and some volume from KG D6) to meet balance demand
Total gas purchased (mmcmd)	9.5	10.9	8.5	9.3	10.3	11.3	
Gas cost (USD/mmbtu)							
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	13.0	13.0	13.0	
Weighted average gas cost	7.5	12.6	14.9	10.2	10.4	10.7	
OVERALL MARGINS (INR/scm)							
Realisation	28.8	40.8	54.8	39.4	41.4	43.2	
Average cost of gas	20.4	34.4	43.4	30.5	31.8	33.3	
Blended gross spread	8.3	6.4	11.4	8.9	9.6	9.8	
Net other expense/ (income)	2.2	2.2	3.3	3.2	3.0	2.9	
EBITDA	6.2	4.2	8.1	5.7	6.6	6.9	Expect EBITDA at ~INR 6-7/scm from FY24 onwards
Depreciation	1.0	1.0	1.4	1.4	1.3	1.3	
Interest exp net of other income	0.1	-0.1	-0.2	-0.3	-0.2	-0.2	
PBT	5.0	3.3	6.9	4.6	5.5	5.9	
Tax	1.2	1.1	1.6	1.1	1.3	1.4	
PAT	3.8	2.2	5.3	3.5	4.2	4.4	Hence, expect PAT/scm at ~INR 3.5-4.5/scm from FY24 onwards

Source: JM Financial, Company

Valuation

Exhibit 4. Valuation

Terminal FCF (INR Mn)	41,845
Terminal Growth Rate	4.0%
WACC	10.6%
Terminal Value (INR Mn)	6,59,833
PV of Terminal Value (INR Mn)	2,29,189
PV of Cash Flow (INR Mn)	1,40,277
Enterprise Value (INR Mn)	3,69,466
Less: Net Debt (INR Mn)	(9,386)
Equity Value (INR Mn)	3,78,853
No of shares (Mn)	688
Total equity value (INR/share)	550

Source: JM Financial

If FY25 EBITDA margin changes by +/- INR 0.2/scm our FY25 EPS will change by +/-3.7%. Similarly, if FY25 industrial segment volume growth changes by +/- 2%, our FY25 EPS will change by +/- 3.1%.

Exhibit 5. FY25 EPS sensitivity to volume growth and margin

		FY25 volume growth						
		5.5%	7.5%	9.5%	11.5%	13.5%	15.5%	17.5%
FY25 EBITDA margin (INR/scm)	6.0	17.7	18.4	19.0	19.7	20.3	21.0	21.6
	6.2	18.5	19.2	19.8	20.5	21.1	21.8	22.5
	6.4	19.3	19.9	20.6	21.3	22.0	22.6	23.3
	6.6	20.0	20.7	21.4	22.1	22.8	23.5	24.2
	6.8	20.8	21.5	22.2	22.9	23.6	24.3	25.0
	7.0	21.6	22.3	23.0	23.7	24.5	25.2	25.9
	7.2	22.3	23.1	23.8	24.5	25.3	26.0	26.7

Source: Company, JM Financial

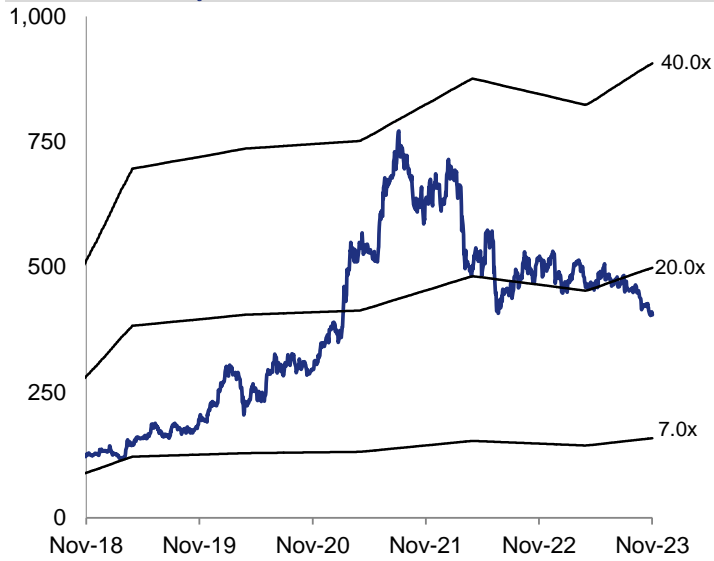
If FY25 EBITDA changes by +/- INR 0.2/scm our valuation will change by +/- INR 19/share (or +/-3.4%). Similarly, if FY25 industrial segment volume growth changes by +/- 2%, our valuation will change by +/- INR 16/share (or +/- 2.9%).

Exhibit 6. Valuation sensitivity to FY25 volume growth and margin

		FY25 volume growth						
		5.5%	7.5%	9.5%	11.5%	13.5%	15.5%	17.5%
FY25 EBITDA margin (INR/scm)	6.0	449	463	478	493	508	523	538
	6.2	467	482	497	512	528	543	558
	6.4	484	500	516	531	547	563	578
	6.6	502	518	534	550	566	582	598
	6.8	520	537	553	569	586	602	618
	7.0	538	555	572	588	605	622	638
	7.2	556	573	590	607	624	641	658

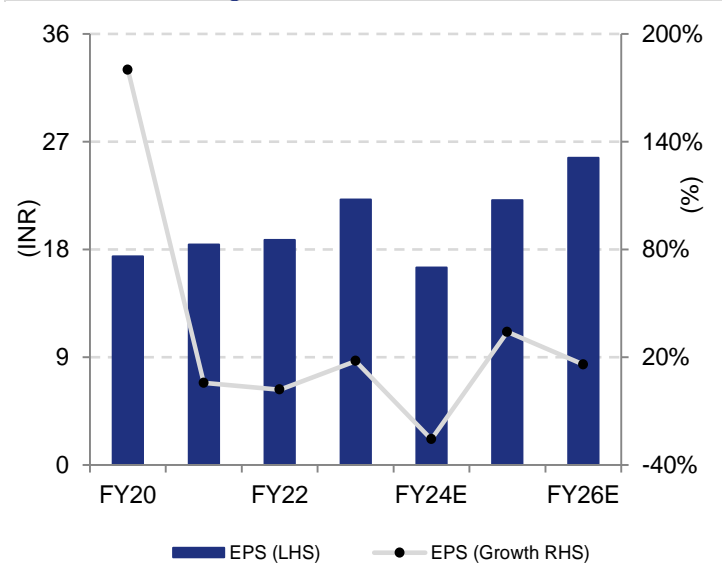
Source: Company, JM Financial

Exhibit 7. GGas 1-year forward PE band



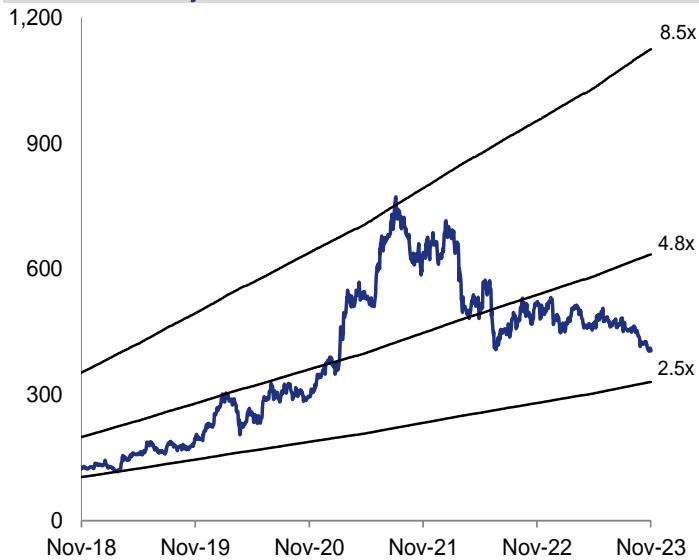
Source: Company, JM Financial

Exhibit 8. EPS vs. EPS growth



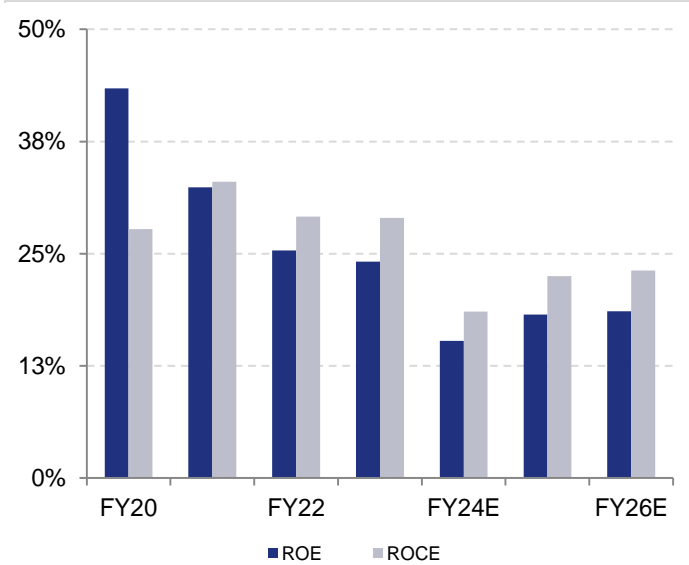
Source: Company, JM Financial

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 (%)		
	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	13.0	12.6	16.7	15.7	14.8	1.9	1.6	1.6	0.3	0.4	0.4	8.2	10.3	10.7
Nisource	11.7	11.4	10.2	20.6	16.1	15.1	1.9	1.6	1.5	0.4	0.4	0.4	13.1	10.6	10.8
UGI Corp	6.1	35.4	6.4	6.4	7.6	6.8	1.1	NM	NM	0.2	0.0	0.2	19.1	9.4	9.1
Atmos Energy	13.1	11.6	10.3	18.0	16.8	15.7	1.5	1.4	1.3	0.4	0.4	0.4	8.6	8.4	8.6
US peers average	12.3	17.8	9.9	15.4	14.1	13.1	1.6	1.5	1.5	0.3	0.3	0.3	12.2	9.7	9.8
European Peers															
Enagas	14.0	9.3	9.9	10.8	13.7	17.1	1.3	1.4	1.4	0.6	0.8	0.8	12.0	9.9	8.3
European peers average	14.0	9.3	9.9	10.8	13.7	17.1	1.3	1.4	1.4	0.6	0.8	0.8	12.0	9.9	8.3
Asian peers															
ENN Energy	11.7	6.3	5.8	18.6	8.7	7.9	2.8	1.4	1.3	0.1	0.1	0.1	15.7	17.5	17.3
Towngas China	12.3	9.4	7.5	13.0	7.2	6.4	0.6	0.5	0.4	0.1	0.1	0.2	4.3	6.5	6.4
Hong Kong & China Gas	16.5	12.0	11.7	26.4	16.5	16.6	2.3	1.7	1.7	0.2	0.2	0.2	8.2	9.8	10.5
China Resources Gas	7.9	6.6	6.0	14.0	8.9	8.3	1.7	1.2	1.1	0.1	0.1	0.1	11.7	13.7	13.4
China Gas Holdings	11.9	7.8	7.1	13.8	6.6	5.9	1.0	0.6	0.6	0.1	0.1	0.1	7.1	9.3	9.9
Beijing Enterprises	9.9	6.5	6.2	4.2	4.0	3.7	0.4	0.3	0.3	0.1	0.2	0.2	8.1	8.7	9.0
Korea Gas	11.2	12.3	11.3	2.1	6.3	3.2	0.3	0.2	0.2	0.1	0.1	0.1	15.6	3.2	5.6
Petronas Gas BHD	10.3	9.5	9.5	20.6	17.9	17.5	2.6	2.5	2.5	0.5	0.6	0.6	12.5	13.9	13.9
IGL	13.2	10.0	9.1	20.8	15.5	13.8	4.2	3.3	2.9	0.1	0.2	0.2	20.6	22.8	21.4
MGL	7.0	4.9	5.2	12.3	9.2	10.1	2.3	2.1	1.9	0.2	0.3	0.2	20.4	24.9	19.7
Gujarat Gas	13.0	13.8	11.2	20.7	22.9	18.0	4.5	3.6	3.2	0.1	0.1	0.1	24.2	17.0	18.2
Petronet LNG	6.1	5.1	4.8	10.6	9.1	8.5	2.3	1.8	1.6	0.1	0.1	0.1	22.8	20.3	19.5
GAIL	12.6	7.8	7.1	13.1	9.5	8.5	1.2	1.3	1.2	0.0	0.1	0.1	9.5	14.0	14.2
GSPL	11.8	11.1	8.3	15.8	16.7	14.7	1.6	1.5	1.4	0.7	0.8	0.4	10.7	9.6	10.4
Asian peers average	11.1	8.8	7.9	14.7	11.4	10.2	2.0	1.6	1.4	0.2	0.2	0.2	13.7	13.6	13.5
Global peers average	11.5	10.7	8.4	14.7	12.1	11.2	1.9	1.6	1.4	0.2	0.3	0.3	13.3	12.6	12.5
Global peers median	11.8	9.5	8.3	14.0	9.5	10.1	1.7	1.5	1.4	0.1	0.2	0.2	12.0	10.3	10.7

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	164,562	167,594	130,958	153,378	174,505	
Sales Growth	67.0%	1.8%	-21.9%	17.1%	13.8%	
Other Operating Income	0	942	971	1,002	1,035	
Total Revenue	164,562	168,536	131,929	154,380	175,540	
Cost of Goods Sold/Op. Exp	134,369	132,734	101,590	118,041	135,068	
Personnel Cost	1,909	1,956	2,054	2,156	2,264	
Other Expenses	7,522	8,984	9,433	9,905	10,400	
EBITDA	20,763	24,862	18,853	24,279	27,808	
EBITDA Margin	12.6%	14.8%	14.3%	15.7%	15.8%	
EBITDA Growth	0.2%	19.7%	-24.2%	28.8%	14.5%	
Depn. & Amort.	3,849	4,283	4,642	5,006	5,373	
EBIT	16,914	20,579	14,210	19,273	22,435	
Other Income	909	1,013	1,064	1,117	1,173	
Finance Cost	568	404	216	194	175	
PBT before Excep. & Forex	17,254	21,189	15,059	20,196	23,434	
Excep. & Forex Inc./Loss(-)	-119	0	0	0	0	
PBT	17,135	21,189	15,059	20,196	23,434	
Taxes	4,278	4,992	3,713	4,979	5,778	
Extraordinary Inc./Loss(-)	-119	0	0	0	0	
Assoc. Profit/Min. Int.(-)	16	29	0	0	0	
Reported Net Profit	12,722	16,169	11,346	15,217	17,656	
Adjusted Net Profit	12,874	15,284	11,346	15,217	17,656	
Net Margin	7.8%	9.1%	8.6%	9.9%	10.1%	
Diluted Share Cap. (mn)	688.4	688.4	688.4	688.4	688.4	
Diluted EPS (INR)	18.7	22.2	16.5	22.1	25.6	
Diluted EPS Growth	1.3%	18.7%	-25.8%	34.1%	16.0%	
Total Dividend + Tax	1,377	1,377	4,578	3,405	4,566	
Dividend Per Share (INR)	2.0	2.0	6.7	4.9	6.6	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	17,135	21,189	15,059	20,196	23,434	
Depn. & Amort.	3,849	4,283	4,642	5,006	5,373	
Net Interest Exp. / Inc. (-)	230	-116	-848	-923	-998	
Inc (-) / Dec in WCap.	-95	4,028	780	-491	-463	
Others	-139	-78	0	0	0	
Taxes Paid	-4,364	-4,608	-3,713	-4,979	-5,778	
Operating Cash Flow	16,617	24,697	15,921	18,808	21,568	
Capex	-13,663	-10,867	-9,295	-9,394	-9,494	
Free Cash Flow	2,954	13,830	6,626	9,414	12,074	
Inc (-) / Dec in Investments	-1	21	26	-7	-44	
Others	728	456	1,064	1,117	1,173	
Investing Cash Flow	-12,935	-10,391	-8,205	-8,283	-8,365	
Inc / Dec (-) in Capital	0	3,274	0	0	0	
Dividend + Tax thereon	-1,906	-5,034	-3,620	-4,760	-5,473	
Inc / Dec (-) in Loans	-4,378	-5,024	794	871	948	
Others	0	0	0	0	0	
Financing Cash Flow	-6,284	-6,784	-2,826	-3,889	-4,525	
Inc / Dec (-) in Cash	-2,602	7,523	4,889	6,635	8,678	
Opening Cash Balance	2,645	42	7,565	12,454	19,090	
Closing Cash Balance	42	7,565	12,454	19,090	27,768	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	56,299	70,280	78,221	88,871	101,229	
Share Capital	1,377	1,377	1,377	1,377	1,377	
Reserves & Surplus	54,923	68,903	76,844	87,494	99,852	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	6,389	2,500	2,250	2,025	1,823	
Def. Tax Liab. / Assets (-)	8,077	8,461	8,461	8,461	8,461	
Total - Equity & Liab.	70,766	81,241	88,932	99,357	111,513	
Net Fixed Assets	80,591	87,848	92,501	96,889	101,010	
Gross Fixed Assets	95,836	107,112	116,112	125,202	134,383	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	25,168	29,095	33,737	38,743	44,116	
Capital WIP	9,923	9,831	10,126	10,430	10,743	
Investments	549	690	816	966	1,147	
Current Assets	14,733	20,736	23,170	31,112	41,020	
Inventories	534	612	482	564	641	
Sundry Debtors	9,301	10,212	8,038	9,406	10,696	
Cash & Bank Balances	198	6,747	11,636	18,272	26,950	
Loans & Advances	65	66	69	73	76	
Other Current Assets	4,637	3,100	2,945	2,797	2,658	
Current Liab. & Prov.	25,108	28,034	27,555	29,609	31,664	
Current Liabilities	4,471	7,156	5,633	6,592	7,495	
Provisions & Others	20,637	20,878	21,922	23,018	24,169	
Net Current Assets	-10,374	-7,298	-4,385	1,502	9,356	
Total - Assets	70,766	81,241	88,932	99,357	111,513	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	7.8%	9.1%	8.6%	9.9%	10.1%	
Asset Turnover (x)	2.5	2.2	1.6	1.6	1.7	
Leverage Factor (x)	1.3	1.2	1.1	1.1	1.1	
RoE	25.4%	24.1%	15.3%	18.2%	18.6%	

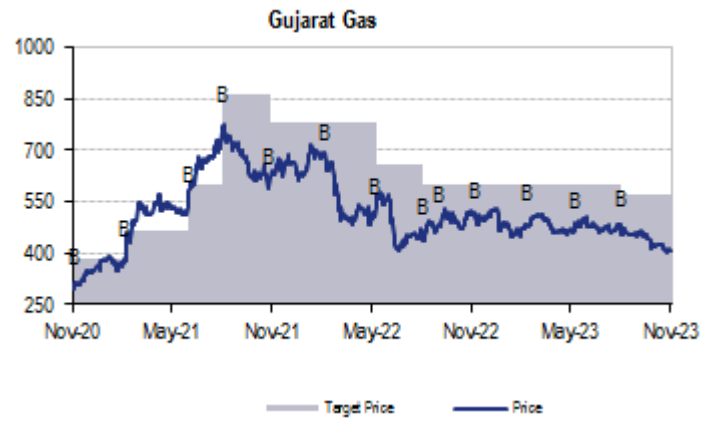
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	81.8	102.1	113.6	129.1	147.1	
ROIC	22.7%	24.7%	16.1%	20.8%	23.1%	
ROE	25.4%	24.1%	15.3%	18.2%	18.6%	
Net Debt/Equity (x)	0.1	-0.1	-0.1	-0.2	-0.3	
P/E (x)	21.8	18.4	24.8	18.5	15.9	
P/B (x)	5.0	4.0	3.6	3.2	2.8	
EV/EBITDA (x)	13.8	11.1	14.3	10.9	9.1	
EV/Sales (x)	1.7	1.6	2.1	1.7	1.4	
Debtor days	21	22	22	22	22	
Inventory days	1	1	1	1	1	
Creditor days	11	18	18	18	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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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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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