

**We upgrade GAIL to BUY from Add due to the recent stock correction, and lower Sep-25E TP by 5% to Rs255. GAIL reported Q2FY25 SA EBITDA of Rs37.4bn, a 4% slip, mainly due to a 25% miss in gas marketing (lower margins) and 7% miss in transmission (higher opex), partly offset by better petchem and other segments. Management reiterated its transmission volume guidance of >130mmscmd in FY25 and 10-12mmscmd annual growth in FY26-27. Marketing margin guidance of >Rs45bn should also rise post-Q3FY25 results. Petchem should see reasonable profits with healthy utilization. We cut FY25E EPS by 10% to factor in the delay in pipeline tariff hike to FY26 and also trim FY26-27E EPS by 6% each on lower marketing income, petchem deltas, and LPG-LHC realization, due to a cut in our Brent assumption to USD80/bbl from USD85. We retain our target 7.5x EV/EBITDA multiple, given 20% EPS CAGR in FY25-26E.**

<b>GAIL: Financial Snapshot (Standalone)</b>					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,442,497	1,305,731	1,237,878	1,352,150	1,457,506
EBITDA	68,789	133,747	163,693	186,695	196,544
Adj. PAT	54,465	88,365	109,674	127,863	136,233
Adj. EPS (Rs)	8.3	13.4	16.7	19.4	20.7
EBITDA margin (%)	4.8	10.2	13.2	13.8	13.5
EBITDA growth (%)	(50.3)	94.4	22.4	14.1	5.3
Adj. EPS growth (%)	(64.5)	62.2	24.1	16.6	6.5
RoE (%)	9.8	14.7	16.3	17.3	16.8
RoIC (%)	8.1	14.8	16.9	17.9	17.5
P/E (x)	25.2	15.5	12.5	10.7	10.1
EV/EBITDA (x)	22.2	11.7	9.6	8.3	7.7
P/B (x)	2.5	2.1	2.0	1.8	1.6
FCFF yield (%)	(3.0)	3.1	1.2	3.8	4.5

Source: Company, Emkay Research

**Result Highlights**

GAIL's Q2FY25 SA EBITDA/PAT was Rs37.5/26.7bn, down 17%/2% QoQ, up 7%/11% YoY and 4% below/7% above our estimate. The book EBITDA miss was due to lower gas marketing and transmission EBITDA, with beat in Petchem and Others segments. The PAT beat was led by lower DA at Rs8.2bn – down 22% QoQ (included Rs2.34bn of one-off in Q1) and slightly higher Other Income of Rs7.1bn – up 27% YoY. Gas transmission EBITDA fell 8% QoQ as volume grew 9% YoY/fell 1% QoQ to 130.6mmscmd. Average tariff fell 2% QoQ to Rs2.1/scm while opex was up. Gas marketing EBITDA declined 34% QoQ to Rs15.1bn in Q2 (a 25% miss) on weaker RLNG margins QoQ. Marketing volume fell 3% QoQ at 96.6mmscmd (a 4% miss). Petchem EBITDA recovered by 2.3x QoQ to Rs2.8bn. Pata utilization rose to 115% in Q2 after the shutdown in Q1. Realization premium to Korea improved to 13% in Q2 vs 11% QoQ. LPG-LHC EBITDA rose 4% QoQ to Rs2.8bn on better volumes, despite lower realizations. LPG-LHC production increased 17% QoQ. Capex stood at Rs18.9bn in Q2.

**Management KTAs**

Company has submitted documents for tariff revision to PNGRB 1.5 months back and the process is on with likely applicability from Apr-25-end. Prolonged monsoon and lower power sector demand affected marketing volumes QoQ in Q2. GAIL takes 10-15% of volumes from the spot market. It has secured 1.53mmtpa of term LNG from Vitol and ADNOC, starting CY26, with an aim to secure a total 7mmtpa by CY30. These are crude linked and USD0.5-1/mmbtu cheaper than Qatargas. Marketing margins should stabilize going ahead. The Usar Rs112.56bn 0.5mmtpa PDHPP project has achieved 75% progress and completion-commissioning is expected by Apr-Oct of next year. The Rs13bn Pata 60ktpa PP project is 91% complete and should be mechanically ready by Dec-24. It is looking at listing of 1-2 CGD JVs and an update on this is likely by Q3FY25. Dabhol would be an all-weather terminal by next monsoon with breakerwork done by Feb-25. FY25 conservative/normative capex target is Rs80-90bn/>Rs100bn.

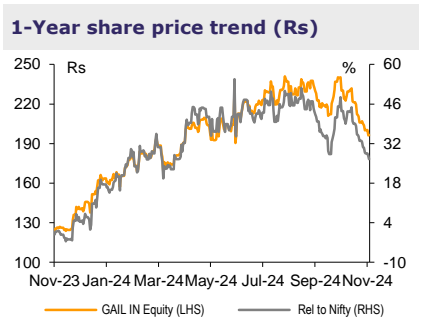
**Valuation**

We cut FY25E earnings by 10% to factor in the delay in transmission tariff hike to FY26 along with lower oil prices. We value GAIL on SOTP-EV/EBITDA-based methodology, with investments at 30% holdco discount. We retain our blended target multiple at 7.5x Sep-26E EV/EBITDA. **Key risks: Adverse commodity price and margins, currency fluctuations, regulations, outages and project delays.**

Target Price – 12M	Sep-25
<b>Change in TP (%)</b>	<b>(5.4)</b>
Current Reco.	BUY
Previous Reco.	ADD
Upside/(Downside) (%)	22.3
CMP (06-Nov-24) (Rs)	208.9

Stock Data	Ticker
52-week High (Rs)	246
52-week Low (Rs)	123
Shares outstanding (mn)	6,575.1
Market-cap (Rs bn)	1,374
Market-cap (USD mn)	16,299
Net-debt, FY25E (Rs mn)	198,099
ADTV-3M (mn shares)	14
ADTV-3M (Rs mn)	3,249.0
ADTV-3M (USD mn)	38.5
Free float (%)	41.0
Nifty-50	24,484
INR/USD	84.3
<b>Shareholding, Sep-24</b>	
Promoters (%)	51.5
FPIs/MFs (%)	16.7/16.9

<b>Price Performance</b>			
(%)	1M	3M	12M
Absolute	(9.2)	(6.5)	69.3
Rel. to Nifty	(7.3)	(8.4)	34.2



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## Exhibit 1: Actuals vs Estimates (Q2FY25)

(Rs bn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	329.1	365.1	336.7	-10%	-2%	
Adjusted EBITDA	37.4	39.2	39.4	-4%	-5%	Miss in marketing and transmission
EBITDA Margin	11.4%	10.7%	11.7%	64bps	-33bps	
Adjusted Net Profit	26.7	25.0	25.7	7%	4%	Lower-than-expected DA and finance cost

Source: Company, Emkay Research

## Exhibit 2: Quarterly Summary

(Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY	QoQ	H1FY24	H1FY25	YoY
Revenue	318,068	342,365	323,177	336,738	329,117	3%	-2%	640,188	665,855	4%
COGS	260,360	277,664	259,349	269,943	267,301	3%	-1%	533,389	537,244	1%
<b>Gross Profit</b>	<b>57,708</b>	<b>64,701</b>	<b>63,828</b>	<b>66,795</b>	<b>61,817</b>	<b>7%</b>	<b>-7%</b>	<b>106,800</b>	<b>128,612</b>	<b>20%</b>
Opex	22,795	26,476	28,250	21,514	24,367	7%	13%	47,560	45,881	-4%
<b>EBITDA</b>	<b>34,913</b>	<b>38,226</b>	<b>35,578</b>	<b>45,281</b>	<b>37,450</b>	<b>7%</b>	<b>-17%</b>	<b>59,240</b>	<b>82,731</b>	<b>40%</b>
Depreciation	7,503	7,843	11,605	10,489	8,153	9%	-22%	13,860	18,642	34%
Interest	1,718	1,564	1,932	2,092	1,901	11%	-9%	3,477	3,993	15%
Other Income	5,609	8,121	6,376	3,716	7,135	27%	92%	8,285	10,851	31%
Exceptionals	-	-	-	-	-			-	-	
PBT	31,301	36,940	28,418	36,416	34,531	10%	-5%	50,188	70,947	41%
Tax	7,252	8,514	6,648	9,176	7,812	8%	-15%	12,019	16,988	41%
<b>Rep. PAT</b>	<b>24,049</b>	<b>28,426</b>	<b>21,770</b>	<b>27,240</b>	<b>26,719</b>	<b>11%</b>	<b>-2%</b>	<b>38,169</b>	<b>53,959</b>	<b>41%</b>
Adj. PAT	24,049	28,426	21,770	27,240	26,719	11%	-2%	38,169	53,959	41%
Adj. EPS (Rs)	3.7	4.3	3.3	4.1	4.1	11%	-2%	5.8	8.2	41%
<b>Gas Transmission</b>										
Volume (mmscmd)	120.3	121.5	123.7	131.8	130.6	9%	-1%	118.3	131.2	11%
Adj. Tariff (Rs/scm)	2.1	2.2	2.1	2.2	2.1	1%	-2%	2.1	2.2	1%
Reported EBITDA	16,540	15,610	15,990	19,660	18,060	9%	-8%	30,050	37,720	26%
<b>LPG Transmission</b>										
Volume (mmt)	1.1	1.1	1.1	1.1	1.1	1%	6%	2.2	2.2	0%
Tariff (Rs/mt)	1,643	1,662	1,652	1,671	1,637	0%	-2%	1,637	1,654	1%
Reported EBITDA	1,040	1,010	990	1,000	1,050	1%	5%	2,000	2,050	2%
<b>Gas Marketing</b>										
Volume (mmscmd)	97.0	98.1	99.9	99.5	96.6	0%	-3%	97.9	98.0	0%
Reported EBITDA	19,530	20,730	16,270	22,850	15,120	-23%	-34%	30,560	37,970	24%
EBITDA Margin (USD/mmbtu)	0.6	0.6	0.5	0.7	0.4	-25%	-39%	0.5	0.6	25%
<b>Petchem</b>										
Sales Volume (kt)	168	215	242	169	226	35%	34%	330	395	20%
Reported EBITDA	-380	2,050	4,260	1,240	2,810		127%	-2,110	4,050	
EBITDA/mt (USD)	-28	94	180	81	125		53%	-78	106	
<b>LPG &amp; LHC</b>										
Sales Volume (kt)	242	249	261	218	253	5%	16%	489	471	-4%
Reported EBITDA	50	2,800	3,610	2,660	2,770		4%	2,300	5,430	136%
EBITDA/mt (USD)	2	111	141	135	110		-19%	51	122	136%

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

## Concall Highlights

### Gas transmission

- GAIL's natural gas transmission volumes were steady in Q2FY25 as fertilizer recovered QoQ and Pata was also back to >100% utilization. Pipeline capacity utilization was 62%. Maintain guidance of >130mmcmd for FY25 and did 131.21mmcmd in H1FY25. Expect volumes to grow by 10-12mmcmd annually in FY26 and beyond.
- Have submitted documents for tariff revision 1.5 months ago to PNGRB and the process is on and expected to be completed by end of Mar-25 with applicability from Apr-25. It can come for public consultation by Dec-24. The filing is part of regular review.
- Transmission opex was higher on increase in fuel consumption at compressors and this level can continue, though the company would get recovery of such higher costs through tariffs.
- The Mumbai-Nagpur-Jharsuguda project would be progressively commissioned by Jun-25, JHBDPL remaining (2,896km already done out of 3,289km) by Mar-25, KKMBPL remaining by Mar-25 (out of 901km, 579km done), Srikakulam Angul by Jun-25, Gurdaspur Jammu by Jul-26, and the remaining Bengal section of Dhamra Haldia by Mar-25 (154km of 253km done).
- Working on securing more pipeline projects with PNGRB going ahead, both nominated and bid-based. Some pipelines which were earlier cancelled from other players can come in the future.

### Gas marketing

- Prolonged monsoon and lower power sector demand affected marketing volumes QoQ in Q2. There was scheduling issues in LNG cargoes and spot LNG arbitrage was not conducive as rates were higher, hence was short of trading volumes (still took from outside). GAIL takes 10-15% of volumes from spot markets.
- Q1FY25 marketing earnings were better on 3mmcmd higher volumes and better arbitrage between Henry Hub and crude-linked volumes. Upstream contracts are 9 months average pricing while downstream are of 3 months. Expect reasonable margins for the next two quarters with 4-5mmcmd volume growth.
- Expect FY25 marketing margin guidance of Rs45bn to be crossed, given Rs32.87bn in H1 which is 73% of the target. Will come up with revised guidance in Q3FY25.
- Have secured 1.53mtpa of term LNG from Vitol and ADNOC, starting CY26. These are crude-linked and USD0.5-1/mmbtu cheaper than Qatargas. Aim to source 7mtpa of term volumes in phases by CY30.
- Marketing margins should stabilize going ahead and spot LNG prices would not impact much. Volumes will grow, while near-term spot LNG prices can come down but eventually it would go up. GAIL sells 10% volume in spot (75-80% back-to-back volumes) where it can see trading gains.
- APM allocation cut provides opportunity to source and market more LNG to the CGD sector.

### Petchem

- Pata utilization was 116% in Q2 and expect this runrate going ahead with full year volumes at capacity, ie 810kt. Q1/Q2FY25 gas sourcing cost was ~USD8.5/9.0 per mmbtu for petchem. PBT in H1FY25 was Rs1.16bn vs Rs4bn loss YoY; expect reasonable profits for the year. GAIL is further optimizing sourcing.
- The Usar Rs112.56bn 0.5mtpa PDHPP project has achieved 75% progress and completion-commissioning is expected by Apr-Oct of 2025. The Rs12.99bn Pata 60ktpa PP project is 91% complete and should be mechanically ready by Dec-24. GMPL should be completed by Jun-25.
- The PDHPP project was envisaged in FY19 as GAIL wanted to enter the PP market (currently marketing very small quantity of PP from Pata). There is good correlation between propane and PP prices and it should gain the spreads. It is the largest petchem project for GAIL and should take 1 year to become profitable, ie from FY27 onwards vs commissioning in FY26. Rs30bn of capex is pending.

- GMPL would also take 1 year to become profitable. Country is growing at 7% and polymer demand is also growing similarly. Will come back on profitability guidance of new plants later.
- The dedicated C2-C3 pipeline from Vijaipur to Pata is to optimize feed cost. Currently, there is a 10% loss on gas-based ethane sourcing, as extraction happens and the same is being pumped with natural gas.
- GAIL continues to evaluate petchem investments, including a new ethane cracker but has not decided on anything as yet.

### Others

- GAIL standalone CGD had 194 CNG stations and 0.348mn DPNG customers in 6 GAs as of Sep-24-end, with 3,765 DPNG connections added in Q3. CNG volume was 0.38mmscmd of which APM/RLNG was 0.23/0.15. It aims for 80 new CNG stations and 0.12mn DPNG connections in the next 2 years. Impact from recent APM allocation cut is Rs60mn per quarter.
- GAIL gas revenue was Rs31.5bn in Q2 vs Rs29.87bn QoQ, up 5% with 8% growth in CNG volumes, 15% in I/CPNG, and 5% in bulk trading. PBT was Rs1.67bn vs Rs1.49bn QoQ, up 12% while PAT was Rs1.24bn vs Rs1.1bn, an increase of 13% QoQ. It added 26,795 DPNG connections and 8 CNG stations in Q2 totaling 1.03mn and 580, respectively, as of now. Impact from APM allocation cut is Rs160mn per quarter.
- CGD demand is increasing, so APM gas allocation may come down going ahead. Review is going on regarding price hikes by GAIL's CGD entities and as of date the view is that price revision has to take place.
- GAIL has not taken any decision on restructuring of GAIL Gas etc, but same is in mind, though listing of 1-2 JVs is in process and the management will come back on this by Q3FY25.
- LHC capacity utilization was 71% while LPG transmission was 98%. Expect LNG production to be stable annually and GAIL is hedging LPG prices.
- Expect Dabhol to become an all-weather LNG terminal by next monsoon with breakwater done by Feb-25. GAIL would bring more of its own cargoes then.
- Capex in Q2 was Rs18.85bn spent on pipelines, CGD, net zero-RE, operations etc. Expect capex of Rs80-90bn to >Rs100bn in FY25 (conservative vs usual case). H2 capex would be higher vs H1. Debt could increase by Rs10-20bn but remain largely stable going ahead. Interest cost is 7.5-7.7%.
- In terms of depreciation, Q1 had Pata annual plant maintenance and expenditure was depreciated as plant life of Pata-1 was already completed (Rs410mn impact). Same was the case for some pipelines as well (Hazira Rs990mn) and a ship also completed its leasing period (Rs5.69bn). It was Rs2.34bn higher one time in Q1. Expect Rs36bn DA in FY25.
- Other Income included interest income; sale of steam (Rs1.5bn); BCPL marketing; sale of scrap; dividend income (Rs3.64bn); customer delayed payment interest (Rs510mn); and interest on loans to subsidiaries, associates, and JVs (Rs1.53bn).

## Exhibit 3: Change in assumptions

	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
<b>Gas Transmission</b>									
Volumes (mmscmd)	134.9	132.5	-2%	145.7	143.1	-2%	154.5	151.7	-2%
Adj Tariff (Rs/scm)	2.2	2.2	-2%	2.5	2.5	2%	2.5	2.6	2%
Adj EBITDA (Rs bn)	70.3	64.7	-8%	83.6	86.0	3%	90.3	93.0	3%
<b>LPG Transmission</b>									
Volumes (mmt)	4.5	4.5	0%	4.5	4.5	0%	4.6	4.6	0%
Adj EBITDA (Rs bn)	3.5	3.7	6%	3.5	3.7	6%	3.5	3.7	6%
<b>Gas Marketing</b>									
Volumes (mmscmd)	105.8	101.0	-5%	113.3	106.5	-6%	121.3	113.3	-7%
Margin (USD/mmbtu)	0.5	0.5	2%	0.5	0.5	-5%	0.5	0.5	-6%
Adj EBITDA (Rs bn)	65.6	64.2	-2%	68.4	61.4	-10%	70.9	62.6	-12%
<b>Petchem</b>									
Capacity Utilization	100%	100%	0%	102%	102%	0%	102%	102%	0%
EBITDA/mt (USD)	154.6	150.1	-3%	201.1	206.3	3%	229.5	230.8	1%
Adj EBITDA (Rs bn)	10.4	10.1	-2%	13.8	14.2	3%	15.7	15.9	1%
<b>LPG &amp; LHC</b>									
EBITDA/mt (USD)	165.1	94.4	-43%	157.9	93.8	-41%	150.4	92.1	-39%
Adj EBITDA (Rs bn)	13.7	7.9	-42%	13.1	7.8	-40%	12.5	7.7	-38%

Source: Company, Emkay Research

## Exhibit 4: Change in estimates

(Rs bn)	FY25E			FY26E			FY27E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	1,279	1,238	-3%	1,395	1,352	-3%	1,502	1,458	-3%
EBITDA	178	164	-8%	197	187	-5%	208	197	-5%
EBITDA Margins	13.9%	13.2%	-69bps	14.1%	13.8%	-31bps	13.8%	13.5%	-33bps
PAT	122	110	-10%	135	128	-6%	144	136	-6%
EPS (Rs)	18.5	16.7	-10%	20.6	19.4	-6%	21.9	20.7	-6%

Source: Company, Emkay Research

## Exhibit 5: SOTP-based valuation (Sep-25E)

Components	Basis	Sep-26E EBITDA	Multiple (x)	EV (Rs bn)	EV/Sh (Rs)	Comments
Gas Transmission - Standalone	EV/EBITDA	90	8.5	761	116	
LPG Transmission - Standalone	EV/EBITDA	4	8.0	30	5	
Gas Marketing - Standalone	EV/EBITDA	62	6.5	403	61	
Petrochemicals - Standalone	EV/EBITDA	15	6.5	98	15	
LPG & LHC - Standalone	EV/EBITDA	8	6.5	50	8	
Others - Standalone	EV/EBITDA	14	6.5	88	13	
<b>Core Business EV</b>		<b>192</b>	<b>7.5</b>	<b>1,430</b>	<b>218</b>	
Less: Adj. Net Debt (Sep-25E End)				132	20	
<b>Core Business Valuation</b>				<b>1,298</b>	<b>197</b>	
Value of Listed Investments	TP/CMP			236	36	At 30% HoldCo Discount
Value of Unlisted Investments	BV			146	22	At 1.0x P/B
<b>Target Price-Fair Value (Rs)</b>				<b>1,679</b>	<b>255</b>	

Source: Company, Emkay Research

## Exhibit 6: Schedule and value of listed investments

Listed	Type	Basis of Valuation	TP/CMP (Rs)	Equity Value (Rs bn)	GAIL Stake	Pro-rata Value (Rs bn)	HoldCo Discount	Contr to SOTP (Rs bn)	Per Share Value (Rs)
PLNG	JV	TP (Emkay)	425	638	12.5%	80	30%	56	8.5
IGL	JV	TP (Emkay)	470	329	22.5%	74	30%	52	7.9
MGL	JV	TP (Emkay)	1,880	186	32.5%	60	30%	42	6.4
ONGC	Financial	TP (Emkay)	360	4,529	2.5%	111	30%	78	11.8
China Gas Holding	Financial	CMP	73	383	2.9%	11	30%	8	1.2
Gujarat Industries Power Co Ltd (GIPCL)	Financial	CMP	210	318	0.4%	1	30%	1	0.1
<b>Total Listed</b>						<b>337</b>		<b>236</b>	<b>36</b>
<b>Unlisted</b>									
Unlisted CGDs & IGGL	Subsidiary	BV		Value of Stake		104		104	16
Brahamputra Cracker Limited (BCPL)	Subsidiary	BV		Value of Stake		42		42	6
<b>Total Unlisted</b>						<b>146</b>		<b>146</b>	<b>22</b>
<b>Grand Total Investments</b>						<b>483</b>		<b>382</b>	<b>58</b>

Source: Company, Emkay Research

## GAIL: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>1,442,497</b>	<b>1,305,731</b>	<b>1,237,878</b>	<b>1,352,150</b>	<b>1,457,506</b>
Revenue growth (%)	57.4	(9.5)	(5.2)	9.2	7.8
<b>EBITDA</b>	<b>68,789</b>	<b>133,747</b>	<b>163,693</b>	<b>186,695</b>	<b>196,544</b>
EBITDA growth (%)	(50.3)	94.4	22.4	14.1	5.3
Depreciation & Amortization	24,881	33,308	35,130	39,237	43,123
<b>EBIT</b>	<b>43,908</b>	<b>100,439</b>	<b>128,563</b>	<b>147,458</b>	<b>153,421</b>
EBIT growth (%)	(62.5)	128.7	28.0	14.7	4.0
Other operating income	0	0	0	0	0
Other income	26,847	22,079	27,108	32,056	36,404
Financial expense	3,117	6,972	9,048	8,575	7,695
<b>PBT</b>	<b>67,638</b>	<b>115,546</b>	<b>146,624</b>	<b>170,939</b>	<b>182,129</b>
Extraordinary items	(1,800)	0	0	0	0
Taxes	12,823	27,181	36,949	43,077	45,897
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>53,015</b>	<b>88,365</b>	<b>109,674</b>	<b>127,863</b>	<b>136,233</b>
PAT growth (%)	(48.8)	66.7	24.1	16.6	6.5
<b>Adjusted PAT</b>	<b>54,465</b>	<b>88,365</b>	<b>109,674</b>	<b>127,863</b>	<b>136,233</b>
<b>Diluted EPS (Rs)</b>	<b>8.3</b>	<b>13.4</b>	<b>16.7</b>	<b>19.4</b>	<b>20.7</b>
Diluted EPS growth (%)	(64.5)	62.2	24.1	16.6	6.5
<b>DPS (Rs)</b>	<b>4.0</b>	<b>5.5</b>	<b>7.5</b>	<b>8.8</b>	<b>9.3</b>
<b>Dividend payout (%)</b>	<b>49.6</b>	<b>40.9</b>	<b>45.0</b>	<b>45.0</b>	<b>45.0</b>
EBITDA margin (%)	4.8	10.2	13.2	13.8	13.5
EBIT margin (%)	3.0	7.7	10.4	10.9	10.5
Effective tax rate (%)	16.8	23.5	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>36,525</b>	<b>76,812</b>	<b>96,165</b>	<b>110,299</b>	<b>114,759</b>
Shares outstanding (mn)	6,575.1	6,575.1	6,575.1	6,575.1	6,575.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	67,638	115,546	146,624	170,939	182,129
Others (non-cash items)	8,352	24,870	17,069	15,756	14,414
Taxes paid	(15,178)	(27,482)	(35,778)	(41,882)	(44,678)
Change in NWC	(30,932)	5,548	(1,508)	(4,291)	(2,436)
<b>Operating cash flow</b>	<b>28,080</b>	<b>118,482</b>	<b>126,407</b>	<b>140,522</b>	<b>149,430</b>
Capital expenditure	(73,416)	(70,376)	(108,141)	(81,278)	(81,298)
Acquisition of business	0	0	0	0	0
Interest & dividend income	18,047	14,982	27,108	32,056	36,404
<b>Investing cash flow</b>	<b>(65,533)</b>	<b>(80,024)</b>	<b>(81,033)</b>	<b>(49,222)</b>	<b>(44,894)</b>
Equity raised/(repaid)	(13,289)	0	0	0	0
Debt raised/(repaid)	75,287	12,795	17,895	0	(13,500)
Payment of lease liabilities	(4,273)	(8,249)	(8,249)	(8,249)	(8,249)
Interest paid	(5,804)	(10,910)	(9,048)	(8,575)	(7,695)
Dividend paid (incl tax)	(30,679)	(36,195)	(49,353)	(57,538)	(61,305)
Others	(4,892)	(1,135)	0	0	0
<b>Financing cash flow</b>	<b>20,623</b>	<b>(35,445)</b>	<b>(40,506)</b>	<b>(66,113)</b>	<b>(82,500)</b>
Net chg in Cash	(16,830)	3,013	4,869	25,187	22,036
OCF	28,080	118,482	126,407	140,522	149,430
Adj. OCF (w/o NWC chg.)	59,012	112,934	127,915	144,813	151,866
FCFF	(45,336)	48,106	18,266	59,244	68,132
FCFE	(30,406)	56,116	36,327	82,725	96,841
OCF/EBITDA (%)	40.8	88.6	77.2	75.3	76.0
FCFE/PAT (%)	(57.4)	63.5	33.1	64.7	71.1
<b>FCFF/NOPLAT (%)</b>	<b>(124.1)</b>	<b>62.6</b>	<b>19.0</b>	<b>53.7</b>	<b>59.4</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	65,751	65,751	65,751	65,751	65,751
Reserves & Surplus	490,786	576,043	636,364	706,688	781,616
<b>Net worth</b>	<b>556,537</b>	<b>641,794</b>	<b>702,115</b>	<b>772,439</b>	<b>847,367</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	46,628	49,558	50,729	51,924	53,142
<b>Total debt</b>	<b>157,295</b>	<b>192,105</b>	<b>210,000</b>	<b>210,000</b>	<b>196,500</b>
<b>Total liabilities &amp; equity</b>	<b>760,460</b>	<b>883,456</b>	<b>962,844</b>	<b>1,034,363</b>	<b>1,097,009</b>
Net tangible fixed assets	394,143	422,657	474,082	512,570	547,156
Net intangible assets	28,550	31,169	31,169	31,169	31,169
Net ROU assets	20,380	35,772	35,772	35,772	35,772
Capital WIP	136,625	158,587	160,173	161,775	163,393
Goodwill	0	0	0	0	0
Investments [JV/Associates]	0	0	0	0	0
<b>Cash &amp; equivalents</b>	<b>131,907</b>	<b>182,172</b>	<b>207,040</b>	<b>234,179</b>	<b>258,186</b>
Current assets (ex-cash)	249,710	264,928	255,885	273,169	289,172
Current Liab. & Prov.	200,856	211,828	201,277	214,270	227,837
<b>NWC (ex-cash)</b>	<b>48,855</b>	<b>53,100</b>	<b>54,608</b>	<b>58,899</b>	<b>61,335</b>
<b>Total assets</b>	<b>760,460</b>	<b>883,456</b>	<b>962,844</b>	<b>1,034,363</b>	<b>1,097,009</b>
Net debt	153,276	185,072	198,099	172,912	137,376
Capital employed	760,460	883,456	962,844	1,034,363	1,097,009
<b>Invested capital</b>	<b>491,928</b>	<b>542,698</b>	<b>595,631</b>	<b>638,409</b>	<b>675,431</b>
BVPS (Rs)	84.6	97.6	106.8	117.5	128.9
Net Debt/Equity (x)	0.3	0.3	0.3	0.2	0.2
Net Debt/EBITDA (x)	2.2	1.4	1.2	0.9	0.7
Interest coverage (x)	0.0	0.1	0.1	0.0	0.0
<b>RoCE (%)</b>	<b>9.8</b>	<b>14.9</b>	<b>16.9</b>	<b>18.0</b>	<b>17.8</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	25.2	15.5	12.5	10.7	10.1
P/CE(x)	17.3	11.3	9.5	8.2	7.7
P/B (x)	2.5	2.1	2.0	1.8	1.6
EV/Sales (x)	1.1	1.2	1.3	1.1	1.0
EV/EBITDA (x)	22.2	11.7	9.6	8.3	7.7
EV/EBIT(x)	34.8	15.5	12.2	10.5	9.8
EV/IC (x)	3.1	2.9	2.6	2.4	2.2
FCFF yield (%)	(3.0)	3.1	1.2	3.8	4.5
FCFE yield (%)	(2.2)	4.1	2.6	6.0	7.0
Dividend yield (%)	1.9	2.6	3.6	4.2	4.5
<b>DuPont-RoE split</b>					
Net profit margin (%)	3.8	6.8	8.9	9.5	9.3
Total asset turnover (x)	2.0	1.6	1.3	1.4	1.4
Assets/Equity (x)	1.3	1.4	1.4	1.4	1.3
<b>RoE (%)</b>	<b>9.8</b>	<b>14.7</b>	<b>16.3</b>	<b>17.3</b>	<b>16.8</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	2.5	5.9	7.8	8.2	7.9
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>8.1</b>	<b>14.8</b>	<b>16.9</b>	<b>17.9</b>	<b>17.5</b>
<b>Operating metrics</b>					
Core NWC days	22.8	23.6	23.6	23.6	23.6
<b>Total NWC days</b>	<b>22.8</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>
Fixed asset turnover	2.6	2.1	1.8	1.7	1.7
Opex-to-revenue (%)	5.9	7.8	8.2	7.8	7.6

Source: Company, Emkay Research

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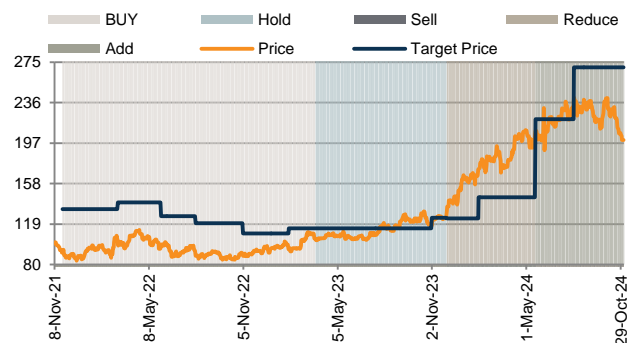
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
18-Oct-24	221	270	Add	Sabri Hazarika
31-Jul-24	241	270	Add	Sabri Hazarika
18-May-24	209	220	Add	Sabri Hazarika
11-Mar-24	183	145	Reduce	Sabri Hazarika
30-Jan-24	172	145	Reduce	Sabri Hazarika
30-Nov-23	132	125	Reduce	Sabri Hazarika
01-Nov-23	118	125	Hold	Sabri Hazarika
01-Aug-23	120	115	Hold	Sabri Hazarika
20-May-23	105	115	Hold	Sabri Hazarika
30-Mar-23	106	115	Hold	Sabri Hazarika
23-Mar-23	105	115	Hold	Sabri Hazarika
31-Jan-23	95	115	Buy	Sabri Hazarika
01-Dec-22	94	110	Buy	Sabri Hazarika
22-Nov-22	91	110	Buy	Sabri Hazarika
04-Nov-22	89	110	Buy	Sabri Hazarika
02-Oct-22	87	120	Buy	Sabri Hazarika
05-Aug-22	89	120	Buy	Sabri Hazarika
31-May-22	98	127	Buy	Sabri Hazarika
09-Mar-22	103	140	Buy	Sabri Hazarika
04-Feb-22	98	133	Buy	Sabri Hazarika
23-Nov-21	92	133	Buy	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



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