BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 550 | ⮝ 19%

INDRAPRASTHA GAS | Oil & Gas | 29 July 2023

Volume outlook soft near-term but healthy medium-term

- **Q1 results benefitted from uptick in margin above long-term guidance, but volumes were soft (+4% YoY)**
- **Expect an 8% volume CAGR over FY23-FY26 as new GAs and CNG vehicle additions ramp up**
- **TP raised to Rs 550 (from Rs 520) as we roll valuations forward; we believe CNG will coexist with EVs and reiterate BUY**

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Q1 margin a beat but volumes soft: IGL's Q1FY24 EBITDA was 9%/5% ahead of consensus/our forecasts. EBITDA grew 38% QoQ with a Rs 2.3/scm recovery in margin to Rs 8.6/scm, though volumes declined 0.7% QoQ and grew just 4% YoY.

Soft volume growth a near-term concern…: We believe Q1 volumes were hit by a lower use in cars this summer and slowdown in CNG vehicle additions over the past 6-9 months. Further, industrial volumes fell 5% QoQ (-2% YoY) with higher competition from propane and LPG. While total volumes have now recovered to 8.3-8.35mmscmd (vs. 8.2mmscmd in Q1), heavy rains in July are likely to have some impact.

…but volumes hold promise in medium-term: Given IGL's clarification of 9mmscmd/10mmscmd being exit volume targets for FY24/FY25, we lower our volume growth estimates slightly by 3%/1%. We still build in a healthy 8.4% CAGR over FY23-FY26.

Volume growth drivers: Key drivers include – (a) acceleration in capex to connect new GAs (Rewari, Kanpur and Muzaffarnagar) which could add 0.2-0.3mmscmd in FY24 itself, (b) ramp-up of CNG vehicle additions to 14.4k/month in Q1FY24 from 13k in Q4FY23 with higher car sales of 7.8k in June from 5.5k in April, (c) commercial launch of the long-haul type-4 cylinder by Ashok Leyland in its 12-seater CNG vehicle, and (d) price cuts taken by IGL at Rewari to accelerate adoption and in the industrial segment to improve competitiveness over propane and LPG.

EBITDA margin healthy: While we expect the stronger EBITDA margin to sustain in H1FY24, we model for a softening in H2 to Rs 7-7.5/scm assuming price cuts in petrol and diesel. We still expect the FY24 margin to average at Rs 7.7/scm and to remain within the guided range of Rs 7.5-8.0/scm over FY24-FY26.

Reiterate BUY: Rolling valuations forward to Jul'24, we raise our DCF-based TP to Rs 550 (from Rs 520), which assumes an 11% cost of equity, ~8% volume CAGR and ~Rs 8.0/scm average EBITDA margin over FY24-FY33, with terminal growth of 4%. Our TP implies an FY24E P/E of 20x, broadly in line with the 5Y mean forward multiple. Given ~20% upside, we reiterate BUY.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IGL IN/Rs 462
Market cap	US$ 3.9bn
Free float	55%
3M ADV	US$ 9.1mn
52wk high/low	Rs 516/Rs 344
Promoter/FPI/DII	45%/22%/20%

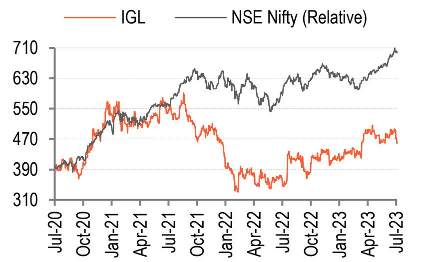
Source: NSE | Price as of 28 Jul 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	1,41,459	1,34,515	1,53,255
EBITDA (Rs mn)	20,398	24,338	26,828
Adj. net profit (Rs mn)	16,397	19,208	20,917
Adj. EPS (Rs)	23.4	27.4	29.9
Consensus EPS (Rs)	23.4	26.8	29.5
Adj. ROAE (%)	21.1	22.3	20.9
Adj. P/E (x)	19.7	16.8	15.5
EV/EBITDA (x)	15.2	12.5	11.0
Adj. EPS growth (%)	9.1	17.1	8.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

Q1 margin beat, soft volume growth a concern

- **Beats consensus:** IGL's Q1FY24 revenue at Rs 34.1bn was 3% below consensus (but 4% ahead of our estimates), whereas EBITDA/PAT at Rs 6.4bn/Rs 4.4bn were 9%/1% ahead of consensus (and 5%/8% ahead of our forecasts).

Margins back in comfort zone, ahead of long-term guidance

- **Q1 margin above long-term guidance:** EBITDA margin improved by Rs 2.3/scm QoQ to Rs 8.6/scm and was well ahead of IGL's long-term guidance of Rs 7.5-8.0/scm. The improvement was the result of a smaller cut of Rs 4/scm in prices against a Rs 6.3/scm decline in gas purchase cost.
- **CNG price cut lower than that in PNG:** Whereas compressed natural gas (CNG) prices in Delhi were reduced by Rs 6/kg, average CNG realisation was down by only Rs 5.1/kg or Rs 3.6/scm with smaller price cuts in other geographic areas (GA). Against this, piped natural gas (PNG) prices were cut by Rs 4.8/scm.
- **Margins likely to be strong in Q2...:** With fuel prices largely holding at Q1 levels and stable gas purchase cost, we believe IGL's margin could remain above Rs 8/scm in Q1.
- **…but could moderate in H2:** IGL's management acknowledged the possibility of petrol and diesel price cuts, keeping in view strong oil marketing company (OMC) results. Assuming a Rs 5/ltr cut in petrol prices in H2FY24, we believe CNG prices could be reduced by Rs 3/scm. However, more than half of this reduction could be offset by lower gas purchase cost. We believe margins could stay healthy at Rs 7-7.5/scm even during winter months when liquefied natural gas (LNG) prices could move back to US$ 15-20/MMbtu levels. IGL will be able to keep prices in check through contracted supplies.

Softer volume growth a near-term concern…

- **CNG volumes soft, industrial segment faced competition:** Q1 CNG volumes at 8.2mmscmd slipped 0.7% QoQ and exhibited soft 4% YoY growth as against the required 8% run-rate to reach management's FY24 target of 9mmscmd. Softer growth was the result of a slower 4% YoY rise in CNG and 2% YoY decline in industrial and commercial volumes.
- **Softness in CNG volumes due to lower consumption in cars this summer and slowdown in vehicle additions:** Management attributed the weakness in CNG volumes to the extension of winter into the summer months, which reduced the use of air conditioners in cars. We think that growth was also affected by slower additions of CNG vehicles over the past 6-9 months.
- **Q2 volumes have started to recover but heavy rains a dampener:** After the summer vacation months, management indicated that volumes have recovered to 8.3-8.35mmscmd levels. However, IGL saw one week of subdued demand in July on account of floods which will have an impact on Q2 volumes.

…but holds promise in medium term

- **Volume targets are exit rates:** Management clarified that its targets are exit rates, viz. a 9mmscmd average in Q4FY24, reaching 10mmscmd by end-FY25. This results in a marginal 3%/1% cut in our FY24/FY25 volume growth assumptions as we were already conservative to begin with.
- **Growth drivers for FY24:** IGL is targeting 0.2-0.3mmscmd growth from new GAs and 0.4-0.5mmscmd from legacy GAs, primarily driven by CNG vehicle additions and higher penetration.
- **CNG conversions improving:** Average monthly conversion to CNG vehicles has improved to 14.8k vehicles in Q1 from 13k in Q4, led by higher car sales at 7.8k units in June from 5.5k in April.
- **Transition by cab aggregators to be gradual:** The government's new draft policy envisages that the proportion of electrification only for new cabs should ramp up from just under 5% in the first six months to 100% after five years. This is still a draft released for consultation and the final policy will incorporate stakeholder feedback. We believe the new policy would accord suitable time to IGL to accelerate investments in other GAs and establish alternate consumers (such as long-haul buses, heavy trucks, dumpers, tractors) to offset the impact.
- **Long-haul bus transition progressing slowly:** Uttarakhand State Transport is in discussions to buy 200 long-haul CNG buses, following completion of a successful pilot project for use of type-4 cylinders on five long-haul routes. IGL is also considering the purchase of 100 long-haul CNG buses to contract out to customers. It is in discussions with the Rajasthan government for a pilot.
- **Commercial launch of type-4 cylinder starts the ball rolling:** Ashok Leyland has launched a 12-seater CNG vehicle *Bada Dost Xpress* with 1,500ltr (255kg) of CNG stored in a lightweight composite cylinder, enabling the vehicle to offer a 1,000km range. Success of this vehicle could increase the comfort of bus operators to begin using type-4 composite cylinders on long-haul routes.
- **Price cut for Rewari and industrial sales positive:** IGL has cut PNG prices at Rewari (Maharashtra) by Rs 1/scm to encourage adoption. For industrial customers, prices stand reduced by Rs 5/scm with a margin hit of Rs 1/scm to compete with LPG and propane. It is positive to see IGL prioritising volumes over margins. Q1 industrial volumes dipped 2% YoY (-6% QoQ) and the company expects the price cut to arrest the decline from Q3 as the discount on propane starts to normalise in the winter months.
- **Domestic demand growth has picked up:** TTM growth stood at 14% YoY after a slowdown in FY22. IGL has added 0.22mn customers over the last 12 months.

Gas cost volatility has reduced

- **Cost for priority sector under control:** IGL's gas sourcing mix, i.e. administered price mechanism (APM) gas, high pressure high temperature (HPHT) gas, and regasified LNG (RLNG) for the priority sector was fairly stable at 90%, 3% and 7% respectively in Q1 vs. 89%, 2% and 9% in Q4FY23. Average RLNG cost was also lower at US$ 13/MMbtu in Q1.
- **Scouting for contracts to reach 9mmscmd**: IGL is looking to add 0.5-0.6mmscmd of gas contracts to reach 9mmscmd in FY24. It currently receives 6.2mmscmd from APM and 2.2mmcmd from contracts, including 0.1mmscmd from the recent HPHT auction by RIL.

Capex acceleration underway

- IGL aims to accelerate capex spend to Rs 14bn-15bn in each of the next two years from an average of Rs 10bn over the past four years.
- The company is looking to add 100 CNG stations against an average of 80 stations over the past three years.

Fig 1 – Quarterly performance: Q1FY24 ahead of consensus on higher margins

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Net sales	**34,070**	**31,939**	**6.7**	**36,872**	**(7.6)**
Raw materials	23,341	21,706	7.5	27,925	(16.4)
% of sales	68.5	68.0		75.7	
Other expenditure	4,306	4,058	6.1	4,284	0.5
% of sales	12.6	12.7		11.6	
EDITDA	**6,424**	**6,175**	**4.0**	**4,663**	**37.8**
EDITDA (Rs/scm)	**8.6**	**8.6**	**0.1**	**6.3**	**37.2**
EDITDA margin (%)	18.9	19.3		12.6	
Depreciation and amortisation	989	857	15.5	938	5.5
Interest	24	24	0.9	26	(7.1)
Other income	457	307	48.5	654	(30.2)
Profit Before Tax	**5,867**	**5,602**	**4.7**	**4,354**	**34.8**
Provision for tax	1,483	1,394	6.4	1,057	40.4
-effective tax rate (%)	25.3	24.9		24.3	
PAT (reported)	**4,384**	**4,209**	**4.2**	**3,298**	**32.9**

Source: Company, BOBCAPS Research

Fig 2 – Volumes: Softer volumes a near-term concern

(mmscm)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
CNG	561	540	4.0	550	2.1
PNG	185	178	3.8	193	(4.3)
Industrial/Commercial	87	89	(1.7)	92	(5.2)
Domestic	52	44	19.9	56	(6.3)
Natural Gas	45	46	(1.0)	45	0.1
Total volume	**746**	**718**	**3.9**	**743**	**0.4**
Total volume (mmscmd)	**8.20**	**7.89**	**3.9**	**8.26**	**(0.7)**

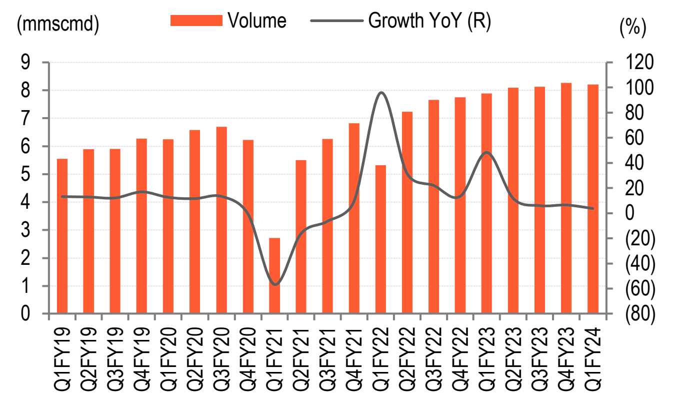
Source: Company, BOBCAPS Research

Fig 3 – Margins: Q1 margin improved sharply QoQ to Rs 8.6/scm

(Rs/scm)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
CNG realisation (Rs/kg)	62.8	61.6	1.9	67.9	(7.5)
PNG realisation	48.1	46.3	3.8	52.9	(9.1)
Avg realisation	**45.7**	**44.5**	**2.6**	**49.6**	**(8.0)**
Gas cost	31.3	30.2	3.4	37.6	(16.8)
Gross spread	**14.4**	**14.3**	**0.9**	**12.0**	19.4
Other operating costs	5.8	5.7	2.1	5.8	0.1
EDITDA (Rs/scm)	**8.6**	**8.6**	**0.1**	**6.3**	**37.2**

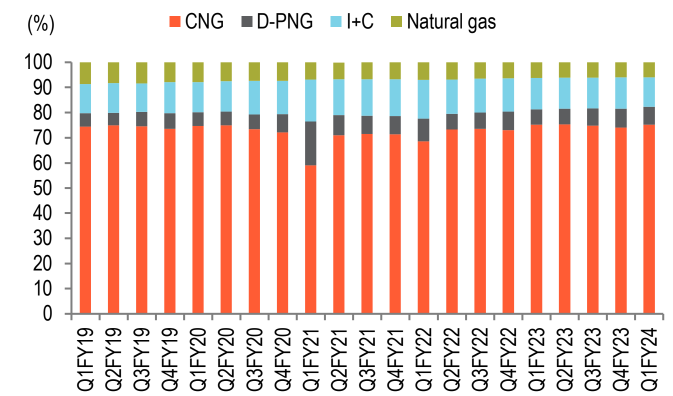
Source: Company, BOBCAPS Research

Fig 4 – Volume growth soft at 4% YoY



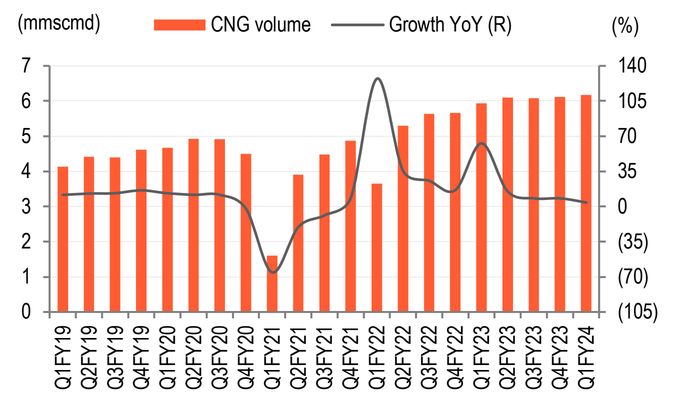
Source: Company, BOBCAPS Research

Fig 5 – Volume mix trends largely unchanged



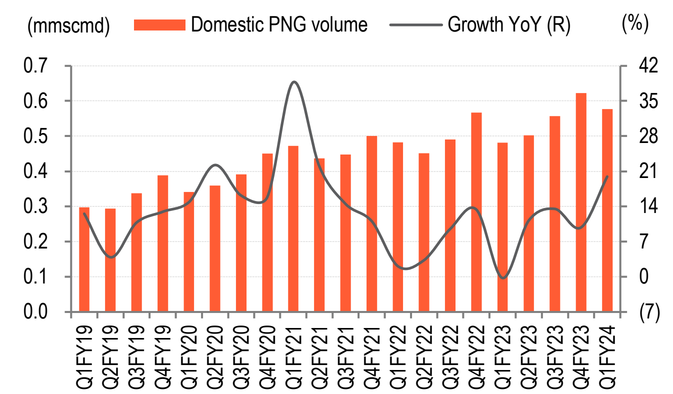
Source: Company, BOBCAPS Research

Fig 6 – CNG volume growth soft, likely reflecting slowdown in vehicle additions



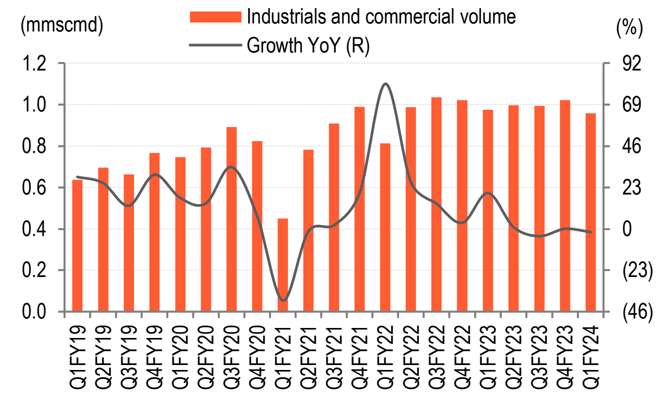
Source: Company, BOBCAPS Research

Fig 7 – Domestic PNG growth picked up again after a slowdown in FY22



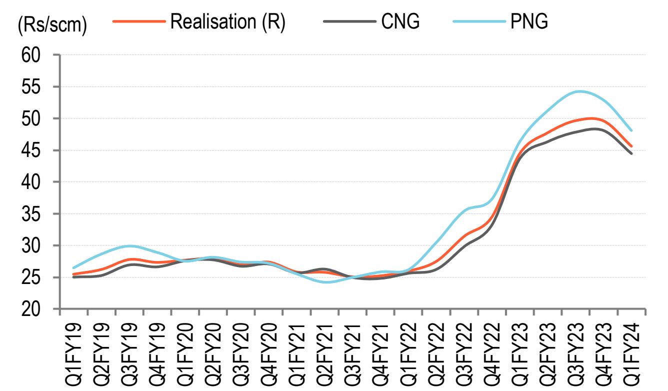
Source: Company, BOBCAPS Research

Fig 8 – Industrial and commercial volumes down 5.2% QoQ with increased competition from propane/LPG



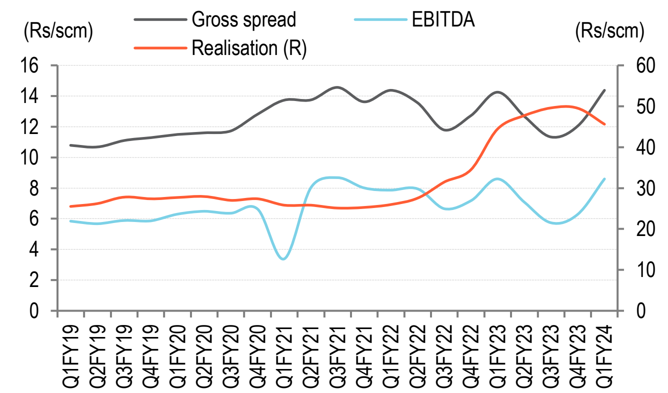
Source: Company, BOBCAPS Research

Fig 9 – Price cuts were lower than decline in gas purchase costs…



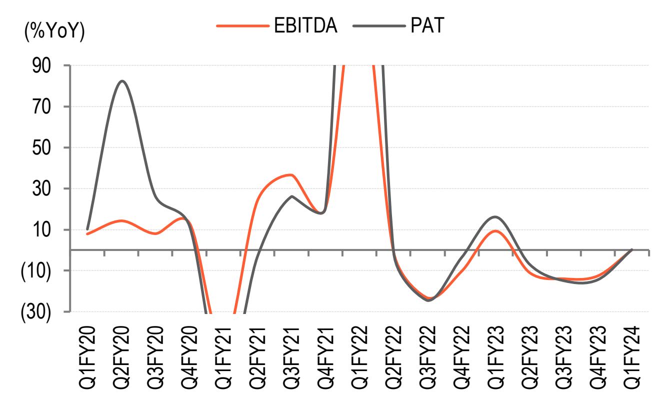
Source: Company, BOBCAPS Research

Fig 10 – …leading to improvement in EBITDA margin



Source: Company, BOBCAPS Research

Fig 11 – EBITDA recovering with better volumes and margin



Source: Company, BOBCAPS Research

Valuation methodology

Forecast changes

Factoring in the Q1FY24 results, management's clarification of 9mmscmd/10mmscmd targets as exit rates for FY24/25, and a higher EBITDA margin than previously assumed, we adjust our forecasts slightly. We lower FY25/FY26 volume growth estimates by 3%/1% and revise EBITDA by -2%/+2%. We have introduced FY26 estimates as well.

We now expect IGL's EBITDA to grow from Rs 20.4bn in FY23 to Rs 30.2bn in FY26, a 14% CAGR, driven by 8.4% volume growth and normalisation of margin to Rs 8/scm by FY26 as the global LNG market turns into surplus. Our EBITDA forecasts are broadly in line with consensus for FY24-FY26.

- Our EBITDA margin assumption of Rs 7.8/scm on average over our forecast period is marginally higher than the average of Rs 7.5/scm clocked by IGL in FY21-FY22, reflecting more reasonable APM gas prices and pullback in LNG prices. Our EBITDA margin is still within the guided range of Rs 7.5-8.0/scm.
- At the APM price of US$ 6.5-7.5/MMbtu over our forecast period, we believe CNG remains competitive in the personal car space.
- While tenders are underway for electric buses in Delhi, we assume that transition away from the CNG fleet would be gradual. For cab aggregators as well, the transition would be slow. We believe IGL will be able to offset part of the loss by capturing floating volumes from neighbouring regions as it scales up long-haul buses with type-4 cylinders and accelerates penetration in legacy as well as newer GAs with higher capex.
- We conservatively assume FY26 volumes at 10.3mmscmd, marginally above the company's target of 10mmscmd for FY25.

Fig 12 – Revised estimates

(Rs bn)	Actual	New			Old			Change (%)		
	FY23P	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,41,459	1,34,515	1,53,255	1,78,499	1,46,248	1,60,454	-	(8.0)	(4.5)	-
EBITDA	**20,398**	**24,338**	**26,828**	**30,227**	**24,712**	**26,225**	**-**	**(1.5)**	**2.3**	**-**
EBITDA growth (%)	37.5	19.3	10.2	12.7	14.9	6.1	-	-	-	-
Net income incl affiliate	16,397	19,208	20,917	23,527	17,696	18,948	-	8.5	10.4	-

Source: Company, BOBCAPS Research

Fig 13 – Estimates vs. Consensus

(Rs bn)	Forecasts			Consensus			Delta to Consensus (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,34,515	1,53,255	1,78,499	1,34,935	1,43,908	1,58,731	(0.3)	6.5	12.5
EBITDA	**24,338**	**26,828**	**30,227**	**24,459**	**26,906**	**31,203**	**(0.5)**	**(0.3)**	**(3.1)**
EBITDA growth (%)	19.3	10.2	12.7	19.9	10.5	16.3	-	-	-
Net income excl affiliates (consolidated)	16,012	17,265	19,348	-	-	-	-	-	-
Net income incl affiliates (consolidated)	19,208	20,917	23,527	-	-	-	-	-	-
Net income incl dividend from affiliates (standalone)	-	-	-	17,448	19,127	21,330	-	-	-

Source: Bloomberg, BOBCAPS Research

Fig 14 – Key business drivers and assumptions

Particulars	FY23P	FY24E	FY25E	FY26E	FY23-26E CAGR (%)
Volumes (mmscmd)					
CNG	6.1	6.5	7.1	7.7	-
D-PNG	0.5	0.6	0.7	0.8	-
I+C	1.0	1.0	1.1	1.2	-
Natural gas	0.5	0.5	0.5	0.6	-
Total	**8.1**	**8.6**	**9.5**	**10.3**	**-**
Volume growth (% YoY)					
CNG	19.6	7.5	9.5	8.0	8.3
D-PNG	8.2	14.7	15.3	15.0	15.0
I+C	3.7	(2.6)	12.5	12.4	7.2
Natural gas	7.1	4.7	5.3	5.0	5.0
Total	**15.8**	**6.5**	**10.0**	**8.8**	**8.4**
Volume mix (%)					
CNG	74.8	75.5	75.1	74.5	-
D-PNG	6.7	7.2	7.5	8.0	-
I+C	12.4	11.3	11.5	11.9	-
Natural gas	6.2	6.1	5.8	5.6	-
Total	**100.0**	**100.0**	**100.0**	**100.0**	**-**
Profitability indicator (Rs/scm)					
Revenue	47.9	42.6	44.3	47.4	-
Gross spread	12.6	13.5	13.6	14.0	-
EBITDA	6.9	7.7	7.8	8.0	-
PAT	4.9	5.2	5.1	5.3	-
ROE	20.6	21.5	20.3	20.0	-
Key assumptions					
USDINR exchange rate	80.4	82.2	82.5	84.2	-
APM gas price (US$/MMbtu)	7.3	6.5	7.0	7.5	-
Gas price ceiling (US$/MMbtu)	11.2	11.3	10.6	10.2	-
LNG contract price (US$/MMbtu)	18.0	13.4	12.1	12.1	-
LNG spot price (US$/MMbtu)	30.9	14.0	15.0	15.0	-
Priority sector gas bucket (US$/MMbtu)	8.7	7.2	7.8	8.4	-
Industrials and commercials gas bucket (US$/MMbtu)	19.6	13.3	12.1	12.2	-

Source: Company, BOBCAPS Research

DCF-based TP revised to Rs 550, maintain BUY

Key assumptions for our DCF-based fair value are cost of equity of 11%, terminal growth of 4%, volume CAGR of ~7% and average EBITDA margin of Rs 8/scm over our explicit and semi-explicit forecast period of FY24-FY33. With roll forward of valuation to Jul'24 from Jan'24, our DCF-based TP rises to Rs 550 (from Rs 520) and implies an FY24E/FY25E P/E of 20.0x/18.4x. This is in line with the stock's five-year mean P/E of 20.2x on Bloomberg consensus earnings. As our target price implies ~20% upside, we rate IGL as BUY.

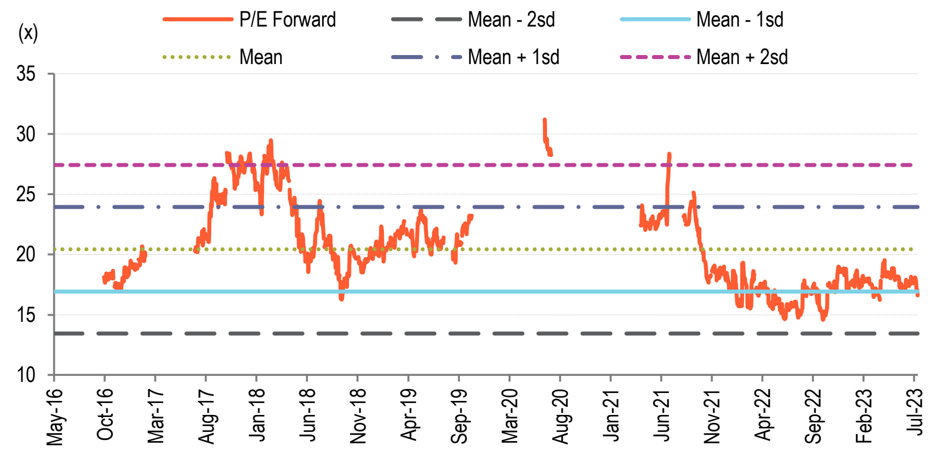
Fig 15 – DCF-based fair value

Valuation parameters	Value (Rs mn)
PV of FCF FY24E-FY34E	87,574
PV of terminal value	1,71,229
Enterprise Value	2,58,802
Less: Net Debt FY23E	(33,105)
Equity value Mar'23	**2,91,907**
NPV – IGL share (Rs)	**417**
NPV – MNGL (Rs)	48
NPV – CUPGL (Rs)	12
Consolidated NPV Mar'23 (Rs)	**477**
Consolidated NPV Jan'24 (Rs)	**549**
Target price as on Jan'24 (Rs) (rounded off to nearest Rs 5)	**550**

Source: BOBCAPS Research

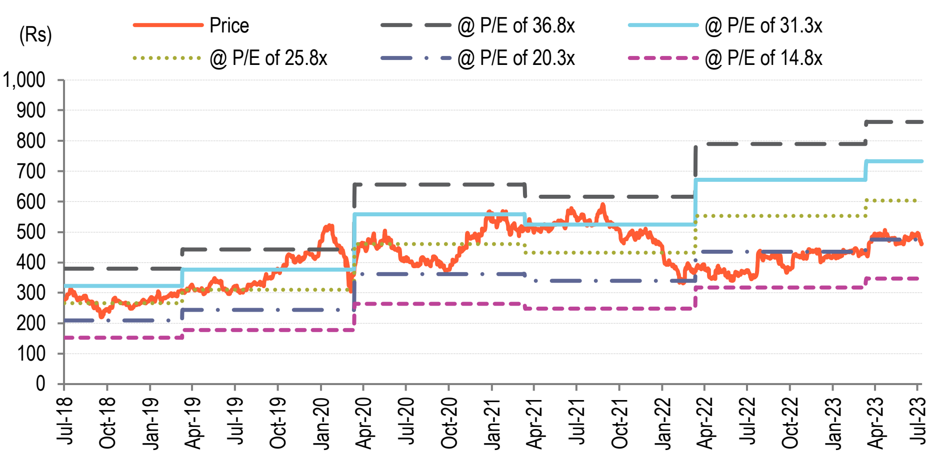
Over the past five years, IGL has traded at an average one-year forward P/E of 20.4x with a one standard deviation range of 17.1x-24.3x on Bloomberg consensus. Similarly, it has traded at an average TTM P/E of 26.7x with a one standard deviation range of 21.3-32.1x based on actual earnings.

Fig 16 – IGL has traded at an average 1Y forward PE of 20.4x



Source: Bloomberg, BOBCAPS Research

Fig 17 – Trailing P/E of 25.8x over past 5Y



Source: Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- lower-than-expected margins arising from an inability to pass on higher gas purchase cost to consumers,
- slower volume growth than our assumptions owing to faster penetration of EVs than expected, and
- adverse PNGRB (Petroleum and Natural Gas Regulatory Board) or government regulations that could impact our margin or volume outlook.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
Bharat Petroleum Corp	BPCL IN	9.9	373	450	BUY
Gujarat State Petronet	GUJS IN	2.0	287	370	BUY
Hindustan Petroleum Corp	HPCL IN	4.8	279	410	BUY
Indian Oil Corp	IOCL IN	10.9	95	150	BUY
Indraprastha Gas	IGL IN	3.9	462	550	BUY
Mahanagar Gas	MAHGL IN	1.3	1,112	1,200	HOLD
Reliance Industries	RIL IN	208.2	2,528	3,015	BUY

Source: BOBCAPS Research, NSE | Price as of 28 Jul 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Total revenue	**77,100**	**1,41,459**	**1,34,515**	**1,53,255**	**1,78,499**
EBITDA	18,811	20,398	24,338	26,828	30,227
Depreciation	(3,171)	(3,634)	(4,231)	(5,134)	(5,859)
EBIT	15,641	16,764	20,107	21,694	24,368
Net interest inc./(exp.)	(132)	(106)	0	0	0
Other inc./(exp.)	1,766	2,029	1,770	1,998	2,202
Exceptional items	0	0	0	0	0
EBT	17,275	18,687	21,877	23,692	26,571
Income taxes	(4,509)	(4,827)	(5,513)	(5,970)	(6,696)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2,257	2,536	2,844	3,196	3,653
Reported net profit	**15,023**	**16,397**	**19,208**	**20,917**	**23,527**
Adjustments	0	0	0	0	0
Adjusted net profit	**15,023**	**16,397**	**19,208**	**20,917**	**23,527**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Accounts payables	7,861	9,013	6,048	6,974	8,263
Other current liabilities	9,986	17,792	17,792	17,792	17,792
Provisions	4,295	5,438	5,438	5,438	5,438
Debt funds	0	0	0	0	0
Other liabilities	13,019	14,650	16,331	17,853	19,437
Equity capital	1,400	1,400	1,400	1,400	1,400
Reserves & surplus	74,460	77,912	91,393	1,06,107	1,22,678
Shareholders' fund	75,860	79,312	92,793	1,07,507	1,24,078
Total liab. and equities	**1,11,022**	**1,26,206**	**1,38,402**	**1,55,564**	**1,75,009**
Cash and cash eq.	13,616	26,332	28,129	34,580	43,571
Accounts receivables	5,206	9,034	8,476	9,657	11,248
Inventories	455	492	1,179	1,344	1,565
Other current assets	1,685	3,456	3,456	3,456	3,456
Investments	26,257	15,219	15,219	15,219	15,219
Net fixed assets	49,896	57,205	74,561	83,928	92,569
CWIP	13,786	14,337	7,250	7,250	7,250
Intangible assets	121	130	130	130	130
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**1,11,022**	**1,26,206**	**1,38,402**	**1,55,564**	**1,75,009**

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Cash flow from operations	**21,080**	**24,095**	**20,255**	**25,155**	**28,245**
Capital expenditures	(14,727)	(11,494)	(14,500)	(14,500)	(14,500)
Change in investments	(3,373)	11,038	0	0	0
Other investing cash flows	1,766	2,029	1,770	1,998	2,202
Cash flow from investing	**(16,334)**	**1,572**	**(12,730)**	**(12,502)**	**(12,298)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(3,850)	(9,100)	(5,727)	(6,203)	(6,956)
Other financing cash flows	1,397	(3,852)	0	0	0
Cash flow from financing	**(2,453)**	**(12,952)**	**(5,727)**	**(6,203)**	**(6,956)**
Chg in cash & cash eq.	**2,294**	**12,716**	**1,797**	**6,450**	**8,991**
Closing cash & cash eq.	**13,616**	**26,332**	**28,129**	**34,580**	**43,571**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23P	FY24E	FY25E	FY26E
Reported EPS	21.5	23.4	27.4	29.9	33.6
Adjusted EPS	21.5	23.4	27.4	29.9	33.6
Dividend per share	5.5	13.0	8.2	8.9	9.9
Book value per share	108.4	113.3	132.6	153.6	177.3

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23P	FY24E	FY25E	FY26E
EV/Sales	4.0	2.2	2.3	1.9	1.6
EV/EBITDA	16.3	15.2	12.5	11.0	9.7
Adjusted P/E	21.5	19.7	16.8	15.5	13.7
P/BV	4.3	4.1	3.5	3.0	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23P	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	87.0	87.7	87.8	88.3	88.5
Interest burden (PBT/EBIT)	110.4	111.5	108.8	109.2	109.0
EBIT margin (EBIT/Revenue)	20.3	11.9	14.9	14.2	13.7
Asset turnover (Rev./Avg TA)	76.5	119.3	101.7	104.3	108.0
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.5	1.5	1.4
Adjusted ROAE	21.6	21.1	22.3	20.9	20.3

Ratio Analysis

Y/E 31 Mar	FY22A	FY23P	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	56.0	83.5	(4.9)	13.9	16.5
EBITDA	26.8	8.4	19.3	10.2	12.7
Adjusted EPS	28.1	9.1	17.1	8.9	12.5
Profitability & Return ratios (%)					
EBITDA margin	24.4	14.4	18.1	17.5	16.9
EBIT margin	20.3	11.9	14.9	14.2	13.7
Adjusted profit margin	19.5	11.6	14.3	13.6	13.2
Adjusted ROAE	21.6	21.1	22.3	20.9	20.3
ROCE	16.6	16.0	17.5	16.2	15.7
Working capital days (days)					
Receivables	18	18	24	22	21
Inventory	4	2	3	4	4
Payables	38	25	25	19	19
Ratios (x)					
Gross asset turnover	1.3	2.1	1.6	1.5	1.5
Current ratio	0.9	1.2	1.4	1.6	1.9
Net interest coverage ratio	118.4	158.3	0.0	0.0	0.0
Adjusted debt/equity	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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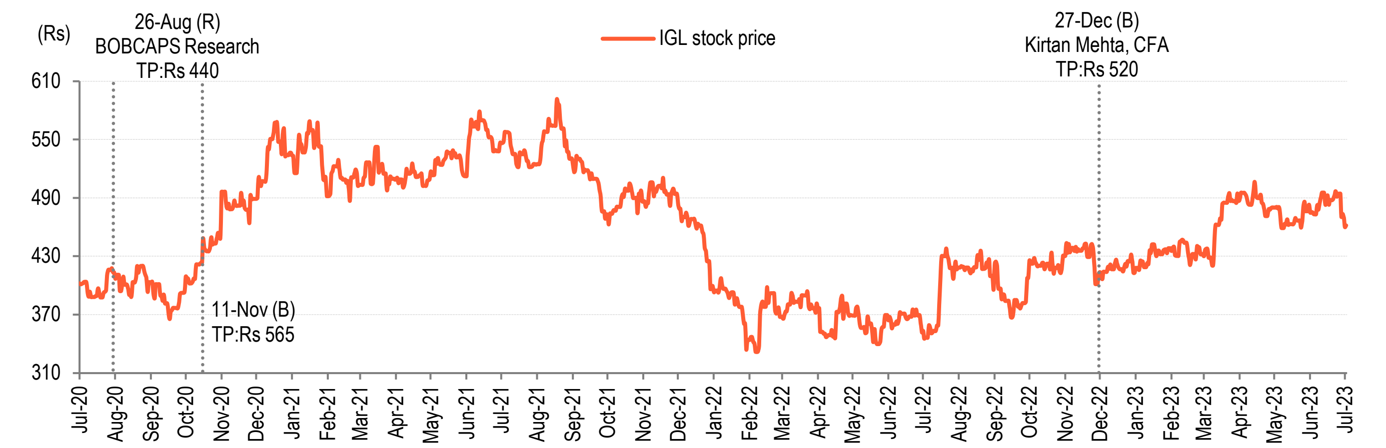

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