HOLD

TP: Rs 1,200 | ⮝ 12%

MAHANAGAR GAS | Oil & Gas | 10 May 2023

Slow long-term growth prospects; cut to HOLD

- **Q4 beat consensus as EBITDA margin improved sharply by Rs 4.6/scm QoQ on limited passthrough of lower gas purchase costs**
- **We raise FY24/FY25 forecasts assuming higher EBITDA margins and 7% annual volume growth (tapering to 5.5% longer term)**
- **TP raised to Rs 1,200 (from Rs 1,030) but rating downgraded to HOLD from BUY on soft long-term growth prospects**

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Q4 beats consensus: MAHGL's Q4FY23 EBITDA at Rs 3.9bn was 36% ahead of consensus and up 52% sequentially with a Rs 4.6/scm increase in EBITDA margin to Rs 12.8/scm. Management attributes the increase to lower use of spot LNG, replacement with cheaper HPHT gas and pullback in spot RLNG prices.

Near-term – Stronger margin and return to volume growth: We raise our FY24 and FY25 EBITDA margin forecasts to Rs 10/scm and Rs 9.5/scm (from Rs 9) respectively, factoring in a pullback in global gas prices and no further need for spot LNG to bridge the APM gas shortfall for the priority sector. This translates to a 6%/ 2% increase in our EBITDA forecasts for FY24/FY25.

Medium-term – Improved outlook: In our 18 January note, we highlighted that MAHGL can accelerate growth from a 3% CAGR over FY17-FY22 to 7% over FY24-FY25 given the ramp-up of network development in GA2 and GA3. We expect the company's EBITDA to grow at a 7% CAGR to Rs 14.5bn in FY26 driven primarily by a 7% CAGR in volumes.

Higher margin may not provide enough flexibility to spur volume growth: While MAHGL's flexibility to offer lower CNG prices with an uptick in margin has significantly improved, the same may not necessarily translate into sharper volume growth over the longer term. Volume growth in Mumbai is constrained by the space available to develop CNG station infrastructure to accelerate penetration.

Long-term – Slower growth relative to peers a constraint; cut to HOLD: We raise our TP to Rs 1,200 from Rs 1,030 factoring in higher margins for the core business and the value of acquired GAs at Rs 5.2bn. Our DCF-based TP assumes cost of equity of 11% and terminal growth of 2.5%. We pencil in a 5.5% volume CAGR and average EBITDA margin of Rs 9/scm for core business over FY24-FY33. The stock has run up 23% since the end of February and offers only 12% upside, leading us to move from BUY to HOLD. Our TP implies an FY24E/ FY25E P/E of 13.5x/ 13.4x which is at a discount to peers. Further rerating could be constrained by relatively slower long-term volume growth of 5.5%, which compares with our assumption of 8% for IGL.

Key changes

Target	Rating
▲	▼

Ticker/Price	MAHGL IN/Rs 1,074
Market cap	US$ 1.3bn
Free float	58%
3M ADV	US$ 8.9mn
52wk high/low	Rs 1,098/Rs 666
Promoter/FPI/DII	43%/31%/15%

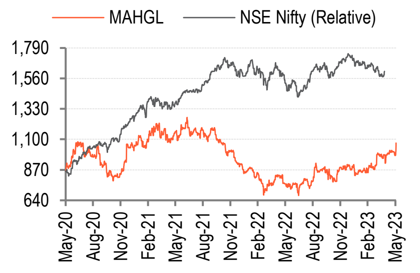
Source: NSE | Price as of 9 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	62,993	59,432	62,960
EBITDA (Rs mn)	11,842	13,396	13,824
Adj. net profit (Rs mn)	7,900	8,750	8,853
Adj. EPS (Rs)	80.0	88.6	89.6
Consensus EPS (Rs)	80.0	85.3	89.9
Adj. ROAE (%)	20.4	19.9	18.1
Adj. P/E (x)	13.4	12.1	12.0
EV/EBITDA (x)	8.6	7.7	7.6
Adj. EPS growth (%)	32.3	10.8	1.2

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

Stock performance



Source: NSE

Q4 results ahead of consensus

Q4FY23 revenue/EBITDA/net income at Rs 16.1bn/Rs 3.9bn/Rs 2.7bn beat consensus by 11%/36%/30%. EBITDA was up 52% QoQ driven by a 57% increase in EBITDA margin to Rs 12.8/scm.

- **Q4 margin above sustainable range:** EBITDA margin improved sharply by Rs 4.6/scm QoQ as MAHGL passed on only a Rs 0.3/scm QoQ reduction in realisation against a sharp Rs 5.1/scm reduction in gas purchase cost. The quarterly EBITDA margin was higher than the Rs 9-10/scm margin that MAHGL considers as sustainable over the medium term.
- **Gas cost reduction driven by lower usage of spot gas:** The use of high-cost spot LNG dropped sharply to 0.14mmscmd from 0.33mmscmd a quarter ago due to policy support which accorded priority to the CNG and household sectors for receipt of HPHT (High Pressure High Temperature) gas. While spot LNG (Q3 cost at US$ 33/MMbtu) was replaced by HPHT gas (Q4 cost of US$ 12/MMbtu), spot prices also nearly halved to US$ 17/MMbtu. Further, prices of other term contracts fell by US$ 1-3/MMbtu QoQ.
- **Volumes declined:** Volumes declined for two quarters in a row (down 2.5% from Q2 levels) driven by a fall in CNG (-5%), partially offset by increases in household (+8%) and industrial & commercial (+1%) volumes. CNG volume for the quarter was impacted as 300 odd CNG buses were under inspection for a month.
- **CNG vehicle additions slowed:** A total of 13,700 CNG vehicles were added in Q4 vs. an average of 15,500-17000 vehicles per quarter in Q3.
- **Dividend:** MAHGL increased total dividend to Rs 26/sh from Rs 25 a year ago.

Stronger margin and volume outlook for FY24

MAHGL could sustain an above-normal EBITDA margin for a couple of quarters on the back of benign gas purchase costs. Given the discount opening up between CNG and diesel/petrol prices, management expects CNG vehicle growth to accelerate once more.

- **Return of volume growth:** Management expects CNG vehicle additions to regain momentum, particularly in personal cars and light commercial vehicles, given the sharp cut in gas cost for the priority sector. Following commissioning of its first city gas station in Raigarh, MAHGL is targeting industrial volume growth of 10% for FY24 on a base of 0.3mmscmd.
- **No need of spot LNG to bridge shortfall in priority segment:** With the fresh tie-up of 0.1mmscmd of HPHT gas under a medium-term contract, MAHGL now has 0.2mmscmd of gas to bridge the shortfall in the priority sector. Availability of HPHT gas on auction also helps, and management plans to participate in upcoming auctions to improve availability. This should enable the company to avoid consumption of high-cost, volatile spot LNG for a couple of years.
- **Lower gas price could sustain over a couple of quarters:** Led by slow improvement in China and a slump in European demand, spot LNG prices have

now plunged to US$ 11-12/MMbtu. The domestic HPHT gas ceiling price is fixed at US$ 12/MMbtu and could see further reduction in H2FY24.

- **Price cut in April does not impact margins:** While MAHGL cut CNG and household PNG prices by Rs 8/scm and Rs 5/scm respectively, the reduction was largely to pass through the cut in APM gas price from US$ 8.57/MMbtu to US$ 6.5 effected in April. Other savings in gas purchase costs from the pullback in global gas price have not yet been fully passed on.
- **Key risks to margin:** Risks include a reduction in petrol and diesel prices if these start moving in tandem with crude price, and voluntary CNG price cuts to spur growth.
- **Capex:** MAHGL plans to maintain capex in the range of Rs 5.5bn-6bn during FY24 (vs. Rs 5.8bn in FY23). The company aims to add more CNG stations (30-40 from 23 in FY23) and continue with the pace of station upgrades (30-40 vs. 43 in FY23).

Other takeaways

- **FY23 CNG consumption breakup:** Buses accounted for 8% of MAHGL's CNG offtake; autorickshaws 35%; cars, taxis & aggregator cabs 45%; and commercial goods vehicles 12%.
- **Penetration of CNG vehicles:** Cars have 33% CNG penetration amongst the 1.2mn target segment; commercial goods vehicles just 2-3%; and autos, taxis & aggregator cabs near 100%.
- **CNG vehicle additions largely driven by new vehicles:** Per management, 95% of vehicle growth is from new OEM vehicles as retrofit conversions have largely been exhausted.
- **Potential for industrial volumes in Raigarh:** Management guides for industrial volume potential of 0.25mmscmd in Raigarh out of its total market potential of 0.5-0.6mmscmd.

Fig 1 – Quarterly performance: Q4 EBITDA strongly ahead of consensus

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
Net sales	16,105	10,868	48.2	16,714	(3.6)	62,993	35,602	76.9
% of sales	64.7	65.1	-	74.2	-	70.4	57.5	-
Other expenditure	1,780	1,640	8.6	1,746	1.9	6,802	5,905	15.2
% of sales	11.1	15.1	-	10.4	-	10.8	16.6	-
EBITDA	**3,897**	**2,155**	**80.9**	**2,561**	**52.2**	**11,842**	**9,243**	**28.1**
EBITDA (Rs/scm)	**12.8**	**7.6**	**70.0**	**8.2**	**57.4**	**9.5**	**8.4**	**12.3**
EBITDA margin (%)	24.2	19.8	-	15.3	-	18.8	26.0	-
Depn and amortization	638	555	15.0	585	9.1	2,311	1,963	17.8
Interest	22	23	(2.6)	24	(8.7)	94	75	24.7
Other income	336	227	48.2	323	4.3	1,119	857	30.5
Profit Before Tax	**3,573**	**1,804**	**98.1**	**2,274**	**57.1**	**10,555**	**8,063**	**30.9**
Provision for tax	885	486	82.1	553	59.9	2,655	2,093	26.8
-effective tax rate (%)	24.8	26.9	-	24.3	-	25.2	26.0	-
PAT (reported)	**2,688**	**1,318**	**104.0**	**1,720.7**	**56.2**	**7,900**	**5,970**	**32.3**
Reported EPS (Rs)	27.2	13.3	104.0	17.4	56.2	80.0	60.4	32.3

Source: Company, BOBCAPS Research

Fig 2 – Volumes: Marginal QoQ decline [make one decimal last row]

(mmscm)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
CNG	217	205	5.8	228	(4.7)	909	772	17.9
PNG	87	80	7.8	86	0.4	340	323	5.2
Industrial/Commercial	41	38	7.9	40	0.7	162	153	6.0
Domestic	46	43	7.7	46	0.1	178	170	4.5
Total volume (mmscm)	**303**	**285**	**6.4**	**314**	**(3.3)**	**1,249**	**1,095**	**14.1**
Total volume (mmscmd)	**3.4**	**3.2**	**6.4**	**3.4**	**(1.2)**	**3.4**	**3.0**	**14.1**

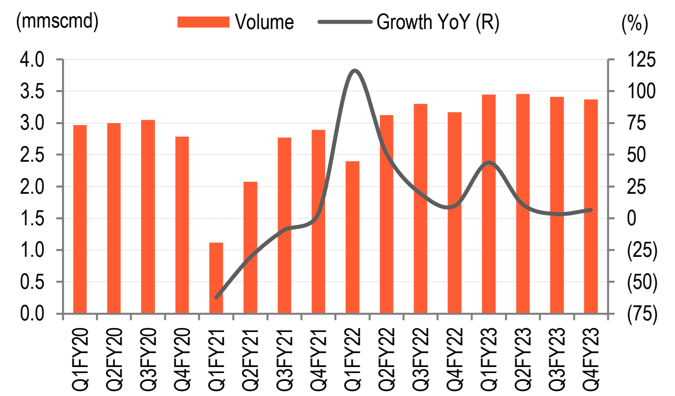
Source: Company, BOBCAPS Research

Fig 3 – Margins: Sharp up move to Rs 12.8/scm above the sustainable range of Rs 9/scm over FY18-FY22

(Rs/scm)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
CNG realisation (Rs/kg)	72.7	47.5	53.0	71.9	1.1	66.9	40.4	65.5
PNG realisation	53.5	46.9	14.1	56.1	(4.6)	55.3	39.6	39.7
Average realisation	**53.1**	**38.1**	**39.3**	**53.2**	**(0.3)**	**50.4**	**32.5**	**55.1**
Gas purchase cost	34.4	24.8	38.6	39.5	(13.1)	35.5	18.7	90.0
Gross Spread	**18.7**	**13.3**	**40.6**	**13.7**	**36.3**	**14.9**	**13.8**	**7.9**
Other operating costs	5.9	5.7	2.0	5.6	5.4	5.4	5.4	1.0
EBITDA	**12.8**	**7.6**	**70.0**	**8.2**	**57.4**	**9.5**	**8.4**	**12.3**

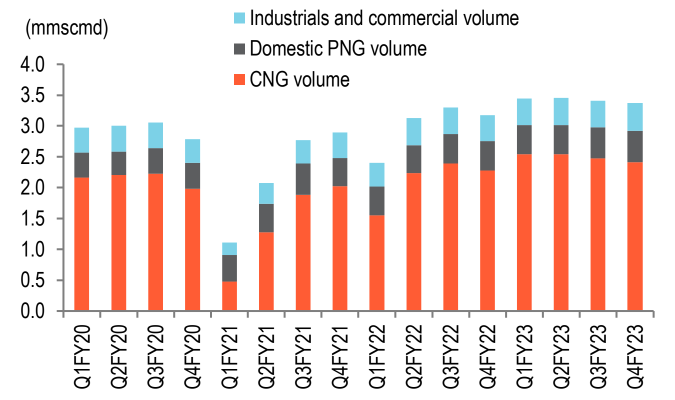
Source: Company, BOBCAPS Research

Fig 4 – Volume growth muted for two quarters in a row



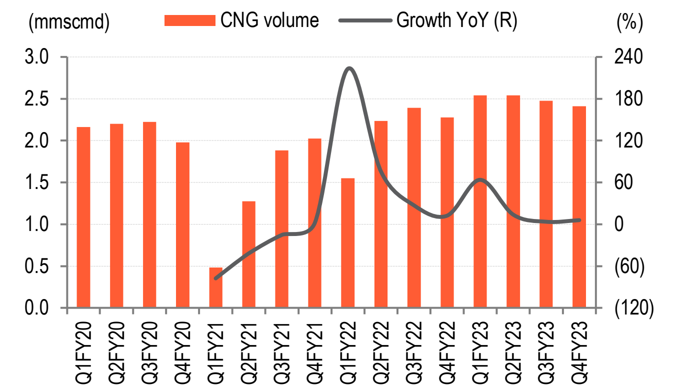
Source: Company, BOBCAPS Research

Fig 5 – Volume mix trends largely unchanged



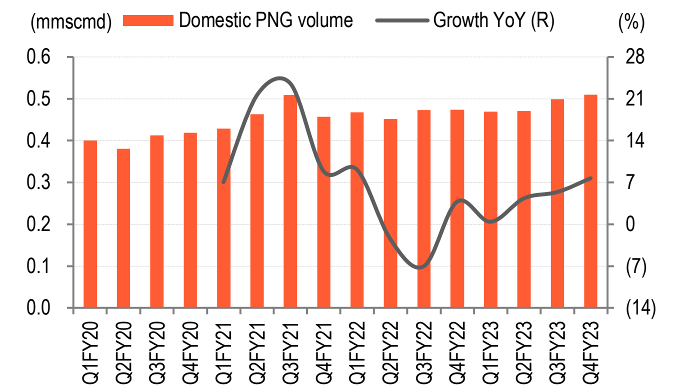
Source: Company, BOBCAPS Research

Fig 6 – CNG volume declined for two consecutive quarters despite continued vehicle additions



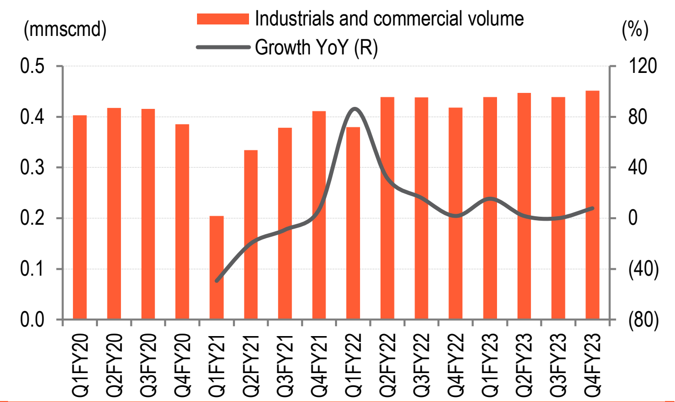
Source: Company, BOBCAPS Research

Fig 7 – Domestic PNG growth recovery continued



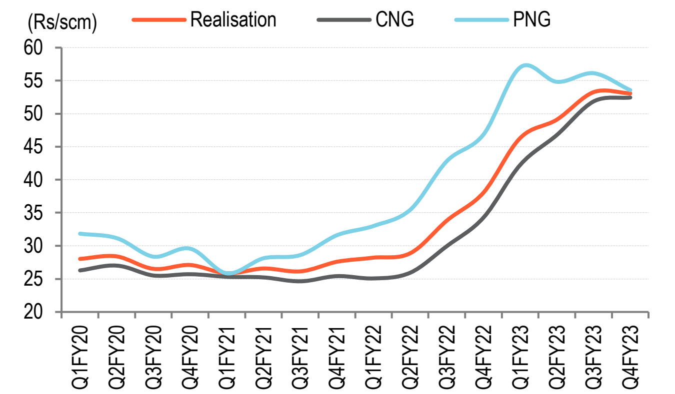
Source: Company, BOBCAPS Research

Fig 8 – Industrial and commercial volumes recovered modestly with pullback in gas prices



Source: Company, BOBCAPS Research

Fig 9 – MAHGL has passed on a significant proportion of gas purchase cost to customers



Source: Company, BOBCAPS Research

Valuation methodology

We have raised our FY24/FY25 EBITDA forecasts by 6.3%/2.4% factoring in the pullback in global gas prices and improved availability of relatively lower cost HPHT gas to bridge the APM gas shortfall for the priority sector. We also roll forward our forecasts to FY26. We expect MAHGL's EBITDA to grow from Rs 11.8bn in FY23 to Rs 14.5bn in FY26, a 7% CAGR, aided by a 7% CAGR in volumes over this period to 4.2mmscmd and modest margin recovery.

Growth assumptions

We believe MAHGL could deliver a 7% volume CAGR (vs. the 8% indicated potential) over FY24-FY25, up from the 5% CAGR reported over FY18-FY23. As highlighted in our note, **Growth set to accelerate in medium term**, momentum is likely to be driven by 10% growth in GA2 and 20% in GA3 over the medium-term.

- CNG growth is likely to accelerate once again. With APM gas price expected to reduce and the availability of HPHT output, the competitiveness of CNG will improve against petrol and diesel. We expect CNG penetration in cars and commercial vehicles to continue to rise and CNG vehicles to coexist with electric vehicles over the next 5-10 years.
- Commercial/domestic PNG growth is projected to continue in high single digits driven by deepening penetration in GA1 (Mumbai) and further expansion in GA2 (Thane Urban).
- Industrial PNG growth would be primarily driven by network expansion in Raigarh (GA3).

While we believe MAHGL could improve growth delivery in the medium term, we remain cautious over long-term prospects and hence use conservative growth assumptions of a 5.5% CAGR over FY24-FY33 within the range of MAHGL's ambitions of a 5-6% CAGR.

We believe higher growth is contingent on resolving space constraints for gas stations in Mumbai which is hindering CNG uptake. There is a near-term setback on the use of compact dispensing units as these still require location-specific approvals. MAHGL is working on other initiatives such as off-peak price discounts on CNG and long-haul buses/trucks with type-4 cylinders to enable usage of the fuel. However, we await concrete results before building in higher growth over the longer term.

Margin assumptions

With favourable policy support (allocation of HPHT gas, lower APM gas price and lower sales tax), we increase EBITDA margin assumptions to Rs 10/scm for FY24 and to ~Rs 9.5/scm over FY25-FY26 (from Rs 9/scm over FY24-FY25 earlier). This is slightly higher than the average of Rs 9.2/scm seen over FY18-FY23. We expect availability of APM gas for the priority sector to range from 85-90% over FY25-FY26 and the shortfall to be met by relatively lower cost HPHT gas that carries lower price volatility.

Fig 10 – Revised estimates

(Rs bn)	Actuals	New			Old		Change (%)	
	FY23P	FY24E	FY25E	FY26E	FY24E	FY25E	FY24E	FY25E
Revenue	62,703	59,142	62,670	68,673	61,898	68,332	(4.5)	(8.3)
EBITDA	11,842	13,396	13,824	14,454	12,597	13,495	6.3	2.4
EBITDA growth YoY (%)	28.1	13.1	3.2	4.6	-	-	-	-
Net income	7,901	8,750	8,853	9,194	7,995	8,433	9.4	5.0

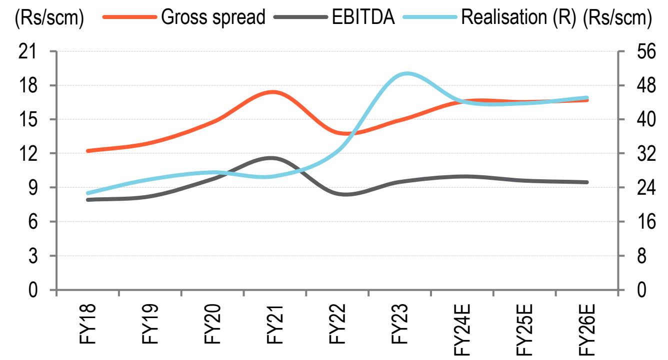
Source: Bloomberg, BOBCAPS Research

Fig 11 – Key business drivers and assumptions

Parameter	FY23P	FY24E	FY25E	FY26E	FY23-26E CAGR (%)
Volumes (mmscmd)					
CNG	2.5	2.7	2.9	3.0	-
D-PNG	0.5	0.5	0.6	0.6	-
I+C	0.44	0.48	0.52	0.55	-
Total	**3.4**	**3.7**	**3.9**	**4.2**	**-**
Volume growth (%)					
CNG	17.8	7.7	6.8	6.2	6.9
D-PNG	4.5	5.4	8.6	6.9	7.0
I+C	6.0	8.3	7.5	6.5	7.4
Total	**14.1**	**7.4**	**7.2**	**6.3**	**7.0**
Volume mix (%)					
CNG	72.8	73.0	72.7	72.6	-
D-PNG	14.2	14.0	14.2	14.2	-
I+C	13.0	13.1	13.1	13.1	-
Natural gas	100.0	100.0	100.0	100.0	-
Total	**72.8**	**73.0**	**72.7**	**72.6**	**-**
Profitability indicator (Rs/scm)					
Revenue	50.4	44.2	43.8	45.1	-
Gross spread	14.9	16.6	16.5	16.7	-
EBITDA	9.5	10.0	9.6	9.5	-
PAT	6.3	6.5	6.2	6.0	-
ROE	20.4	19.9	18.1	17.1	-
Key assumptions					
USD/INR exchange rate	80.4	82.5	82.5	84.2	-
APM gas price (US$/MMbtu)	7.3	6.5	6.5	6.8	-
Gas price ceiling (US$/MMbtu)	11.2	11.1	10.4	10.1	-
LNG contract price (US$/MMbtu)	18.2	14.2	12.1	11.4	-
LNG spot price (US$/MMbtu)	30.9	16.0	17.5	12.5	-
Priority sector gas bucket (US$/MMbtu)	9.5	7.1	7.1	7.5	-
Industrials and commercials gas bucket (US$/MMbtu)	21.6	13.4	12.2	11.2	-

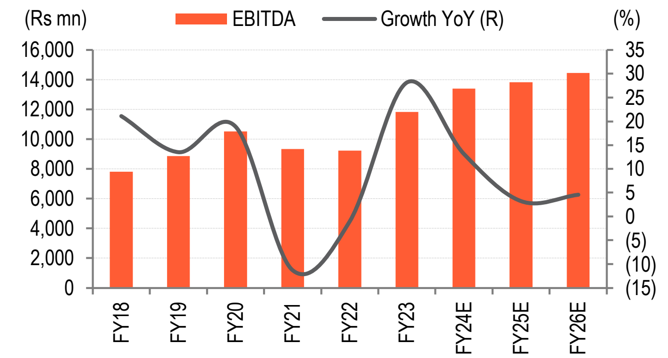
Source: Company, BOBCAPS Research

Fig 12 – Expect EBITDA margin to recover to Rs 9.5-10/scm over FY24E-FY26E



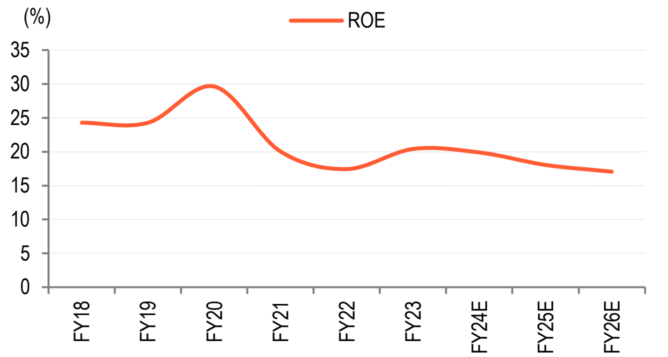
Source: Company, BOBCAPS Research

Fig 13 – Expect EBITDA CAGR of 7% (FY23-FY26E) led by 7% CAGR in volumes and modest margin recovery



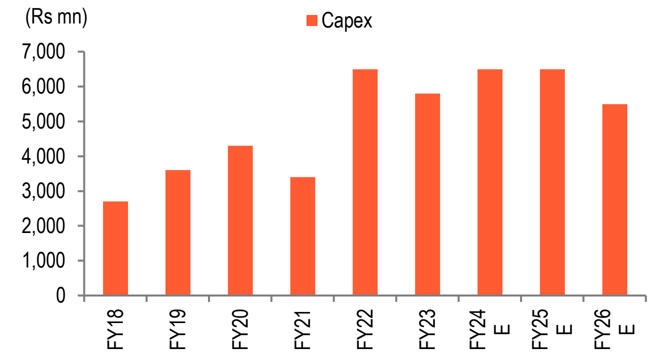
Source: Company, BOBCAPS Research

Fig 14 – ROE to settle at healthy range of 17-19% over FY24E-FY26E



Source: Company, BOBCAPS Research

Fig 15 – Capex estimated at Rs 18.5bn through to FY26E in line with our modest volume growth forecast



Source: Company, BOBCAPS Research

DCF-based TP raised to Rs 1,200; downgrade to HOLD

We raise our TP to Rs 1,200 (from Rs 1,030) for MAHGL, factoring in DCF-based fair value for the core business after accounting for our increased forecasts and adding net present value of Rs 5.2bn for the three GAs acquired from Union Environ – (i) Ratnagiri, (ii) Latur and Osmanabad, and (iii) Chitradurga and Davanagere.

Our TP implies an FY24E/ FY25E P/E of 13.5x/ 13.4X. This is marginally higher than the three/five-year mean one-year forward P/E of 11.3x/12.3x on Bloomberg consensus estimates. Our target price implies 12% upside and hence we downgrade our rating on MAHGL to HOLD from BUY. We believe further rerating of the stock could be constrained by relatively slower long-term volume growth.

- **Core business:** Key assumptions for our DCF-based fair value are cost of equity of 11%, terminal growth of 2.5%, volume growth CAGR of ~5.5% and average EBITDA margin of Rs ~9/scm over our explicit and semi-explicit forecast period of FY24-FY33.
- **Acquired GAs:** Key assumptions for our DCF-based net present fair value for the three acquired GAs are cost of equity of 11%, terminal growth of 2.5%, volume growth CAGR of 28% and average EBITDA margin of ~Rs 7.5/scm over our explicit and semi-explicit forecast period of FY24-FY33.

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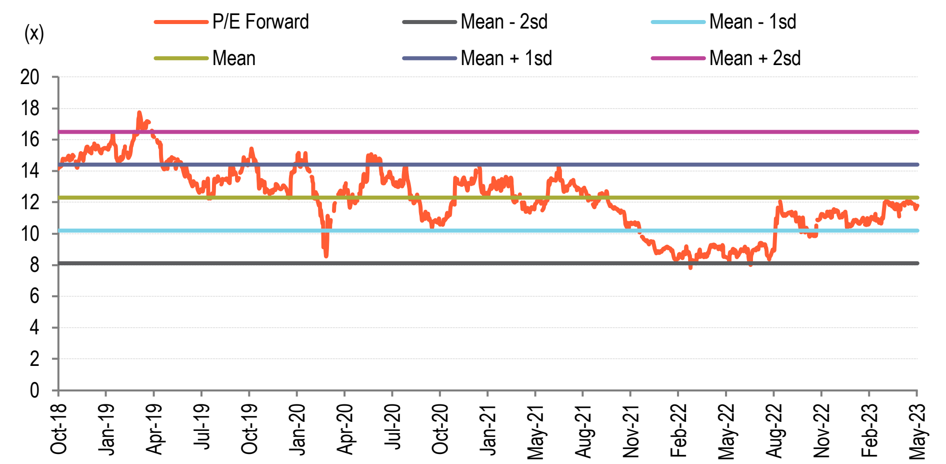
Fig 16 – DCF-based fair value

Valuation parameters	Value (Rs mn)
PV of FCF FY24-34	43,575
PV of terminal value	43,439
Enterprise Value	87,014
Less: Net Debt FY23	(14,439)
Equity value Mar'23	**1,01,453**
Equity value of acquired GAs Mar'23	5,198
Equity value of MAHGL Mar'23	**1,06,651**
NPV Mar'23 (Rs)	**1,080**
NPV Mar'23 (Rs)	**1,200**
Target price as on Mar'24 (Rs) (rounded off to nearest Rs 5)	**1,200**

Source: BOBCAPS Research

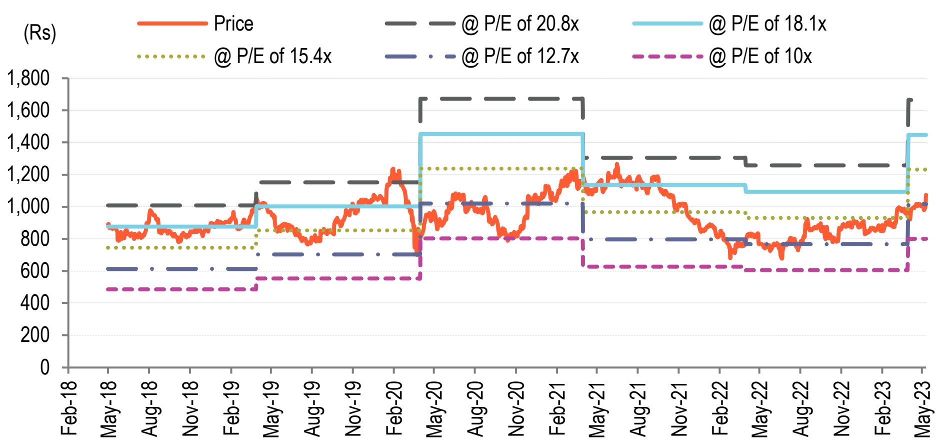
Over the past four years (i.e. since Bloomberg data has been available for the stock), MAHGL has traded at an average one-year forward P/E of 12.3x with a one standard-deviation range of 10.2-14.4x based on Bloomberg consensus. Over the past five years, the stock has traded at an average LTM P/E of 15.4x with a one standard deviation range of 12.7-18.1x based on actual earnings.

Fig 17 – MAHGL has traded at an average 1Y forward P/E of 12.4x…



Source: Bloomberg, BOBCAPS Research

Fig 18 – …and at an average LTM P/E of 15.4x



Source: Bloomberg, BOBCAPS Research

Key risks

- Lower-than-expected margins arising from an inability to pass on higher gas purchase cost to consumers is a key downside risk. Conversely, higher-than-expected margins is a key upside risk to our estimates.
- Material reduction in taxation structure on petrol and diesel, which could lower competitiveness of CNG and result in lower margins for MAHGL, is another key downside risk.
- Slower volume growth than our assumptions, with faster penetration of EVs than expected, is also a downside risk. Similarly, higher volume growth than our assumptions with a slower competitive intensity from EVs is an upside risk.
- Adverse PNGRB or government regulations that could impact our margin or volume outlook is a downside risk, as is an adverse judgement on the Uran-Trombay pipeline tariff dispute with contingent liability at Rs 3.3bn.
- MAHGL plans to complete acquisition of the three GAs from Union Environment in H2FY24 after receiving approval from PNGRB. Any failure to complete the transaction is a downside risk. We presently account for its fair value net of acquisition price of Rs 5.1bn.

Glossary

Glossary of Abbreviations			
APM	Administered Price Mechanism	**I+C**	Industrial + Commercial
CGD	City Gas Distribution	**LNG**	Liquefied Natural Gas
CNG	Compressed Natural Gas	**LPG**	Liquefied Petroleum Gas
D-PNG	Domestic Piped Natural Gas	**NELP**	New Exploration Licensing Policy
EV	Electric Vehicles	**PNG**	Piped Natural Gas
GA	Geographical Area	**PNGRB**	Petroleum and Natural Gas Regulatory Board
GST	Goods & Services Tax	**PPAC**	Petroleum Planning & Analysis Cell
HP-HT	High Pressure-High Temperature		

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Total revenue	**35,602**	**62,993**	**59,432**	**62,960**	**68,963**
EBITDA	9,243	11,842	13,396	13,824	14,454
Depreciation	(1,963)	(2,311)	(2,665)	(2,997)	(3,277)
EBIT	7,281	9,531	10,731	10,827	11,178
Net interest inc./(exp.)	(75)	(94)	(98)	(102)	(106)
Other inc./(exp.)	857	1,119	1,064	1,110	1,219
Exceptional items	0	0	0	0	0
EBT	8,063	10,555	11,698	11,835	12,291
Income taxes	(2,093)	(2,655)	(2,948)	(2,982)	(3,097)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,970**	**7,900**	**8,750**	**8,853**	**9,194**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,970**	**7,900**	**8,750**	**8,853**	**9,194**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Accounts payables	2,719	3,222	3,563	3,759	4,165
Other current liabilities	10,458	11,370	10,721	10,769	11,947
Provisions	356	1,364	327	348	362
Debt funds	824	938	938	938	938
Other liabilities	2,008	2,086	2,261	2,439	2,623
Equity capital	988	988	988	988	988
Reserves & surplus	34,985	40,354	45,517	50,386	55,443
Shareholders' fund	35,973	41,342	46,505	51,374	56,430
Total liab. and equities	**52,338**	**60,323**	**64,315**	**69,627**	**76,466**
Cash and cash eq.	4,652	2,279	1,987	3,574	7,811
Accounts receivables	1,841	2,940	3,241	3,434	3,763
Inventories	275	338	486	515	564
Other current assets	1,628	3,497	3,497	3,497	3,497
Investments	10,883	13,098	13,098	13,098	13,098
Net fixed assets	26,085	30,206	32,917	35,633	37,805
CWIP	6,159	7,086	8,210	8,997	9,048
Intangible assets	52	51	51	51	51
Deferred tax assets, net	763	828	828	828	828
Other assets	0	0	0	0	0
Total assets	**52,338**	**60,323**	**64,315**	**69,627**	**76,466**

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Cash flow from operations	**8,537**	**8,566**	**8,732**	**10,961**	**12,655**
Capital expenditures	(6,893)	(7,358)	(6,500)	(6,500)	(5,500)
Change in investments	(633)	(2,215)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(7,526)**	**(9,573)**	**(6,500)**	**(6,500)**	**(5,500)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	251	114	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(2,470)	(2,568)	(3,588)	(3,984)	(4,137)
Other financing cash flows	741	1,091	1,064	1,110	1,219
Cash flow from financing	**(1,478)**	**(1,363)**	**(2,523)**	**(2,874)**	**(2,918)**
Chg in cash & cash eq.	**(467)**	**(2,370)**	**(292)**	**1,587**	**4,237**
Closing cash & cash eq.	**4,652**	**2,282**	**1,987**	**3,574**	**7,811**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23P	FY24E	FY25E	FY26E
Reported EPS	60.4	80.0	88.6	89.6	93.1
Adjusted EPS	60.4	80.0	88.6	89.6	93.1
Dividend per share	25.0	26.0	36.3	40.3	41.9
Book value per share	364.2	418.5	470.8	520.1	571.3

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23P	FY24E	FY25E	FY26E
EV/Sales	2.9	1.6	1.7	1.7	1.5
EV/EBITDA	11.1	8.6	7.7	7.6	7.2
Adjusted P/E	17.8	13.4	12.1	12.0	11.5
P/BV	2.9	2.6	2.3	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23P	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	74.0	74.8	74.8	74.8	74.8
Interest burden (PBT/EBIT)	110.7	110.8	109.0	109.3	110.0
EBIT margin (EBIT/Revenue)	20.4	15.1	18.1	17.2	16.2
Asset turnover (Rev./Avg TA)	72.4	111.8	95.4	94.0	94.4
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.4	1.4	1.4
Adjusted ROAE	17.5	20.4	19.9	18.1	17.1

Ratio Analysis

Y/E 31 Mar	FY22A	FY23P	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	65.4	76.9	(5.7)	5.9	9.5
EBITDA	(1.0)	28.1	13.1	3.2	4.6
Adjusted EPS	(3.7)	32.3	10.8	1.2	3.9
Profitability & Return ratios (%)					
EBITDA margin	26.0	18.8	22.5	22.0	21.0
EBIT margin	20.4	15.1	18.1	17.2	16.2
Adjusted profit margin	16.8	12.5	14.7	14.1	13.3
Adjusted ROAE	17.5	20.4	19.9	18.1	17.1
ROCE	15.5	18.0	17.9	16.2	15.2
Working capital days (days)					
Receivables	16	14	19	19	19
Inventory	4	3	4	5	5
Payables	30	21	27	27	27
Ratios (x)					
Gross asset turnover	1.1	1.6	1.3	1.3	1.2
Current ratio	0.6	0.6	0.6	0.7	0.9
Net interest coverage ratio	96.7	101.5	109.9	106.6	105.8
Adjusted debt/equity	(0.1)	0.0	0.0	(0.1)	(0.1)

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

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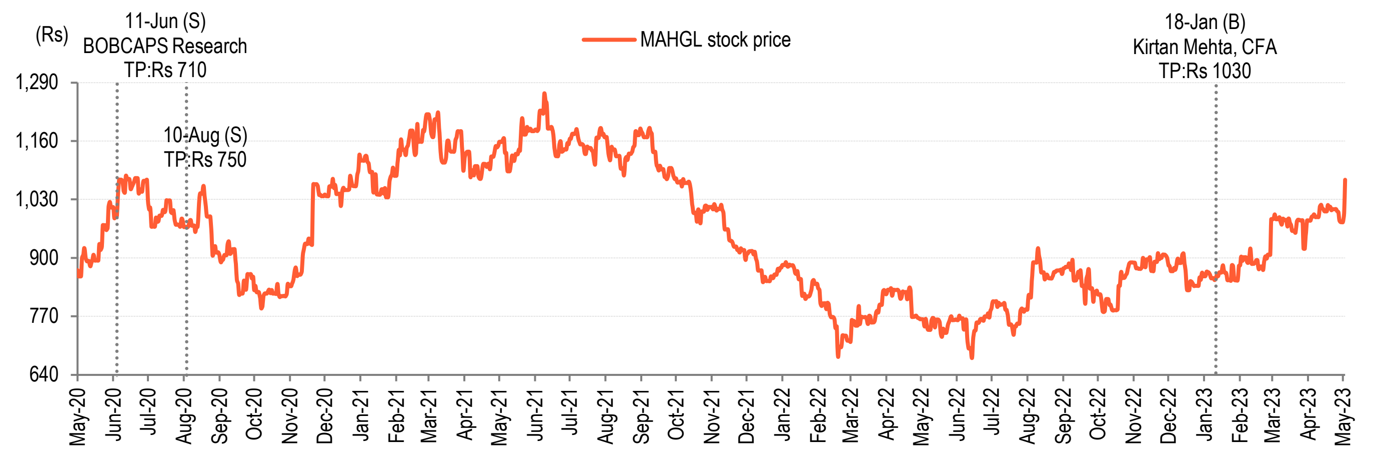

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