BUY
TP: Rs 520 | ⮝ 25%

INDRAPRASTHA GAS | Oil & Gas | 30 January 2023

Dull quarter; focus shifting to non-bus CNG volumes

- **Q3 results weak but in line with consensus; capping of APM gas price could help restore margins and reboot structural growth**
- **Focused on accelerating growth from new segments and GAs given state government's move to shift to electric buses**
- **Maintain BUY with unchanged TP of Rs 520**

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Q3 weak but in line with consensus: IGL's Q3FY23 EBITDA declined 19% QoQ to Rs 4.3bn with a reduction in EBITDA margin to Rs 5.7/scm from Rs 7.1/scm in Q2.

Growth triggers: We believe a key stock trigger for IGL would be the delivery of double-digit volume growth over the medium term. The company is looking to ramp up from 8mmscmd in 9MFY23 to 9mmscmd in FY24 and 10mmscmd in FY25. A ban on polluting fuels in the National Capital Region (NCR) is driving new industrial and commercial connections, and could underpin growth in FY24. IGL is completing the Ajmer-Kanpur steel pipeline over the next few months, which should help accelerate growth in new geographical areas (GA). It is also expediting infrastructure development in new GAs with Rs 13bn-16bn in annual capex planned over the next five years.

Focusing on alternate volumes to offset loss in bus segment: Cognizant of the potential loss of volumes from the Delhi Transport bus segment (DTC: 9-10% of current volumes) over the medium term, IGL is working to open up new segments. Initiatives include long-haul buses to Dehradun, Jaipur, Haryana and Uttar Pradesh, along with conversion of dumpers, other heavy vehicles and tractors to CNG. More importantly, it is accelerating development of new GAs, which currently form ~14% of volumes.

Implementation of Parikh Committee recommendations: Media reports suggest that the oil ministry has accepted the Parikh Committee's pricing proposal on administered (APM) gas and has initiated consultations with other ministries ahead of a cabinet committee note. IGL's management sees the possibility of implementation by mid-Mar'23, which could restore competitiveness of natural gas against liquid fuel and, in turn, normalise margins and support structural growth.

Reiterate BUY: We tweak our estimates to incorporate the Q3 results but maintain our DCF-based TP of Rs 520, which assumes an 11% cost of equity, ~8% volume CAGR and Rs 7.6/scm average EBITDA margin over FY22-FY33, with terminal growth of 4%. Our TP implies an FY24E P/E of 20x, broadly in line with the 5Y mean forward multiple.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	IGL IN/Rs 416
Market cap	US$ 3.6bn
Free float	55%
3M ADV	US$ 9.3mn
52wk high/low	Rs 452/Rs 321
Promoter/FPI/DII	45%/22%/20%

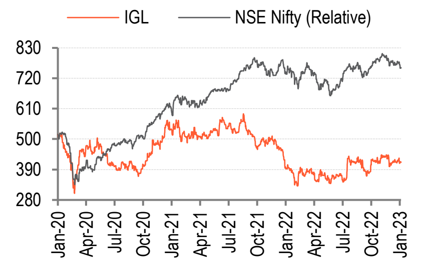
Source: NSE | Price as of 30 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	77,100	140,309	145,190
EBITDA (Rs mn)	18,811	20,621	24,150
Adj. net profit (Rs mn)	15,023	16,187	18,199
Adj. EPS (Rs)	21.5	23.1	26.0
Consensus EPS (Rs)	21.5	21.9	24.6
Adj. ROAE (%)	21.6	19.8	19.2
Adj. P/E (x)	19.4	18.0	16.0
EV/EBITDA (x)	14.6	13.5	11.5
Adj. EPS growth (%)	28.1	7.8	12.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Result highlights

Q3 weak but in line with consensus

While IGL's Q3FY23 revenue and EBITDA were in line with expectations of a sequentially weak quarter, net income was 6% below consensus. Volume growth was flattish QoQ, but EBITDA margin reduced to Rs 5.7/scm from Rs 7.1/scm in Q2FY23 as the company refrained from passing on higher gas purchase costs to consumers in a bid to preserve structural demand momentum.

Earnings call takeaways

Targeting double-digit volume growth

IGL intends to deliver double-digit annual growth over FY22-FY25, guiding for volumes of 9mmscmd in FY24 and 10mmscmd in FY25. The company is cognizant of a potential loss of business as DTC (9-10% of its current volume mix) moves to electric buses, but expects the shift to be gradual. It is looking to offset part of the volume decline by capturing a new long-haul segment and converting medium-to-heavy vehicles (such as dumpers) and tractors to CNG. The company has also accelerated network buildup in GAs outside of Delhi (currently ~14% of volumes) to spur growth.

Other key management comments –

- 9MFY23 volume mix: 9-10% DTC buses; 12-13% other state carriers; ~40% taxis, cab and autos; ~40% passenger cars
- CNG conversion rate steady at 13-14k vehicles per month over the last 5-6 months (down from 16-18k per month at the start of the financial year)
- CNG stations in new GAs to contribute 50-60% of incremental volume target over next two years
- Gurgaon volumes can grow from 0.18mmscmd to 0.5-0.8mmscmd over 2-3 years if IGL gets a clear mandate to develop infrastructure. Management sees a high probability of a Petroleum and Natural Gas Regulatory Board (PNGRB) decision on a city gas distribution (CGD) player for Gurgaon by Sep'23 when current gas arrangements expire.

Expects a return to healthy margins from FY24

After a dip in EBITDA margin to Rs 5.7/scm in Q3, IGL has guided for slight improvement till recommendations of the Parikh Committee are implemented, which management anticipates will occur by mid-March. This could potentially restore the competitiveness of natural gas against liquid fuel, and hence IGL expects to maintain margins in a healthy range of Rs 7.0-7.5/scm in FY24. Related key comments –

- **Q3 gas basket:** The Q3 gas basket comprised 76% APM and non-APM domestic gas and 24% regasified LNG (RLNG). APM and non-APM gas was available for only 86-87% of priority sector requirements, leading to a shortfall. In terms of cost, while priority sector APM gas was available at ~US$ 10/MMbtu, contractual RLNG was available at US$ 13-14/MMbtu.

- **RLNG basket:** IGL has tied up contracts for 2mmscmd of RLNG but is receiving only a part of this quantity as GAIL has curtailed volumes. In Q3, IGL's RLNG basket included a 2% share of domestic gas procured at the ceiling price and 5-10% procured from the spot market. Within its contractual RLNG portfolio, while 50-60% of volumes are linked to Henry Hub, the remainder is linked to crude oil prices (Brent, JCC).

- **Potential changes to gas purchase mix:** IGL is looking to bid and secure domestic gas at a ceiling price to reduce its dependence on RLNG, as and when RIL and ONGC volumes are put up for bidding. For priority sector requirements, IGL does not expect availability of APM gas to improve further in FY24-FY25 when the company expects to expand its volumes and hence plans to source the same from free market gas.

- While management expects the government to implement recommendations by the Parikh Committee, APM gas price could increase by US$ 0.5/MMbtu from 1 April in case implementation falls through.

- The company earns a gross margin of Rs 4-5/scm on sales to industrial and commercial consumers and Rs 3-5/scm on sales to domestic households.

- IGL currently pays a commission of 6% of CNG price or Rs 5.94/kg to oil marketing companies (OMC) for CNG sales by OMCs.

Accelerate expansion of new GAs with elevated capex

Management has guided for elevated capex of Rs 13bn-16bn annually for the next five years to develop new GAs. The company has added 40 CNG stations in 9MFY23 and is targeting 75 online stations in FY23 and 125 in FY24, with a focus on online assets to keep opex at an optimum level.

Affiliate profits down QoQ

Profit at affiliates was down 20% QoQ and 16% YoY in Q3 with a decline in EBITDA margin. While Maharashtra Natural Gas (MNGL) was able to maintain profit at year-ago levels with 9% YoY volume growth (~0.9mmscmd), Central U.P. Gas (CUGL) faced a decline as volumes contracted (~0.3mmscmd).

Other takeaways

- IGL declared its first-ever interim dividend of Rs 3/scm and is looking to improve payout.

- The company is actively scouting for acquisition opportunities to broaden its footprint as some industry players are looking for an exit. It is cognizant of the fact that new GAs under bidding are now available only in the hilly regions of the northeast and in Jammu & Kashmir.

- Management highlighted that it has received in-principal allocation of 50 new sites towards its target of implementing 500 electric vehicle charging stations over the next five years.

Fig 1 – Quarterly performance: Q3FY23 weak but in line with consensus

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Net sales	37,108	22,155	67.5	35,540	4.4	104,587	53,040	97.2
Raw materials	28,636	13,842	106.9	26,094	9.7	76,435	28,745	165.9
% of sales	77.2	62.5	-	73.4	-	73.1	54.2	-
Other expenditure	4,188	3,616	15.8	4,171	0.4	12,417	10,489	18.4
% of sales	11.3	16.3	-	11.7	-	11.9	19.8	-
EDITDA	**4,285**	**4,696**	**(8.8)**	**5,275**	**(18.8)**	**15,735**	**13,807**	**14.0**
EDITDA (Rs/scm)	**5.7**	**6.7**	**(14.0)**	**7.1**	**(19.1)**	**7.1**	**7.4**	**(4.4)**
EDITDA margin (%)	11.5	21.2	-	14.8	-	15.0	26.0	-
Depreciation and amortisation	925	835	10.8	914	1.2	2,696	2,418	11.5
Interest	26	28	(7.8)	31	(15.3)	80	83	(3.5)
Other income	557	304	83.5	1,100	(49.3)	1,965	1,377	42.7
Profit Before Tax	**3,891**	**4,137**	**(5.9)**	**5,430**	**(28.3)**	**14,923**	**12,682**	**17.7**
Provision for tax	1,109	1,051	5.4	1,269	(12.6)	3,771	3,148	19.8
-effective tax rate (%)	28.5	25.4	-	23.4	-	25.3	24.8	-
PAT (reported)	**2,783**	**3,085**	**(9.8)**	**4,162**	**(33.1)**	**11,153**	**9,534**	**17.0**

Source: Company, BOBCAPS Research

Fig 2 – Volumes: CNG growth modest at 8% YoY due to impact of holiday season

(mmscm)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
CNG	559	518	7.8	560	(0.3)	1,659	1,338	24.0
PNG	**188**	**186**	**1.2**	**184**	**2.4**	**550**	**516**	**6.6**
Industrial/Commercial	91	95	(4.0)	92	(0.3)	272	260	4.6
Domestic	51	45	13.5	46	10.8	141	131	8.1
Natural Gas	46	46	(0.3)	46	(0.7)	137	126	9.2
Total volume	**747**	**704**	**6.1**	**744**	**0.4**	**2,209**	**1,854**	**19.2**
Total volume (mmscmd)	**8.12**	**7.66**	**6.1**	**8.09**	**0.4**	**8.03**	**6.74**	**19.2**

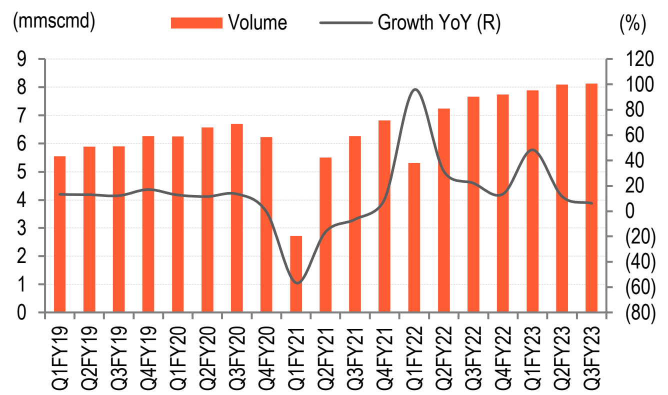
Source: Company, BOBCAPS Research

Fig 3 – Margins: Q3 margin dropped to Rs 5.7/scm, below the FY21-FY22 average of Rs 7.0-7.5/scm

(Rs/scm)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
CNG realisation (Rs/kg)	67.5	42.1	60.4	65.4	3.2	64.9	38.7	67.5
PNG realisation	54.2	35.4	53.0	51.3	5.7	50.7	31.0	63.5
Avg realisation	**49.7**	**31.5**	**57.9**	**47.8**	**4.0**	**47.3**	**28.6**	**65.5**
Gas cost	38.3	19.7	95.0	35.1	9.3	34.6	15.5	123.1
Gross spread	**11.3**	**11.8**	**(3.9)**	**12.7**	**(10.7)**	**12.7**	**13.1**	**(2.8)**
Other operating costs	5.6	5.1	9.2	5.6	(0.0)	5.6	5.7	(0.7)
EDITDA (Rs/scm)	**5.7**	**6.7**	**(14.0)**	**7.1**	**(19.1)**	**7.1**	**7.4**	**(4.4)**

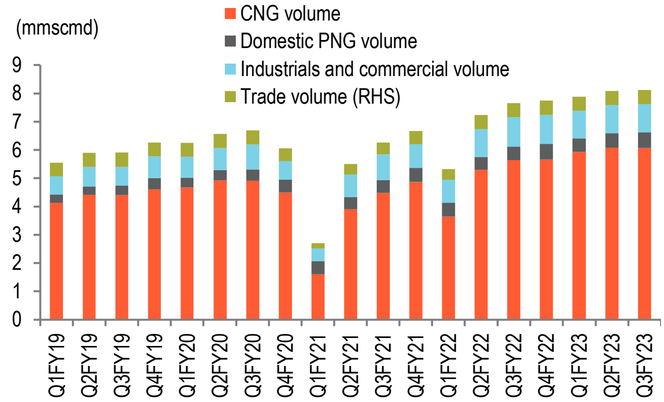
Source: Company, BOBCAPS Research

Fig 4 – Volume growth muted in Q3



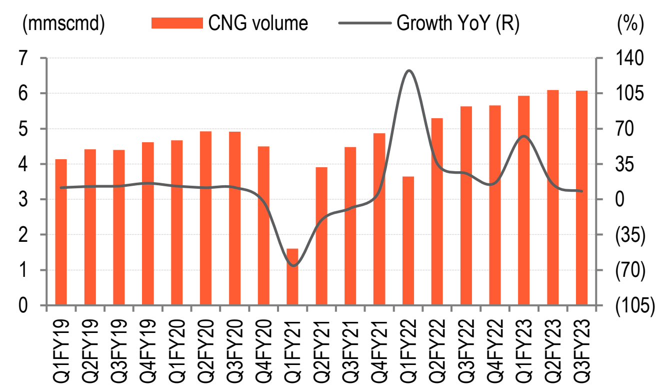
Source: Company, BOBCAPS Research

Fig 5 – Volume mix trends largely unchanged



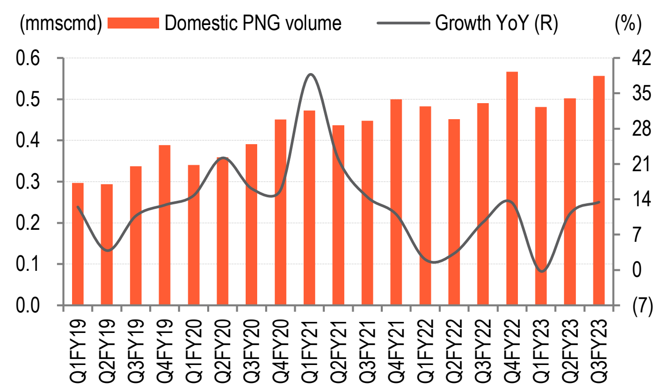
Source: Company, BOBCAPS Research

Fig 6 – CNG volume growth flat QoQ despite continued addition of vehicles



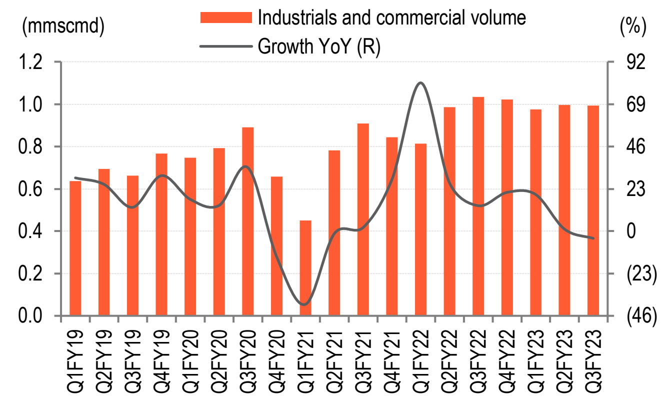
Source: Company, BOBCAPS Research

Fig 7 – Domestic PNG growth recovery continued



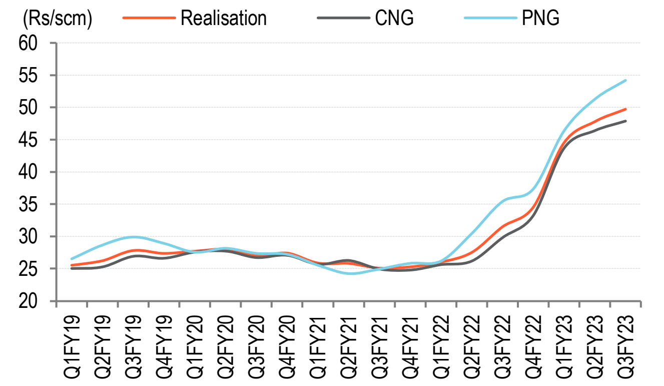
Source: Company, BOBCAPS Research

Fig 8 – Industrial and commercial volumes flat due to impact of higher gas prices



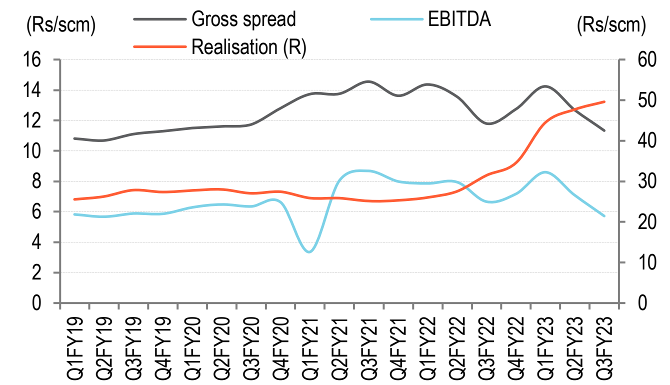
Source: Company, BOBCAPS Research

Fig 9 – Increase in realisation constrained by efforts to preserve structural demand growth



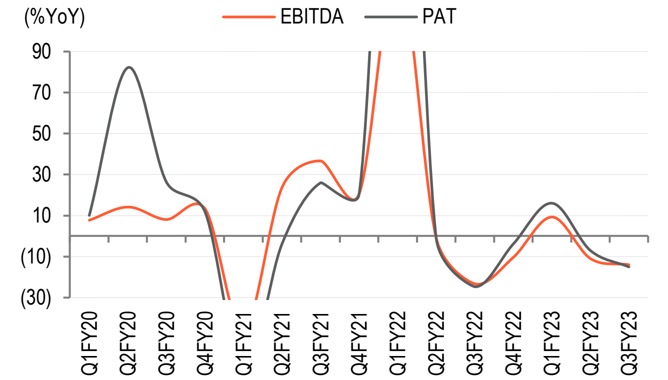
Source: Company, BOBCAPS Research

Fig 10 – EBITDA margin below mid-cycle level as IGL was unable to pass on increases in gas cost



Source: Company, BOBCAPS Research

Fig 11 – EBITDA declined owing to margin contraction



Source: Company, BOBCAPS Research

Valuation methodology

Factoring in the Q3FY23 results and weaker margin expectations for Q4, we lower our FY23 EBITDA estimate by 4%. We now expect IGL's EBITDA to grow from Rs 18.8bn in FY22 to Rs 26bn in FY25, an 11.3% CAGR, driven primarily by volume growth. Our EBITDA forecasts are broadly in line with consensus for FY23-FY24 but 4% below for FY25 on our conservative volume forecasts. We now assume an EBITDA margin of Rs 7.4/scm over our forecast period, which is roughly the average of that reported in FY21 and FY22.

- Our estimates factor in implementation of the Parikh Committee recommendations, thereby helping to reestablish competitiveness of CNG 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 and 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.
- We conservatively assume FY25 volumes at 9.6mmscmd, below the company's target of 10mmscmd.

Fig 12 – Revised estimates

(Rs bn)	Actual	New			Old			Change (%)		
	FY22	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	77,100	140,309	145,190	159,606	136,794	146,248	160,454	2.6	(0.7)	(0.5)
EBITDA	**18,811**	**20,621**	**24,150**	**26,040**	**21,502**	**24,712**	**26,225**	**(4.1)**	**(2.3)**	**(0.7)**
EBITDA growth (%)	26.8	9.6	17.1	7.8	14.3	14.9	6.1	-	-	-
Net income incl affiliate	15,023	16,187	18,199	19,690	15,868	17,696	18,948	2.0	2.8	3.9

Source: Company, BOBCAPS Research

Fig 13 – Estimates vs. Consensus

(Rs bn)	Forecasts			Consensus			Delta to Consensus (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	140,309	145,190	159,606	133,421	141,612	150,084	5.2	2.5	6.3
EBITDA	**20,621**	**24,150**	**26,040**	**20,699**	**24,017**	**27,085**	**(0.4)**	**0.6**	**(3.9)**
EBITDA growth (%)	9.6	17.1	7.8	10.0	16.0	12.8	-	-	-
Net income excl affiliates (consolidated)	13,346	15,007	16,067	-	-	-	-		-
Net income incl affiliates (consolidated)	16,187	18,199	19,690	-	-	-	-	--	-
Net income incl dividend from affiliates (standalone)	-	-	-	14,743	16,747	18,786	-	-	-

Source: Bloomberg, BOBCAPS Research

Fig 14 – Key business drivers and assumptions

Particulars	FY22	FY23E	FY24E	FY25E	FY22-25E CAGR (%)
Volumes (mmscmd)					
CNG	5.1	6.1	6.7	7.1	-
D-PNG	0.5	0.5	0.6	0.7	-
I+C	1.0	1.0	1.1	1.2	-
Natural gas	0.5	0.5	0.5	0.6	-
Total	**7.0**	**8.2**	**8.9**	**9.6**	**-**
Volume growth (% YoY)					
CNG	36.1	21.4	9.0	6.6	12.2
D-PNG	8.4	5.6	13.5	15.3	11.4
I+C	23.6	3.2	11.3	12.8	9.0
Natural gas	25.9	7.5	4.7	5.3	5.8
Total	**31.2**	**16.8**	**9.3**	**7.9**	**11.3**
Volume mix (%)					
CNG	72.4	75.2	75.0	74.1	-
D-PNG	7.1	6.4	6.7	7.2	-
I+C	13.8	12.2	12.4	13.0	-
Natural gas	6.7	6.1	5.9	5.7	-
Total	**100.0**	**100.0**	**100.0**	**100.0**	**-**
Profitability indicator (Rs/scm)					
Revenue	30.2	47.1	44.5	45.4	-
Gross spread	13.0	12.7	13.2	13.4	-
EBITDA	**7.4**	**6.9**	**7.4**	**7.4**	**-**
PAT	5.2	4.7	4.7	4.7	-
ROE	20.5	18.7	18.2	17.3	-
Key assumptions					
USDINR exchange rate	74.5	80.5	82.5	84.2	-
APM gas price (US$/MMbtu)	2.3	7.3	6.5	7.0	-
Gas price ceiling (US$/MMbtu)	4.9	10.8	11.4	11.2	-
LNG contract price (US$/MMbtu)	11.7	17.3	14.2	11.4	-
LNG spot price (US$/MMbtu)	23.2	27.5	30.0	25.0	-
Priority sector gas bucket (US$/MMbtu)	2.3	8.5	7.4	7.9	-
Industrials and commercials gas bucket (US$/MMbtu)	11.9	18.6	15.5	12.7	-

Source: Company, BOBCAPS Research

DCF-based TP of Rs 520, BUY

Key assumptions for our DCF-based fair value are cost of equity of 11%, terminal growth of 4%, volume CAGR of ~8% and average EBITDA margin of Rs 7.6/scm over our explicit and semi-explicit forecast period of FY22-FY33. Our DCF-based TP of Rs 520 (unchanged) implies an FY24E P/E of 20x. 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 a 25% upside, we rate IGL as BUY.

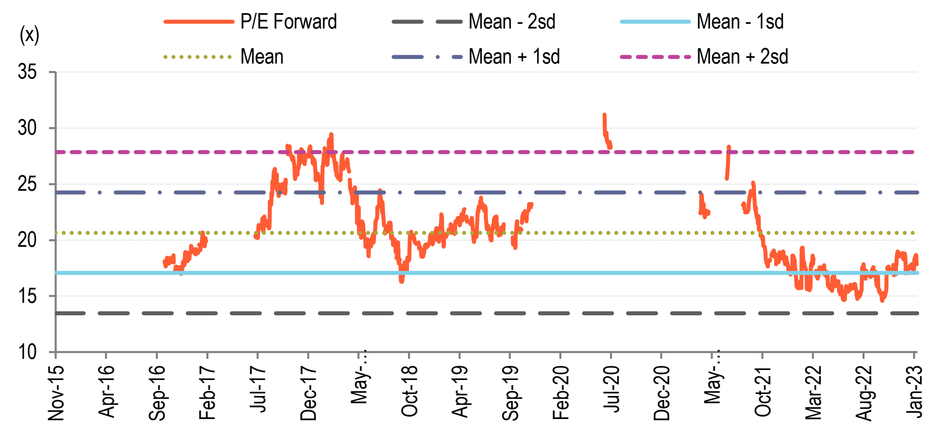
Fig 15 – DCF-based fair value

Valuation parameters	Value (Rs mn)
PV of FCF FY24E-FY34E	91,687
PV of terminal value	168,046
Enterprise Value	259,734
Less: Net Debt FY23E	(30,788)
Equity value Mar'23	**290,522**
NPV – IGL share (Rs)	**415**
NPV – MNGL (Rs)	48
NPV – CUPGL (Rs)	12
Consolidated NPV Mar'23 (Rs)	**475**
Consolidated NPV Jan'24 (Rs)	**518**
Target price as on Jan'24 (Rs) (rounded off to nearest Rs 5)	**520**

Source: BOBCAPS Research

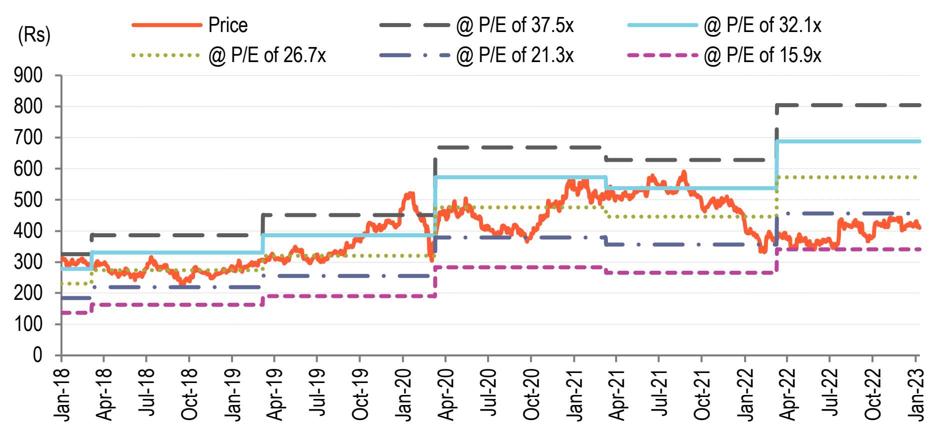
Over past five years, IGL has traded at an average one-year forward P/E of 20.2x with a one standard deviation range of 17.1x-24.3x on Bloomberg consensus. Similarly, it has traded at an average LTM P/E of 26.7x with a one standard deviation range of 21.3x-32.1x based on actual earnings.

Fig 16 – IGL has traded at an average 1Y forward PE of 20.2x



Source: Bloomberg, BOBCAPS Research

Fig 17 – Trailing P/E of 26.7x 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. We assume that the government implements recommendations of the Kirit Parekh Committee and lowers APM gas price to US$ 6.5/MMbtu in FY24.
- Slower volume growth than our assumptions owing to faster penetration of EVs than expected
- Adverse PNGRB 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	8.9	335	450	BUY
GAIL	GAIL IN	5.3	95	160	BUY
Gujarat State Petronet	GUJS IN	1.9	269	270	BUY
Hindustan Petroleum Corp	HPCL IN	4.1	234	410	BUY
Indian Oil Corp	IOCL IN	9.4	82	150	BUY
Indraprastha Gas	IGL IN	3.6	416	520	BUY
Mahanagar Gas	MAHGL IN	1.0	849	1,030	BUY
Petronet LNG	PLNG IN	4.0	220	330	BUY
Reliance Industries	RIL IN	195.9	2,360	2,840	BUY

Source: BOBCAPS Research, NSE | Price as of 30 Jan 2023

BOBCAPS
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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Total revenue	**49,408**	**77,100**	**140,309**	**145,190**	**159,606**
EBITDA	14,830	18,811	20,621	24,150	26,040
Depreciation	(2,904)	(3,171)	(3,804)	(4,509)	(5,184)
EBIT	11,926	15,641	16,816	19,641	20,856
Net interest inc./(exp.)	(113)	(132)	0	0	0
Other inc./(exp.)	1,148	1,766	1,765	892	1,199
Exceptional items	0	0	0	0	0
EBT	12,961	17,275	18,581	20,533	22,056
Income taxes	(2,494)	(4,509)	(4,682)	(5,174)	(5,558)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,258	2,257	2,288	2,841	3,192
Reported net profit	**11,726**	**15,023**	**16,187**	**18,199**	**19,690**
Adjustments	0	0	0	0	0
Adjusted net profit	**11,726**	**15,023**	**16,187**	**18,199**	**19,690**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	4,186	7,867	8,433	6,703	7,404
Other current liabilities	7,925	9,981	9,981	9,981	9,981
Provisions	3,727	4,295	4,295	4,295	4,295
Debt funds	0	0	0	0	0
Other liabilities	11,318	13,019	14,628	16,280	17,765
Equity capital	1,400	1,400	1,400	1,400	1,400
Reserves & surplus	61,944	74,460	86,478	100,070	114,810
Shareholders' fund	63,344	75,860	87,878	101,470	116,210
Total liab. and equities	**90,500**	**111,022**	**125,215**	**138,728**	**155,655**
Cash and cash eq.	11,323	13,616	13,318	17,875	25,451
Accounts receivables	2,607	5,206	9,226	9,149	10,057
Inventories	456	455	1,230	1,273	1,399
Other current assets	1,552	1,685	1,685	1,685	1,685
Investments	22,884	26,257	26,257	26,257	26,257
Net fixed assets	43,038	49,896	66,628	75,619	83,935
CWIP	8,469	13,786	6,750	6,750	6,750
Intangible assets	171	121	121	121	121
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**90,500**	**111,022**	**125,215**	**138,728**	**155,655**

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash flow from operations	**17,571**	**21,080**	**15,607**	**21,772**	**24,826**
Capital expenditures	(10,663)	(14,727)	(13,500)	(13,500)	(13,500)
Change in investments	(16,582)	(3,373)	0	0	0
Other investing cash flows	1,148	1,766	1,765	892	1,199
Cash flow from investing	**(26,097)**	**(16,334)**	**(11,735)**	**(12,608)**	**(12,301)**
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	(2,520)	(3,850)	(4,170)	(4,608)	(4,949)
Other financing cash flows	570	1,397	0	0	0
Cash flow from financing	**(1,950)**	**(2,453)**	**(4,170)**	**(4,608)**	**(4,949)**
Chg in cash & cash eq.	**(10,477)**	**2,294**	**(298)**	**4,556**	**7,576**
Closing cash & cash eq.	**11,323**	**13,616**	**13,318**	**17,875**	**25,451**

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	16.8	21.5	23.1	26.0	28.1
Adjusted EPS	16.8	21.5	23.1	26.0	28.1
Dividend per share	3.6	5.5	6.0	6.6	7.1
Book value per share	90.5	108.4	125.5	145.0	166.0

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	5.6	3.6	2.0	1.9	1.7
EV/EBITDA	18.7	14.6	13.5	11.5	10.6
Adjusted P/E	24.8	19.4	18.0	16.0	14.8
P/BV	4.6	3.8	3.3	2.9	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	90.5	87.0	87.1	88.6	89.3
Interest burden (PBT/EBIT)	108.7	110.4	110.5	104.5	105.7
EBIT margin (EBIT/Revenue)	24.1	20.3	12.0	13.5	13.1
Asset turnover (Rev./Avg TA)	59.5	76.5	118.8	110.0	108.4
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.4
Adjusted ROAE	20.1	21.6	19.8	19.2	18.1

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Revenue	(23.8)	56.0	82.0	3.5	9.9
EBITDA	(2.4)	26.8	9.6	17.1	7.8
Adjusted EPS	(6.1)	28.1	7.8	12.4	8.2
Profitability & Return ratios (%)					
EBITDA margin	30.0	24.4	14.7	16.6	16.3
EBIT margin	24.1	20.3	12.0	13.5	13.1
Adjusted profit margin	23.7	19.5	11.5	12.5	12.3
Adjusted ROAE	20.1	21.6	19.8	19.2	18.1
ROCE	16.5	16.6	15.4	15.5	14.3
Working capital days (days)					
Receivables	16	18	19	23	22
Inventory	8	4	3	4	4
Payables	34	38	25	23	19
Ratios (x)					
Gross asset turnover	1.0	1.3	1.9	1.6	1.5
Current ratio	1.0	0.9	1.1	1.4	1.8
Net interest coverage ratio	105.2	118.4	0.0	0.0	0.0
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)

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

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HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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