BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,610 | ▲ 8%

MAHANAGAR GAS | Oil & Gas | 26 October 2024

Resetting margin expectations, reiterate HOLD

- **Q2 results were broadly in line with our forecasts. Factoring in stronger growth momentum, we raise FY24-27E volume CAGR to 8.4% from 7.5%**
- **With advancing of lower APM gas allocation, we reset our EBITDA margin trajectory to Rs 9.5/scm on average over FY24-33E**
- **Lower TP to Rs 1,610 from Rs 1,875 and retain HOLD rating. Any measures to counter the impact of lower allocation is an upside risk**

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Q2 broadly in line: While MAHGL's Q2 EBITDA was broadly in line with our forecasts, volume growth was stronger at 13% (vs 9%) and EBITDA margin was a tad lower at Rs 10.7/scm (vs 11.2/scm).

Resetting margins: While the company has retained EBITDA margin guidance for FY25 at Rs 10-12/scm after 20% deallocation of APM gas, we lower our FY25E margin to Rs 10.4/scm from Rs 11.5/scm, still within the guidance range. We now factor in H2 margin at Rs 9.6/scm vs Rs 11.3/scm in H1 building in higher gas purchase cost during H2 and recognising constraints from limited headroom with diesel price (16%). Similarly we lower FY26E-FY27E margins to Rs 9.6-9.7/scm below the current guidance range. While industry is discussing several approaches with government, including reduction in excise duty to lower the impact of allocation cut, we wait for a decision on it.

Strong growth momentum: MAHGL has clocked sequential growth for five quarters in a row at a quarterly run rate of 3.4% and clocked 13% YoY growth in H1. With this momentum, we raise FY25 growth to 11% (from 9%), above company guidance of 10%, and FY24-27E CAGR to 8.4% (from 7.5%), above the company guidance range of 6-7%. For the consolidated operations including UEPL, we raise FY24-33E growth estimates to 7.9% (from 7.7%).

Lower TP to Rs 1,610: Factoring in lower margins, partially offset by higher growth, we cut FY25E-27E EBITDA by 7%-12%. We also cut our DCF-based TP to Rs 1,610 (from Rs 1,875). Our TP implies FY26E P/E of 15.5x after consolidating UEPL, above the 1Y forward mean P/E of 11.7x/12.3x over the past 5Y/10Y. We believe MAHGL deserves a higher multiple as it is set to deliver 7.9% CAGR over FY24-33E along with UEPL – double the CAGR clocked over FY19-FY24.

Retain HOLD: MAHGL stock has corrected 18% since 15 Oct after the deallocation of 20% APM gas for the CNG segment. The correction reflects the reset of margin expectations with advancing of lower APM allocation by at least 3 years ahead of our prior assumptions. Given 8% upside to our lower TP, we retain our HOLD rating.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	MAHGL IN/Rs 1,497
Market cap	US$ 1.8bn
Free float	58%
3M ADV	US$ 14.4mn
52wk high/low	Rs 1,988/Rs 979
Promoter/FPI/DII	33%/34%/15%

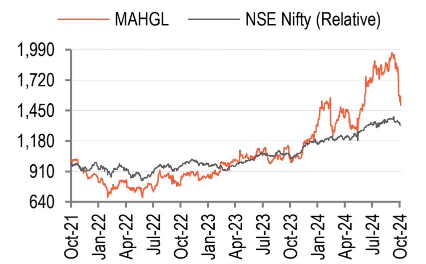
Source: NSE | Price as of 25 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	62,445	67,644	73,504
EBITDA (Rs mn)	18,426	15,283	15,339
Adj. net profit (Rs mn)	12,891	10,216	10,094
Adj. EPS (Rs)	130.5	103.4	102.2
Consensus EPS (Rs)	130.5	116.8	123.7
Adj. ROAE (%)	27.8	18.7	16.6
Adj. P/E (x)	11.5	14.5	14.7
EV/EBITDA (x)	7.9	9.5	9.4
Adj. EPS growth (%)	63.2	(20.7)	(1.2)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q2 broadly in line with our forecasts

MAHGL's Q2 EBITDA at Rs 4.0bn was 4% below Bloomberg consensus but broadly in line (-1%) with our forecasts. More importantly, underlying volume growth momentum was much stronger at 13% YoY than our assumption of 9% YoY growth. However, EBITDA margin was a tad weaker at Rs 10.7/scm vs our assumption of Rs 11.2/scm.

Fig 1 – Q2 EBITDA missed consensus marginally, in line with us

(Rs mn)	Q2FY25	Consensus	Delta (%)	BOBCAPS	Delta (%)
Revenue	17,116	16,534	3.5	16,372	4.5
EBITDA	3,985	4,148	(3.9)	4,027	(1.0)
Net income	2,828	2,835	(0.3)	2,747	3.0

Source: Company, Bloomberg, BOBCAPS Research

Apparent EBITDA decline of 17% YoY and 5% QoQ is masking underlying strong volume growth momentum. The decline has been the result of normalisation of margins from unusually high levels of Rs 14-16/scm a year ago to more reasonable levels of Rs 10-12/scm within the current guidance range.

Fig 2 – Apparent EBITDA decline is masking underlying strong growth momentum

(Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Net sales	**17,116**	**15,709**	**9.0**	**15,896**	**7.7**	**33,013**	**31,087**	**6.2**
Raw materials consumed	10,801	8,992	20.1	9,597	12.5	20,398	17,434	17.0
% of sales	63.1	57.2	-	60.4	-	61.8	56.1	-
Other expenditure	2,330	1,929	20.8	2,114	10.2	4,445	3,652	21.7
% of sales	13.6	12.3	-	13.3	-	13.5	11.7	-
EBITDA	**3,985**	**4,789**	**(16.8)**	**4,185**	**(4.8)**	**8,170**	**10,002**	**(18.3)**
EBITDA (Rs/scm)	**10.7**	**14.6**	**(26.4)**	**11.9**	**(10.1)**	**11.3**	**15.6**	**(27.8)**
EBITDA margin (%)	**23.3**	**30.5**	**-**	**26.3**	**-**	**24.7**	**32.2**	**-**
Depreciation and amortisation	735	658	11.7	719	2.3	1,453	1,278	13.7
Interest	31	25	24.3	31	(1.0)	62	50	23.9
Other income	512	437	17.0	402	27.4	913	827	10.5
Profit before tax	**3,731**	**4,543**	**(17.9)**	**3,837**	**(2.8)**	**7,568**	**9,500**	**(20.3)**
Provision for tax	903	1,158	(22.0)	992	(8.9)	1,895	2,431	(22.1)
-effective tax rate (%)	24.2	25.5	-	25.8	-	25.0	25.6	-
PAT (reported)	**2,828**	**3,385**	**(16.5)**	**2,845.3**	**(0.6)**	**5,673**	**7,069**	**(19.7)**
Reported EPS (Rs)	**28.6**	**34.3**	**(16.5)**	**28.8**	**(0.6)**	**57.4**	**71.6**	**(19.7)**

Source: Company, BOBCAPS Research

Strong momentum

Volume has grown sequentially for five quarters in a row at a quarterly run rate of 3.4%. H1 volumes were up 13% YoY driven by 12% growth in the CNG segment and 25% growth in the Industrial and Commercial segments.

- The CNG segment is benefitting from a pickup in vehicle additions over the past six quarters. Additions picked up from 65k in FY23 to close to 80k in FY24 and further to 44k in H1FY25.

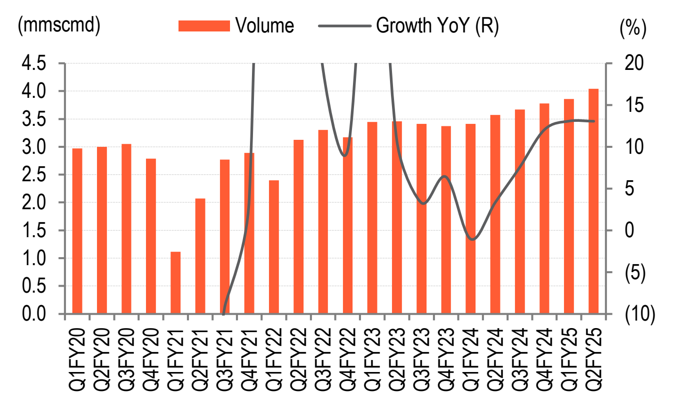
- Industrial and Commercial volumes at 0.57mmscmd over the past nine months were up 23% YoY. The incentive scheme helped the company add ~0.15mmscmd of incremental volumes. MAHGL is offering a guaranteed 10% discount on alternative fuel for any new industrial customer in GA3 and large new customer in GA2.

Fig 3 – Strong volume growth led by CNG and Industrial segments

(mmscm)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
CNG	**265**	**238**	**11.7**	**252**	**5.2**	**518**	**463**	**11.7**
PNG	**106**	**91**	**16.6**	**99**	**7.6**	**205**	**176**	**16.6**
Industrial/ Commercial	58	46	25.4	49	17.9	107	86	24.7
Domestic	49	45	7.6	50	(2.4)	98	90	9.0
Total volume (mmscm)	**372**	**329**	**13.1**	**351**	**5.9**	**723**	**639**	**13.1**
Total volume (mmscmd)	**4.04**	**3.57**	**13.1**	**3.86**	**4.7**	**3.95**	**3.49**	**13.1**

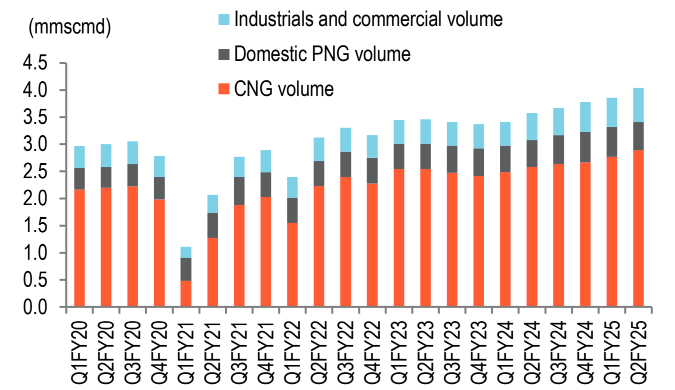
Source: Company, BOBCAPS Research

Fig 4 – Growth momentum sustained in Q2



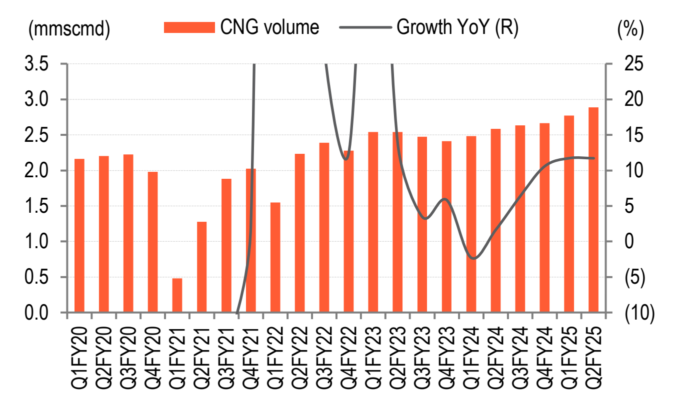
Source: Company, BOBCAPS Research

Fig 5 – CNG and Industrial segments driving growth



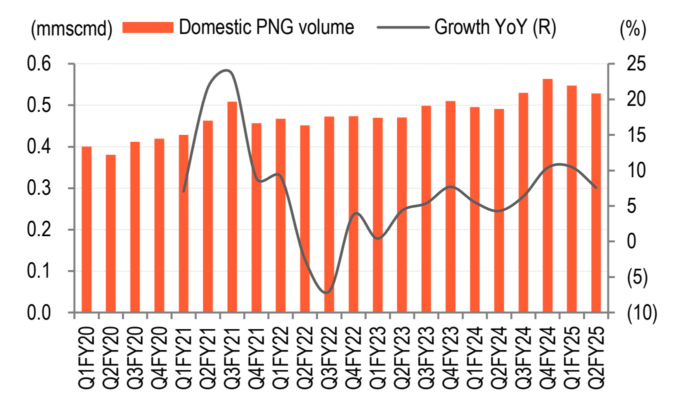
Source: Company, BOBCAPS Research

Fig 6 – CNG growth driven by strong vehicle additions



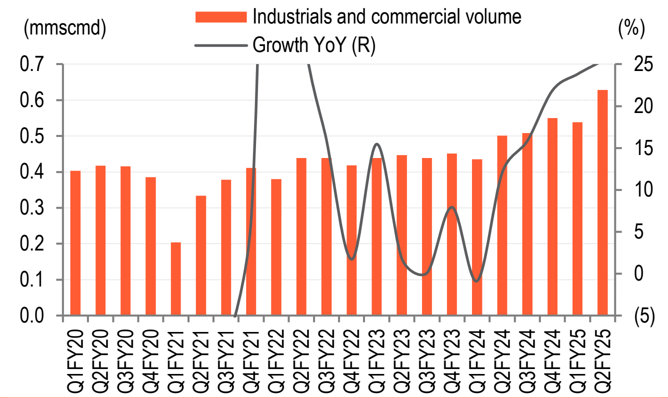
Source: Company, BOBCAPS Research

Fig 7 – Domestic PNG growth steady



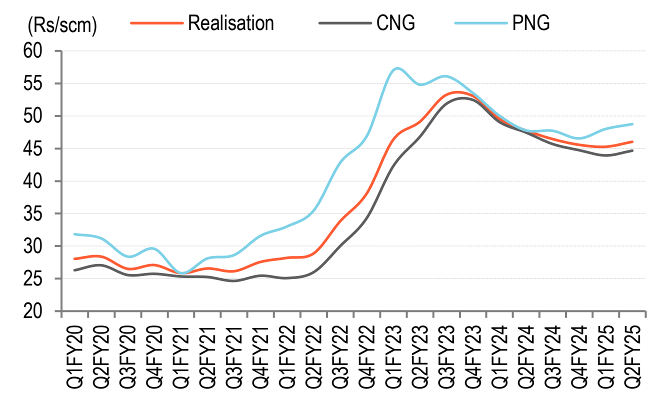
Source: Company, BOBCAPS Research

Fig 8 – Industrial volume surged on new incentives



Source: Company, BOBCAPS Research

Fig 9 – Realisation inched up



Source: Company, BOBCAPS Research

Margins normalising

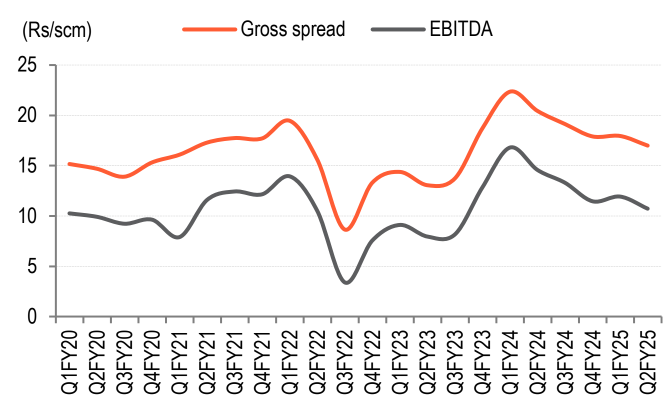
EBITDA margin declined by Rs 1.2/scm QoQ as increase in gas purchase cost (Rs 1.7/scm) was only partly recovered from increase in realisation (Rs 0.7/scm). Opex was also Rs 0.3/scm QoQ higher due to one-off non-recuring expenses.

Fig 10 – Margins continue to normalise but stay within guidance average

(Rs/scm)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
CNG realisation (Rs/kg)	61.9	65.8	(5.9)	60.9	1.7	61.4	66.9	(8.1)
PNG realisation	48.8	47.8	2.0	48.0	1.5	48.4	48.9	(1.0)
Average realisation	**46.0**	**47.8**	**(3.6)**	**45.3**	**1.7**	**45.7**	**48.6**	**(6.1)**
Gas purchase cost	29.0	27.3	6.2	27.3	6.3	28.2	27.3	3.5
Gross spread	**17.0**	**20.4**	**(16.9)**	**17.9**	**(5.3)**	**17.4**	**21.4**	**(18.3)**
Other operating costs	6.3	5.9	6.9	6.0	4.1	6.1	5.7	7.6
EBITDA	**10.7**	**14.6**	**(26.4)**	**11.9**	**(10.1)**	**11.3**	**15.6**	**(27.8)**

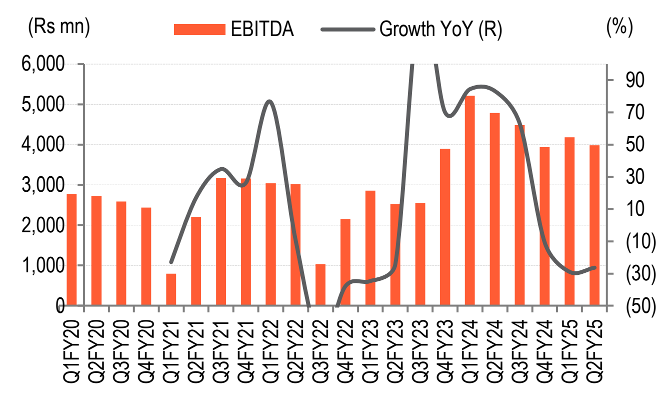
Source: Company, BOBCAPS Research

Fig 11 – Margin normalising…



Source: Company, BOBCAPS Research

Fig 12 – … leading to continuing YoY decline in EBITDA



Source: Company, BOBCAPS Research

Subsidiaries

EBITDA for subsidiaries – Unison Enviro (UEPL) and Mahanagar LNG – decreased 19% QoQ to Rs 149mn in Q2.

UEPL's sales volume was down 2.3% QoQ to 0.164mmscmd with 92.6% contribution from CNG. UEPL earned EBITDA margin of Rs 10/scm.

Key guidance

Raised volume guidance for FY25

MAHGL raised volume growth guidance for FY25 to 10% from 8% on the back of strong momentum in CNG vehicle additions and further ramp-up of industrial volumes from already tied-up volumes under the incentive scheme.

- **Implied H2 growth guidance:** Works out to 7% YoY factoring in 13% growth in H1. While H2 growth appears lower than H1, it is important to note that it is on a higher base of H2FY24.
- **Incentivising commercial vehicles**. To promote CNG vehicles, MAHGL launched the second edition of CNG Mahotsav from 1 Oct offering incentives of Rs 180k for 3.5t-10t vehicles, Rs 315k for 10t-15t vehicles, Rs 450k for vehicles above 15t, and Rs 270k for buses. The incentive is offered through both channels – OEMS (Original Equipment Manufacturers) and leading distributors of CNG kits. For retro fitment, MAHGL is particularly targeting vehicles which can extend commercial life beyond eight years with the CNG kit.
- **Industrial segment:** On the back of ramp-up of tied up volumes under the successful incentive scheme, the company is guiding for low double-digit growth guidance for the Industrial segment over the next 12-18 months.

Retained margin guidance for FY25 despite deallocation of APM gas

Implied margin guidance for H2FY25 works out to Rs 8.3-12.7/scm based on the annual guidance range of Rs 10-12/scm for FY25. While the company has retained the guidance range of Rs 10-12/scm, it is difficult to envisage margin expanding in H2 above H1 margin levels at this stage considering the increase in gas purchase cost and limited head-room against diesel when it is incentivising commercial vehicles.

- **Increase in gas purchase cost:** The company is likely to face US$ 0.5/MMBtu increase in gas cost for the priority segment even if we assume substitution by New Well Gas and HPHT (High-Pressure and High-Temperature) gas at a 50:50 ratio. This itself would increase cost of gas procurement by Rs 2/scm or Rs 3/kg of CNG. In fact, the company may need to use RLNG in the interim till it ties up additional HPHT volumes, which could translate into higher cost of gas.
- **Limited head room with diesel:** Price differential between CNG and diesel is currently at 16% for light commercial vehicles (LCVs). The current differential is at the lower end of the empirical range of the 15-25% band, wherein buyers have an incentive to opt for a CNG vehicle.

Retained capex guidance

The company has retained capex guidance at Rs 8bn-9bn for FY25 after spend of Rs 4bn in H1.

Other updates

Industry consultation on end of exclusivity

The Petroleum and Natural Gas Regulatory Board (PNGRB) has initiated a consultation process to implement the end of exclusivity with 73 city gas distribution (CGD) networks, where the contractual period has expired. PNGRB will be meeting CGD entities over 4-20 Nov and may subsequently initiate a public consultation process for each geographical area (GA).

However, as the process is sub-judice, the Delhi High Court has allowed the regulator to proceed only with the consultation process. For any decision, particularly if it is adverse to the incumbent CGD operator, will be decided finally by the court. This probably indicates that the CGD operator will be able to follow the legal route to register its concerns and actual implementation may take time.

Valuation methodology

Forecast changes

We cut our FY25E-27E EBITDA forecasts by 7-12% factoring in higher gas purchase cost with deallocation of 20% APM gas for the CNG segment. The impact is partially offset by increase in volume growth assumptions.

We expect EBITDA to decline from Rs 18.4bn in FY24 to Rs 15.3bn in FY25 with the normalisation of the EBITDA margin. Even after FY25, EBITDA growth CAGR over FY25E-27E at 2.8% is impacted by further reduction in margin with lower availability of APM gas for the priority sector.

Fig 13 – Revised estimates

(Rs mn)	Actuals	New			Old			Change (%)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	62,445	67,644	73,504	79,933	66,420	72,774	77,671	1.8	1.0	2.9
EBITDA	18,426	15,283	15,339	16,162	16,473	17,408	18,097	(7.2)	(11.9)	(10.7)
EBITDA growth (% YoY)	55.6	(17.1)	0.4	5.4	(10.6)	5.7	4.0	-	-	-
Net income	12,891	10,216	10,094	10,474	11,097	11,658	12,087	(7.9)	(13.4)	(13.3)

Source: Company, BOBCAPS Research

Growth assumptions

Breaking out of its historically modest growth trend, MAHGL clocked 13% YoY volume growth over the past six months with particular success in the CNG, Industrial and Commercial segments. We raise the FY25 growth forecast to 11.1% (from 8.9%), above the company's guidance of 10% and build in 8.4% growth over FY24-27E (from 7.5%), higher than the company's guidance of 6-7%. The new growth trajectory is almost double of the trajectory of 4% reported over FY19-FY24.

- **CNG growth starting to accelerate:** We have raised CNG growth to 7.9% CAGR over FY24-27E (from 7.2%). We have highlighted MAHGL's success in CNG vehicle additions, particularly in GA2 (Thane Urban), and factor in additions of 400-500 buses by the state transport body Maharashtra State Road Transport Corporation (MSRTC).
- **Industrial PNG growth to gain pace over next two years:** Factoring in the success of adding new volumes with a new incentive scheme, we build in 11.8% CAGR over FY24-27E. MAHGL offers a 10% discount on the price of alternative fuel for the first three years to a new customer in GA3 (Raigarh) and to a customer committing to new high volumes in GA2.
- **Domestic PNG growth momentum to continue:** We expect volume growth from domestic households to continue at high single digits with deepening penetration in GA1 (Mumbai) and further expansion in GA2 (Thane Urban).
- **Raise growth over FY24-33E to 6.4%:** With initial signs of traction in the commercial vehicle segment, particularly in LCV, and recent signs of increase in interest in the medium and heavy commercial vehicle category, as well as increasing commitment to develop usage of LNG for long-haul transportation, we

now raise growth over FY24-33E to 6.4% (from 6.0%), marginally above the upper end of the company target of 5-6%.

- **UEPL:** We factor in sharp growth in these three GAs to 1mmscmd over eight years, slightly slower than the company's target of six to seven years.
- **Consolidated growth:** We now raise consolidated growth to 7.9% (from 7.7%), including UEPL, over FY24-33E. The growth profile could improve further if MAHGL finds a solution to space constraints for gas stations in Mumbai, which is hindering CNG uptake, and/or gain more traction in commercial vehicle segments.

Margin assumptions

We cut EBITDA margin for FY25 to Rs 10.4/scm (from Rs 11.5/scm) assuming Rs 9.6/scm margin during H2 with deallocation of 20% of APM gas for the CNG segment. This is at the lower end of the guidance range of Rs 10-12/scm. For FY26 and FY27 as well, we cut margin assumptions below Rs 10/scm assuming further reduction in APM allocation annually. Our margin assumptions are now broadly in line with the average of Rs 9.5/scm seen over FY19-FY23.

Fig 14 – Key business drivers and assumptions

	FY24P	FY25E	FY26E	FY27E	FY24-27E CAGR (%)
Volumes (mmscmd)					
CNG	2.6	2.9	3.06	3.3	-
D-PNG	0.5	0.6	0.60	0.6	-
I+C	0.5	0.6	0.66	0.7	-
Total	**3.6**	**4.02**	**4.31**	**4.6**	**-**
Volume growth (%)					
CNG	17.8	10.5	6.8	6.4	7.9
D-PNG	4.5	7.5	6.9	8.0	7.5
I+C	6.0	19.5	10.3	6.0	11.8
Total	**14.1**	**11.3**	**7.4**	**6.6**	**8.4**
Volume mix (%)					
CNG	71.8	71.3	70.9	70.8	-
D-PNG	14.4	13.9	13.9	14.0	-
I+C	13.8	14.8	15.2	15.2	-
Total	**100.0**	**100.0**	**100.0**	**100.0**	**-**
Profitability indicator (Rs/scm)					
Revenue	47.3	46.1	46.7	47.6	-
Gross spread	19.9	16.6	16.3	16.5	-
EBITDA	**13.9**	**10.4**	**9.7**	**9.6**	**-**
PAT	9.8	7.0	6.4	6.2	-
ROE	27.8	18.7	16.6	15.7	-
Key assumptions					
USD/INR exchange rate	82.8	83.8	84.0	84.0	-
APM gas price (US$/MMBtu)	6.5	6.5	6.8	7.0	-
Gas price ceiling (US$/MMBtu)	11.0	10.1	9.6	9.6	-
LNG contract price (US$/MMBtu)	13.1	11.6	11.4	11.4	-
LNG spot price (US$/MMBtu)	15.2	13.2	10.5	10.4	-
Priority sector gas bucket (US$/MMBtu)	7.3	7.9	8.4	8.7	-
Industrials and commercials gas bucket (US$/MMBtu)	12.3	11.0	10.4	10.4	-

Source: Company, BOBCAPS Research | D-PNG Domestic PNG segment, I+C: Industrial and Commercial segment

MAHGL: Reiterate HOLD, TP Rs 1,610

We cut MAHGL's TP to Rs 1,610 from Rs 1,875 as we incorporate our revised estimates. We have lowered the value to Rs 56/sh (from Rs 96/sh) for the three GAs acquired from UEPL (Unison Enviro) – (i) Ratnagiri, (ii) Latur and Osmanabad, and (iii) Chitradurga and Davanagere. Retain HOLD with 8% upside.

Our TP implies an FY25E/FY26E P/E of 14.3x/15.5x after consolidating UEPL, higher than the five/ten-year mean one-year forward P/E of 11.7x/12.3x on Bloomberg consensus estimates. We believe MAHGL deserves a higher multiple than in the past as it looks set to deliver a higher volume CAGR of 8.4% for its existing operations over FY24-FY27 and potentially 7.9% including UEPL over FY24-33E. This is significantly higher than the 4% CAGR seen over FY19-FY24.

- **Core business:** Key assumptions for our DCF-based fair value are cost of equity of 11%, terminal growth of 2.5%, volume CAGR of ~6% and average EBITDA margin of Rs 9.5/scm (from Rs 11.0/scm) over our explicit and semi-explicit forecast period of FY25-FY33.
- **UEPL:** 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 CAGR of 26% (unchanged) and average EBITDA margin of ~Rs 9/scm (Rs 10/scm) over our explicit and semi-explicit forecast period of FY25-FY33.

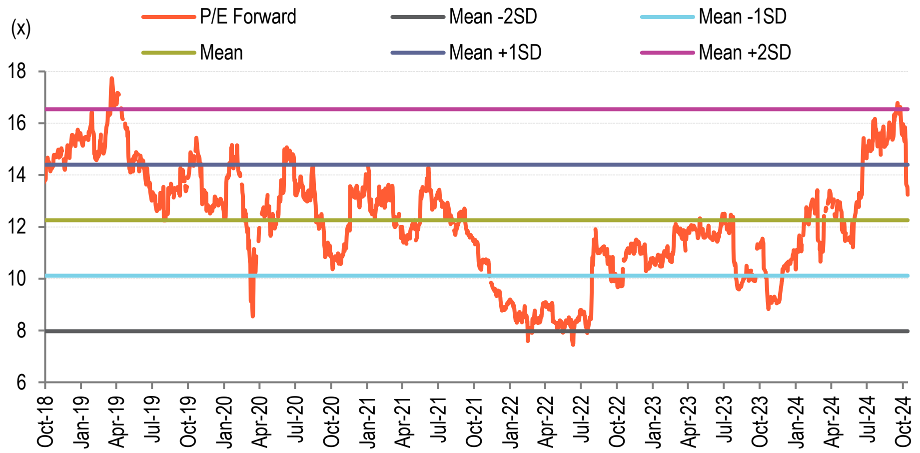
Fig 15 – DCF-based fair value

Valuation parameters	Value (Rs mn)
PV of FCF FY25E-33E	49,499
PV of terminal value	62,475
Enterprise Value of MAHGL standalone	**1,11,973**
Less: Net Debt FY24E	(19,183)
Equity value of MAHGL standalone Mar'24	**1,31,156**
Equity value of acquired GAs Mar'24	4,698
Equity value of MAHGL Mar'24	**1,35,855**
NPV Mar'24 (Rs)	1,375
NPV Sep'25 (Rs)	1,611
Target price as on Sep'25 (Rs) (rounded off to nearest Rs 5)	**1,610**

Source: BOBCAPS Research

Over the past five years, MAHGL has traded at an average one-year forward P/E of 11.7x with a one standard deviation range of 9.8x-13.7x based on Bloomberg consensus.

Fig 16 – MAHGL has traded at an average 1Y forward P/E of 12.3x over past 10Y



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- Higher-than-expected margins arising from not passing on the benefit of lower gas purchase costs to consumers.
- Faster volume growth than our assumptions due to faster penetration in commercial vehicles, development of the long-haul LNG segment, or development of new two-wheeler segment.
- Reduction in excise duty, enabling the company to earn higher margin and/or higher volume growth than our forecasts.

Key downside risks to our estimates are:

- Lower-than-expected margins arising from an inability to pass on higher gas purchase costs to consumers.
- Material reduction in taxation structure on petrol and diesel, which could lower competitiveness of CNG and result in lower margins for MAHGL.
- Slower volume growth than our assumptions, due to faster penetration of electric vehicles than expected.
- Adverse PNGRB or government regulations could impact our margin or volume outlook.
- Adverse judgement on the Uran-Trombay pipeline tariff dispute, which carries a contingent liability of Rs 3.3bn.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**62,993**	**62,445**	**67,644**	**73,504**	**79,933**
EBITDA	11,842	18,426	15,283	15,339	16,162
Depreciation	(2,311)	(2,736)	(3,166)	(3,511)	(3,861)
EBIT	9,531	15,690	12,117	11,828	12,301
Net interest inc./(exp.)	(94)	(115)	(120)	(125)	(130)
Other inc./(exp.)	1,119	1,753	1,661	1,791	1,831
Exceptional items	0	0	0	0	0
EBT	10,555	17,328	13,658	13,494	14,003
Income taxes	(2,655)	(4,437)	(3,442)	(3,401)	(3,529)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**7,901**	**12,891**	**10,216**	**10,094**	**10,474**
Adjustments	0	0	0	0	0
Adjusted net profit	**7,901**	**12,891**	**10,216**	**10,094**	**10,474**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	3,222	3,342	3,552	3,934	4,294
Other current liabilities	11,370	12,896	15,339	16,243	16,935
Provisions	1,364	992	722	744	824
Debt funds	938	1,161	1,161	1,161	1,161
Other liabilities	2,086	2,441	2,646	2,848	3,058
Equity capital	988	988	988	988	988
Reserves & surplus	40,354	50,441	56,877	62,933	68,694
Shareholders' fund	41,342	51,429	57,865	63,921	69,682
Total liab. and equities	**60,323**	**72,260**	**81,286**	**88,851**	**95,954**
Cash and cash eq.	2,279	3,985	7,282	10,044	12,665
Accounts receivables	2,940	2,806	3,138	3,411	3,710
Inventories	338	398	461	502	546
Other current assets	3,497	4,540	4,540	4,540	4,540
Investments	13,098	16,360	16,360	16,360	16,360
Net fixed assets	30,206	35,360	38,767	42,157	45,527
CWIP	7,086	7,743	9,670	10,769	11,538
Intangible assets	51	70	70	70	70
Deferred tax assets, net	828	998	998	998	998
Other assets	0	0	0	0	0
Total assets	**60,323**	**72,260**	**81,286**	**88,851**	**95,954**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**8,488**	**14,489**	**13,916**	**13,009**	**13,503**
Capital expenditures	(7,279)	(8,510)	(8,500)	(8,000)	(8,000)
Change in investments	(2,215)	(3,261)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(9,495)**	**(11,772)**	**(8,500)**	**(8,000)**	**(8,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	114	223	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(2,568)	(2,963)	(3,780)	(4,038)	(4,713)
Other financing cash flows	1,091	1,742	1,661	1,791	1,831
Cash flow from financing	**(1,363)**	**(999)**	**(2,119)**	**(2,247)**	**(2,882)**
Chg in cash & cash eq.	**(2,370)**	**1,719**	**3,297**	**2,763**	**2,621**
Closing cash & cash eq.	**2,282**	**3,998**	**7,282**	**10,044**	**12,665**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	80.0	130.5	103.4	102.2	106.0
Adjusted EPS	80.0	130.5	103.4	102.2	106.0
Dividend per share	26.0	30.0	38.3	40.9	47.7
Book value per share	418.5	520.6	585.8	647.1	705.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.3	2.3	2.2	2.0	1.8
EV/EBITDA	12.1	7.9	9.5	9.4	8.7
Adjusted P/E	18.7	11.5	14.5	14.7	14.1
P/BV	3.6	2.9	2.6	2.3	2.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.8	74.4	74.8	74.8	74.8
Interest burden (PBT/EBIT)	110.8	110.4	112.7	114.1	113.8
EBIT margin (EBIT/Revenue)	15.1	25.1	17.9	16.1	15.4
Asset turnover (Rev./Avg TA)	111.8	94.2	88.1	86.4	86.5
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	20.4	27.8	18.7	16.6	15.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	76.9	(0.9)	8.3	8.7	8.7
EBITDA	28.1	55.6	(17.1)	0.4	5.4
Adjusted EPS	32.3	63.2	(20.7)	(1.2)	3.8
Profitability & Return ratios (%)					
EBITDA margin	18.8	29.5	22.6	20.9	20.2
EBIT margin	15.1	25.1	17.9	16.1	15.4
Adjusted profit margin	12.5	20.6	15.1	13.7	13.1
Adjusted ROAE	20.4	27.8	18.7	16.6	15.7
ROCE	18.0	24.6	16.2	14.3	13.5
Working capital days (days)					
Receivables	14	17	16	16	16
Inventory	3	4	4	4	4
Payables	21	27	24	23	24
Ratios (x)					
Gross asset turnover	1.6	1.4	1.3	1.2	1.2
Current ratio	0.6	0.7	0.8	0.9	1.0
Net interest coverage ratio	101.5	136.1	101.0	94.8	94.8
Adjusted debt/equity	0.0	(0.1)	(0.1)	(0.1)	(0.2)

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

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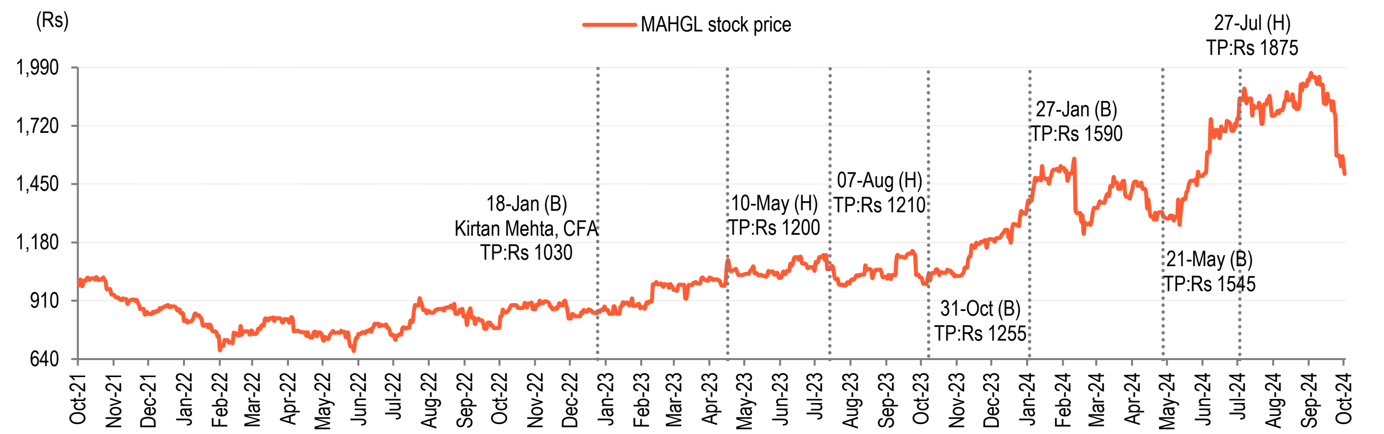

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