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Q1FY22 result update

Oil & Gas and
Petrochemicals

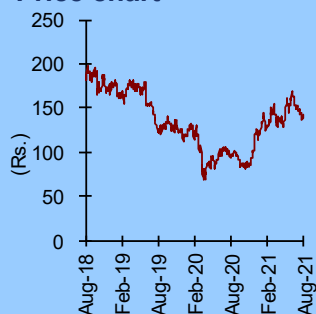
Target price: Rs207

Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	52.1	51.8	51.8
Institutional investors	35.5	35.0	36.3
MFs and others	9.9	8.5	8.7
FIs/ Banks	0.0	0.2	0.0
Insurance	10.0	10.4	10.3
FII	15.6	15.9	17.3
Others	12.4	13.2	11.9

Source: www.nseindia.com

Price chart



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INDIA

GAIL India



BUY

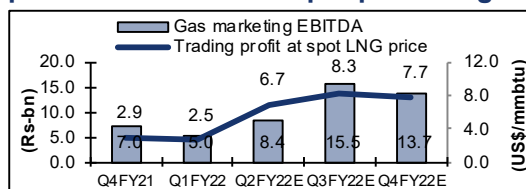
Maintain

Rs143

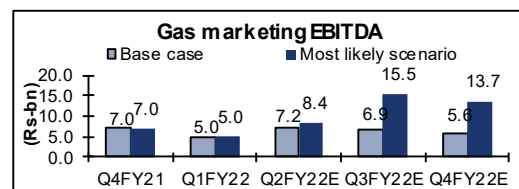
Upside from spot LNG & LPG price strength

GAIL's Q1FY22 consolidated and standalone EPS are up 3.3-6.1x YoY on EBITDA rise across segments. GAIL, in its earnings call, indicated gas marketing EBITDA would be far higher from Q2 (Rs5bn in Q1) and in FY22E it may be higher than peak of Rs28.5bn in FY19. The main driver of far higher marketing EBITDA is likely to be trading profit of US\$6.7-8.3/mmbtu in Q2-Q4 vs just US\$2.5/mmbtu in Q1 on selling Henry hub (HH)-linked US LNG at spot prices. It may mean GAIL's FY22E gas marketing EBITDA may be Rs14.9bn higher than our estimate of Rs27.6bn. Upside of Rs8.7bn is also likely to our FY22E LPG EBITDA at LPG price based on latest futures. Upside to FY22E EPS would be 7-19% and to fair value 2-7% at higher than estimated gas marketing and LPG EBITDA. Reiterate BUY.

- **Q1 EPS up 3.3-6.1x YoY on EBITDA rise across segments:** Q1 standalone EPS is up 6.1x YoY driven by: 1) Gas marketing EBITDA of Rs5bn vs loss of Rs5.8bn in Q1FY21, 2) petrochemical EBITDA of Rs2.6bn vs loss of Rs430mn in Q1FY21, 3) 2.3x YoY surge in LPG EBITDA, and 4) 23% YoY rise in gas transmission EBITDA. Petrochemical volume was down 25% YoY due to maintenance shutdown while gas marketing and transmission volumes were up 18-19% YoY. Consolidated Q1 EPS is up a more modest 3.3x YoY as share of profit of associates/JV fell 5% YoY.

Marketing EBITDA higher from Q2 as
profit on LNG sale at spot price surges

Source: Bloomberg, Reuters, CME, I-Sec research

Gas marketing EBITDA higher at
Rs8.4-15.5bn in Q2-Q4 vs Rs5bn in Q1

Source: Company, Reuters, CME, I-Sec research

- **7-19% upside to FY22E EPS and 2-7% to FV likely:** We keep our FY22E EPS and target price of Rs207/share (45% upside) unchanged for now. However, surge in LPG and spot LNG prices may mean upside of 54-32% to FY22E gas marketing and LPG EBITDA, 7-19% to FY22E EPS and 2-7% to FV at Rs210-221. Steeper surge in spot LNG than in HH has meant trading profit on selling US LNG would be US\$6.7-8.3/mmbtu in Q2-Q4FY22E at latest futures. GAIL has indicated 20% of LNG volumes are likely to be sold at spot prices while balance have already been tied up at oil-linked price. FY22E gas marketing EBITDA would be 54% higher than Rs27.6bn in base case at Rs42.5bn assuming 20% of FY22E US LNG volumes are sold at spot prices (trading profit of US\$6.3/mmbtu), 52.5% tied at futures as of 11-Jan'21 (Brent futures at US\$54.3/bbl and trading profit at US\$0.01/mmbtu) and 27.5% at futures as of 14-May'21 (Brent futures at US\$65.7/bbl and trading profit at US\$1.3/mmbtu). FY22E LPG EBITDA would be 32% higher than base case at Rs35.6bn if LPG price is US\$642/t (based on latest futures for Sep'21-Mar'22) vs US\$540/t in the base case.

Market Cap	Rs635bn/US\$8.5bn				
Reuters/Bloomberg	GAIL.BO/GAIL IN				
Shares Outstanding (mn)	4,440.4				
52-week Range (Rs)	168/82				
Free Float (%)	48.2				
FII (%)	17.3				
Daily Volume (US\$'000)	39,470				
Absolute Return 3m (%)	(1.5)				
Absolute Return 12m (%)	59.0				
Sensex Return 3m (%)	12.6				
Sensex Return 12m (%)	46.3				
Year to March	FY20	FY21	FY22E	FY23E	
Revenue (Rs mn)	7,27,537	5,74,283	6,30,080	6,68,601	
Net Income (Rs mn)	75,033	60,595	95,860	1,12,174	
EPS (Rs)	16.6	13.6	21.6	25.3	
% Chg YoY	15%	-18%	58%	17%	
P/E (x)	8.6	10.5	6.6	5.7	
CFPS (Rs)	22.1	14.9	23.3	26.2	
EV/E (x)	7.5	9.4	5.2	4.5	
Dividend Yield	5%	3%	5%	6%	
RoCE (%)	13%	7%	11%	11%	
RoE (%)	13%	8%	14%	15%	

Please refer to important disclosures at the end of this report

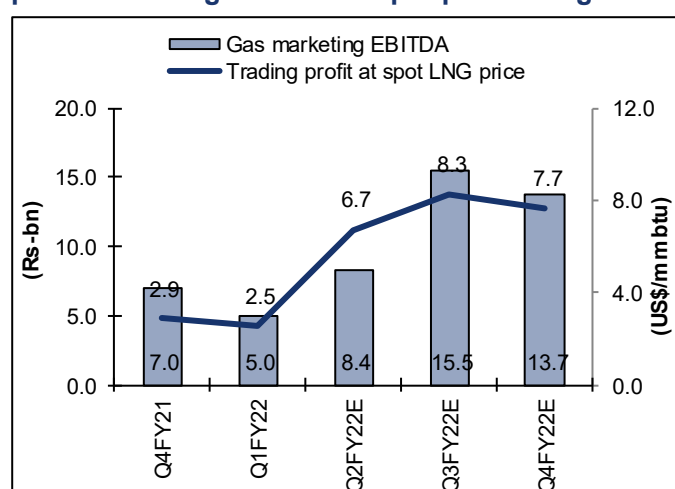
Takeaways from Q1FY22 earnings call

Gas marketing EBITDA to rise significantly from Q2FY22E

Key takeaways from earnings call are:

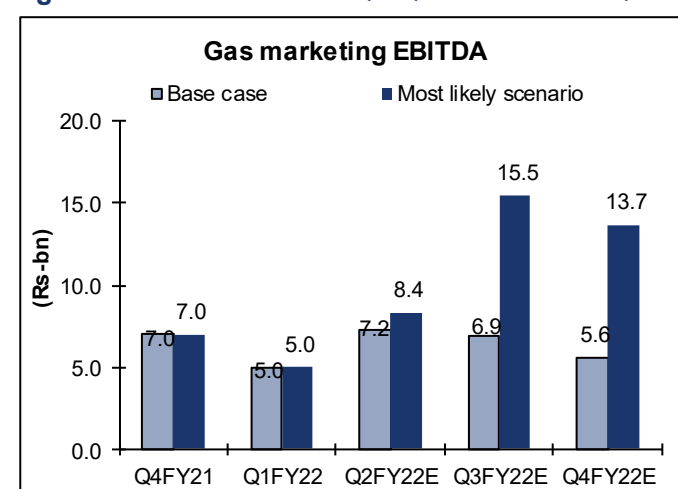
- Gas marketing EBITDA is guided to significantly improve from Q2FY22 given the surge in spot LNG prices. We estimate trading profit on selling US LNG at spot prices at US\$6.7-8.3/mmbtu in Q2-Q4FY22E vs US\$2.5/mmbtu in Q1FY22. In this scenario gas marketing EBITDA would be Rs8.4-15.5bn in Q2-Q4FY22E and Rs42.5bn in FY22E.

Chart 1: Gas marketing EBITDA to jump from Q2 as profit on selling US LNG at spot pricea surges



Source: Bloomberg, Reuters, CME, I-Sec research

Chart 2: Gas marketing EBITDA may be sharply higher at Rs8.4-15.5bn in Q2-Q4 vs Rs5bn in Q1



Source: Company, Bloomberg, Reuters, CME, I-Sec research

- 8-10mmscmd YoY growth is guided in gas transmission volumes in FY22 as offtake from new fertiliser plants is ramped up gradually. The offtake from new fertiliser plants commissioned/to be commissioned is guided at 10-12mmscmd at peak by May'22. Plant-wise offtake is as follows:
 - Ramagundam fertiliser plant has been commissioned and is drawing 2-2.5mmscmd gas.
 - Pre-commissioning of Gorakhpur fertiliser plant has commenced and offtake of 2-2.1mmscmd is expected from the plant by Dec'21.
 - Pre-commissioning of Sindhri fertiliser plant will commence in Aug'21 with optimum offtake of 2-2.1mmscmd by May'22.
 - Barauni fertiliser plant is expected to reach optimum offtake of 2-2.1mmscmd by May'22.
 - Matix fertiliser plant is likely to begin offtake from Sep'21.
- GAIL is confident of achieving 100% utilisation in petrochemical in FY22E despite just 66% utilisation in Q1FY22 due to plant shutdown taken for maintenance.
- GAIL is implementing nearly 8,000km of pipelines including that of JVs and subsidiaries at a total capex of Rs400bn.

- Dabhol LNG terminal managed 32 LNG cargoes. At optimum utilisation (likely by Mar'23), Dabhol can manage 80 LNG cargoes

Upside from spot LNG & LPG price strength

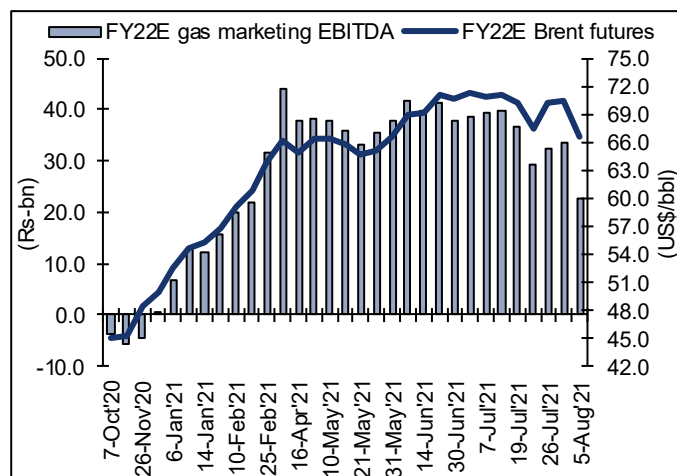
Upside to FY22E gas marketing on sale at spot prices & high oil

GAIL's gas marketing EBITDA 38-48% below peak on HH rise & oil fall

Brent has corrected by 11% from 5-Jul'21 peak to US\$70/bbl on 5-Aug'21 while Henry Hub (HH) prices and futures are at highs. This has meant GAIL's gas marketing EBITDA, assuming all US LNG volumes are sold at oil-linked prices, at futures as on 5-Aug'21 at:

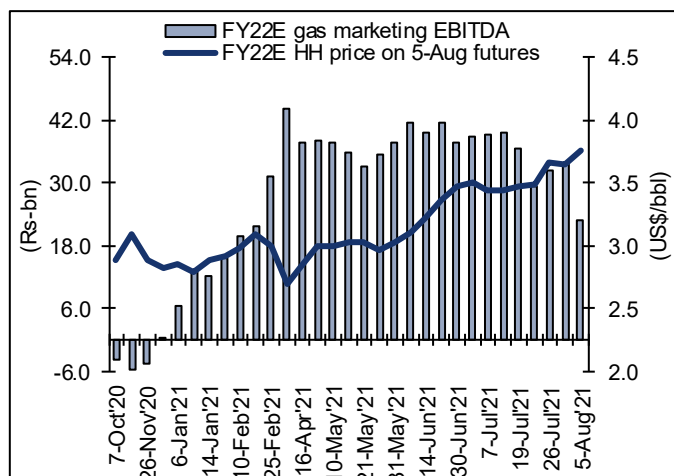
- Rs22.8bn in FY22E is 48% lower than peak of Rs44.1bn calculated based on Brent and HH futures as of 16-Mar'21.

Chart 3: FY22E gas marketing EBITDA at latest futures 48% below peak on futures as of 16-Mar'21



Source: Bloomberg, CME, I-Sec research

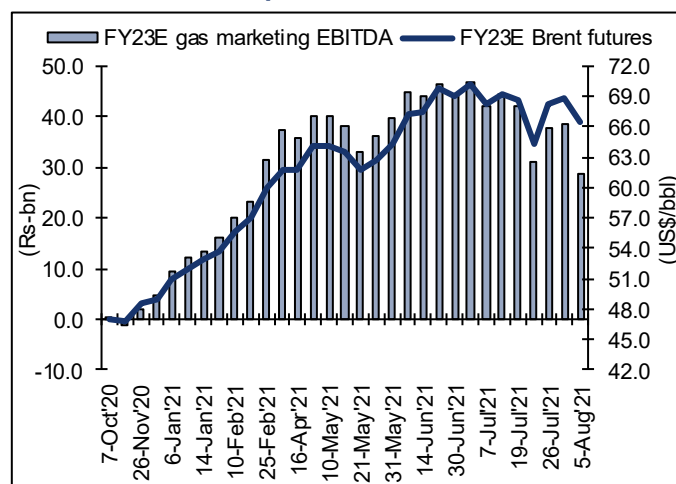
Chart 4: FY22E gas marketing EBITDA has trended down on rise in HH prices and futures



Source: Bloomberg, CME, I-Sec research

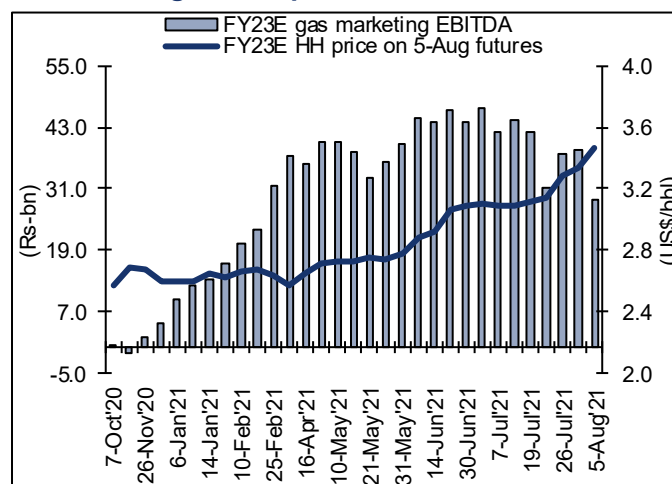
- Rs28.8bn in FY23E is 38% lower than peak of Rs46.7bn calculated based on FY23E Brent and HH futures as of 6-Jul'21.

Chart 5: FY23E gas marketing EBITDA at latest futures 38% below peak on futures as of 6-Jul'21



Source: Bloomberg, CME, I-Sec research

Chart 6: FY23E gas marketing EBITDA has trended down on surge in HH prices and futures



Source: Bloomberg, CME, I-Sec research

Marketing EBITDA at latest futures lower than FY22E-FY23E base case

Our base case FY22E and FY23E gas marketing EBITDA is Rs27.6bn and Rs39.2bn, respectively. Assuming all US LNG volumes are sold at oil-linked prices and FY22E-FY23E Brent of US\$66.7-66.4/bbl and Henry Hub of US\$3.8-3.5/mmbtu based on futures as on 5-Aug'21, GAIL's:

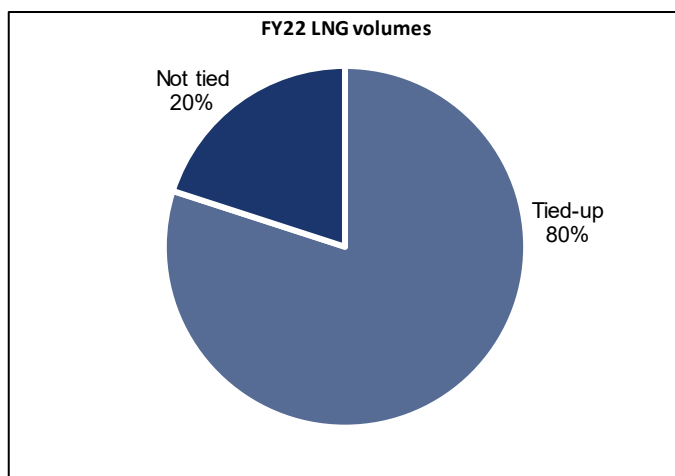
- FY22E gas marketing EBITDA works out to Rs22.8bn, which is 17% lower than base case estimate of Rs27.6bn
- FY23E gas marketing EBITDA works out to Rs28.8bn, which is 27% lower than base case estimate of Rs39.2bn.

GAIL to gain from high spot LNG & volumes tied up when oil higher

We believe the recent rise in HH prices/futures and fall in oil price/futures may not have any impact on GAIL's FY22E and modest impact on FY23E gas marketing EBITDA as:

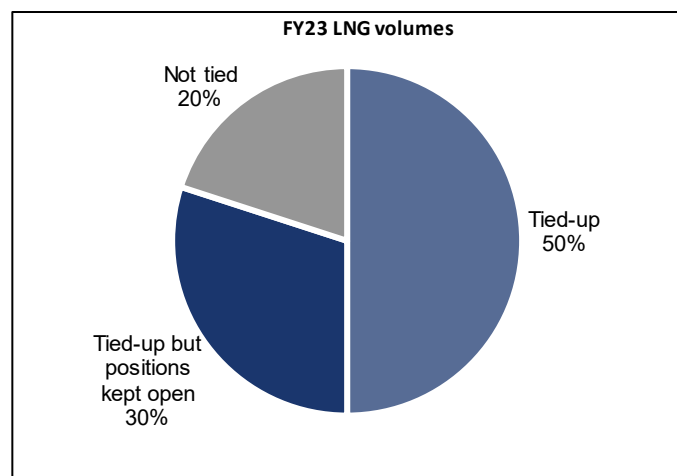
- GAIL had indicated on 11-Jun'21 on its Q4FY21 earnings call that 80% of its FY22E and 50% of its FY23E LNG volumes were already tied up and 30% of FY23E volumes tied up but positions kept open. We believe that at least some of its FY22E volumes and most of its FY23E volumes were tied up when Brent was higher and HH lower; GAIL has indicated it had tied up some LNG volumes to be sold in FY22E earlier when oil prices were lower. We also expect that at least on some of the 30% of FY23E LNG volumes, which were tied up but positions kept open, positions have been closed when Brent was higher and HH lower.
- GAIL has indicated that 20% of its FY22E-FY23E LNG volumes have not been tied up, which we expect to be sold at spot prices. Spot LNG prices are at a new high for this time of the year and futures for Dec'21-Feb'22 are at US\$17.3-17.6/mmbtu. Trading profit from selling HH-linked US LNG at spot prices based on latest futures works out to be much higher at US\$6.3-2.2/mmbtu in FY22-FY23E vs just US\$0.5-0.8/mmbtu on selling US LNG at oil-linked prices based on latest futures.

Chart 7: GAIL guided that 80% of FY22E LNG volumes were tied up and 20% not tied up



Source: Company data, I-Sec research

Chart 8: 50% of FY23E LNG volumes tied up; 30% tied up but positions kept open, 20% not tied up



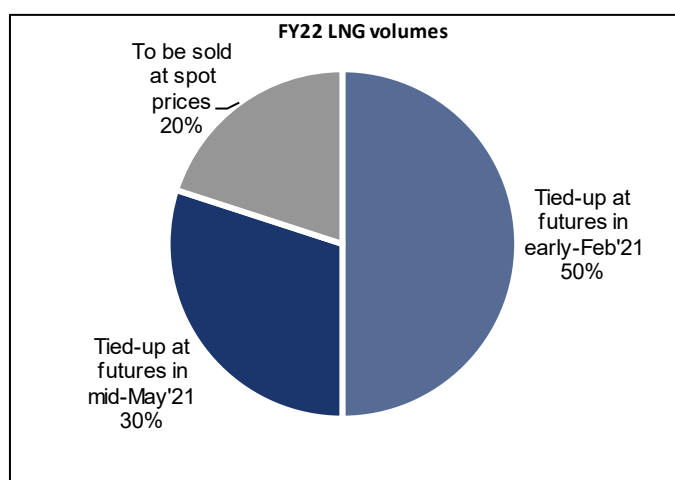
Source: Company data, I-Sec research

FY22E marketing EBITDA in most likely scenario 54% over base case

We believe FY22E gas marketing EBITDA in most likely scenario would be higher than that calculated at latest Brent and HH futures and also higher than base case. We are assuming in most likely scenario that 84% of LNG volumes are already tied up at oil-linked prices and 16% would be sold at spot prices as follows:

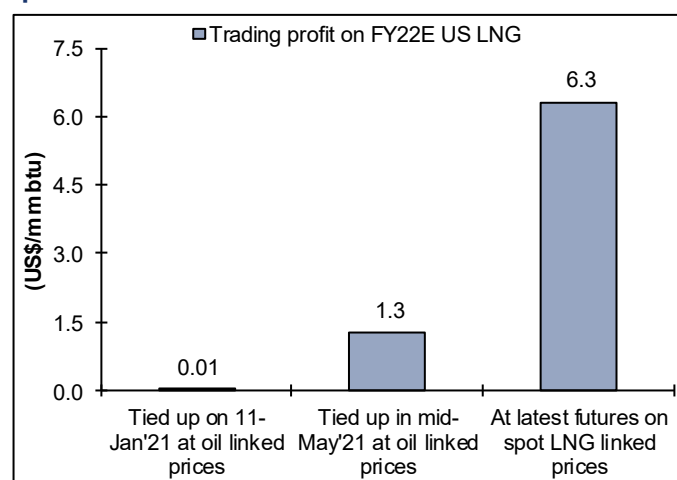
- 52.5% of US LNG volumes were tied up at oil-linked prices on futures as of 11-Jan'21 when FY22E Brent futures were at US\$54.3/bbl, HH futures at US\$2.8/mmbtu and trading profit on selling US LNG at oil-linked prices was US\$0.01/mmbtu.

Chart 9: 50-30% of FY22E LNG assumed tied up at 4-Feb and 14-May futures; 20% to be sold at spot



Source: Company data, I-Sec research

Chart 10: Trading profit on oil-linked volumes at US\$0.01-1.3/mmbtu & US\$6.3/mmbtu on sold at spot



Source: Company data, I-Sec research

- 27.5% of US LNG volumes were tied up at oil-linked prices in mid-May'21 when FY22E Brent futures were at US\$65.7/bbl, Henry Hub at US\$3.0/mmbtu and trading profit on selling US LNG at oil-linked prices was US\$1.3/mmbtu.

- 20% of US LNG volumes are kept open to be sold at spot LNG linked prices and trading profit on selling US LNG at spot prices is US\$6.3/mmbtu at latest futures.

Table 1: GAIL's FY22E gas marketing EBITDA Rs42.5bn in most likely scenario

(Rs bn)	Q1FY22	Q2FY22E	Q3FY22E	Q4FY22E	FY22E	Trading profit on sale of US LNG
FY22E gas marketing EBITDA						
If tied and hedged on 11-Jan'21 at oil linked prices	2.8	4.0	3.0	1.1	10.8	
If tied and hedged in mid-May'21 at oil linked prices	9.3	9.9	9.2	7.2	35.7	
At latest futures on spot LNG linked prices	13.9	36.0	43.0	39.2	132.1	
Most likely scenario	5.0	8.4	15.5	13.7	42.5	
Proportion of US LNG volumes sold						
Tied and hedged on 11-Jan'21 at oil linked prices	80%	70%	35%	25%	52.5%	0.01
Tied and hedged in mid-May'21 at oil linked prices	0%	20%	40%	50%	27.5%	1.3
At latest futures on spot LNG linked prices	20%	10%	25%	25%	20.0%	6.3
	100%	100%	100%	100%	100%	1.6

Source: Company data, I-Sec research

In this most likely scenario, GAIL's FY22E gas marketing EBITDA is estimated at Rs42.5bn, 54% higher than the base case.

Table 2: Upside to GAIL's FY22E gas marketing EBITDA 54% and to FY23E EBITDA 8% in most likely scenarios

Rs-bn	FY22E		FY23E	
	EBITDA	Upside to base case	EBITDA	Upside to base case
Gas marketing EBITDA				
Base case	27.6	-	39.2	-
Most likely scenario	42.5	54%	42.4	8%
At oil linked prices (latest futures)	22.8	-17%	28.8	-27%

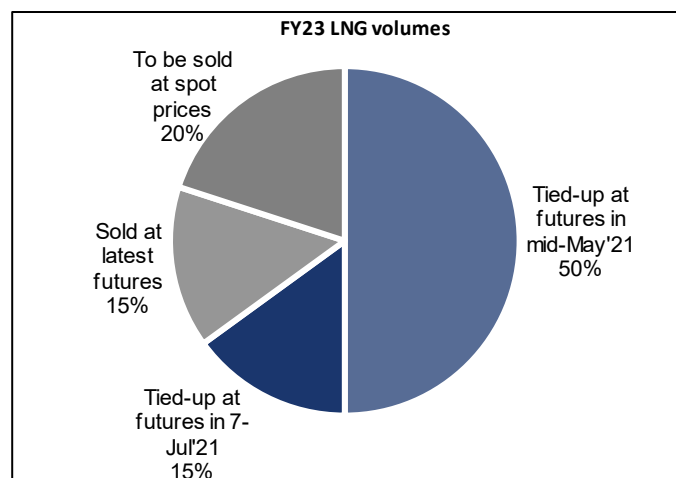
Source: Company data, I-Sec research

Upside to FY23E gas marketing EBITDA 8% in most likely case

As indicated by GAIL, we are assuming in most likely scenario in FY23E that 50% of LNG volumes were already tied up before 11-Jun'21, 15% of volumes on which positions were open have been closed but remain open on another 15% and 20% would be sold at spot prices as follows:

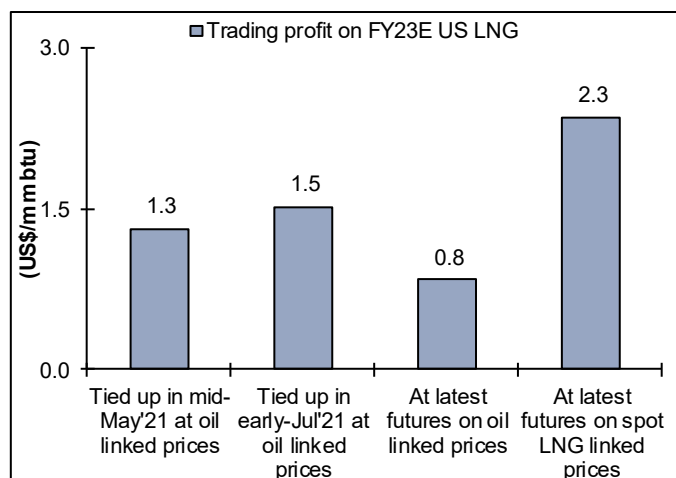
- 50% of US LNG volumes were tied up at oil-linked prices in mid-May'21 when FY23E Brent futures were at US\$63.4/bbl, Henry Hub futures at US\$2.7/mmbtu and trading profit on selling US LNG at oil-linked prices was US\$1.3/mmbtu.

Chart 11: 50-15-15% of FY23 LNG tied up at 14-May & 7-Jul futures; 15-20% sale at latest futures & spot



Source: Company data, I-Sec research

Chart 12: Trading profit on oil-linked volumes at US\$0.8-1.5/mmbtu & US\$2.3/mmbtu on sold at spot



Source: Company data, I-Sec research

- 15% of US LNG volumes, on which positions were open as on 11-Jun'21, have been tied up on 7-Jul'21 when FY23E Brent futures were at US\$68.2/bbl, Henry Hub futures at US\$3.1/mmbtu and trading profit on selling US LNG at oil-linked prices was US\$1.5/mmbtu.
- 15% of US LNG volumes, on which positions are still open, trading profit on selling US LNG at oil-linked prices would be US\$0.8/mmbtu at latest (as of 5-Aug) FY23E Brent futures of US\$66.4/bbl and Henry Hub futures of US\$3.5/mmbtu.
- 20% of US LNG volumes are kept open to be sold at spot LNG linked prices and trading profit on selling US LNG at spot prices is US\$2.3/mmbtu at latest futures.

In this most likely scenario, GAIL's FY23E gas marketing EBITDA is estimated at Rs42.4bn, which is 8% higher than the base case.

Table 3: GAIL's FY23E gas marketing EBITDA Rs42.4bn in most likely scenario

Rs-bn	Q1FY23E	Q2FY23E	Q3FY23E	Q4FY23E	FY23E	Trading profit on sale of US LNG
FY23E gas marketing EBITDA						
If tied and hedged in mid-May'21 at oil linked prices	10.3	10.5	9.7	7.7	38.2	
If tied and hedged in early-Jul'21 at oil linked prices	11.5	11.6	10.6	8.5	42.2	
At latest futures on oil linked prices	7.5	8.2	7.4	5.6	28.8	
At latest futures on spot LNG linked prices	13.2	12.4	16.2	16.4	58.2	
Most likely scenario	10.4	10.4	11.5	10.1	42.4	
Proportion of US LNG volumes sold						
Tied and hedged in mid-May'21 at oil linked prices	60%	50%	50%	40%	50%	1.3
Tied and hedged in early-Jul'21 at oil linked prices	15%	20%	10%	15%	15%	1.5
At latest futures on oil linked prices	15%	20%	10%	15%	15%	0.8
At latest futures on spot LNG linked prices	10%	10%	30%	30%	20%	2.3
	100%	100%	100%	100%	100%	1.5

Source: Company data, I-Sec research

12% upside to FY22E EPS if gas marketing delivers as expected

12% upside to GAIL's FY22E EPS at most likely gas marketing EBITDA

GAIL's FY22E EPS would be:

- Higher than base case by 12% if gas marketing EBITDA is in line with our estimate of the most likely scenario of Rs42.5bn vs Rs27.6bn in the base case.
- Lower by 4% if gas marketing EBITDA based on latest Brent and HH futures is at Rs22.8bn vs Rs27.6bn in the base case.

Table 4: Upside to GAIL's FY22E EPS 12% and to FY23E EPS 2% at most likely gas marketing EBITDA

	Upside to FY22E EPS	Upside to FY23E EPS
Upside to EPS at gas marketing EBITDA		
In most likely scenario	12%	2%
At oil linked prices at latest futures	-4%	-7%

Source: Company data, I-Sec research

2% upside to GAIL's FY23E EPS at most likely EBITDA

GAIL's FY23E EPS would be:

- Higher than base case by 2% if gas marketing EBITDA is in line with our estimate of the most likely scenario of Rs42.4bn vs Rs39.2bn in the base case.
- Lower by 7% if gas marketing EBITDA based on latest Brent and HH futures is at Rs28.8bn vs Rs39.2bn in the base case.

32% upside to GAIL's FY22E LPG production EBITDA; 7% to EPS

LPG price for FY22E based on prices in Apr-Aug'21 and futures from Sep-Mar'22 works out to US\$642/t vs our base case estimate of US\$540/t. GAIL's LPG production EBITDA would be 32% higher than our base case estimate at Rs35.6bn at higher LPG prices and upside to FY22E EPS would be 7% in such a scenario.

7-19% upside to GAIL's FY22E EPS; 2-7% to FV at Rs210-221/share

Upside would be:

- 12% to FY22E EPS and 2% to FV at Rs210/share if gas marketing EBITDA is higher at Rs42.5bn
- 7% to FY22E EPS and 5% to FV at Rs217/share if LPG production EBITDA is higher at Rs35.6bn
- 19% to FY22E EPS and 7% to FV at Rs221/share if both upsides play out

Table 5: 7-19% upside to FY22E EPS if gas marketing and LPG production EBITDA higher; upside to FV 2-7%

	Upside to FY22E EPS	Fair value (Rs/share)	Upside to FV
A. Gas marketing EBITDA at Rs42.5bn*	12%	210	2%
B. LPG production EBITDA at Rs35.6bn	7%	217	5%
A+B	19%	221	7%

Source: Company data, I-Sec research *(Gas marketing multiple at 3x vs 4x in base case)

Risks to recommendation

Downside risks to our recommendation are:

- Gas marketing EBITDA is lower than estimate
- Lower than estimated gas transmission volumes & EBITDA.
- Lower than estimated petrochemical EBITDA
- Lower than estimated LPG EBITDA

Q1 consolidated and standalone EPS up 3.3-6.1x YoY

Q1 standalone EPS up 6.1x YoY on EBITDA rise across segments

Q1FY22 standalone EPS was up 6.1x YoY driven by:

- Gas marketing EBITDA of Rs5bn vs loss of Rs5.8bn in Q1FY21. Gas marketing volumes were up 18% YoY to 96mmscmd.
- Petrochemical EBITDA of Rs2.6bn vs loss of Rs430mn in Q1FY21. Petrochemical EBITDA was down 65% QoQ hit by 41% QoQ (25% YoY) fall in volumes due to plant shutdown from mid-Apr'21 to May'21.
- 2.3x YoY (32% QoQ) rise in LPG production EBITDA.
- 23% YoY (down 2% QoQ) rise in gas transmission EBITDA driven by 19% YoY rise in transmission volumes to 107.7mmscmd.

Q1 consolidated EPS up 3.3x YoY

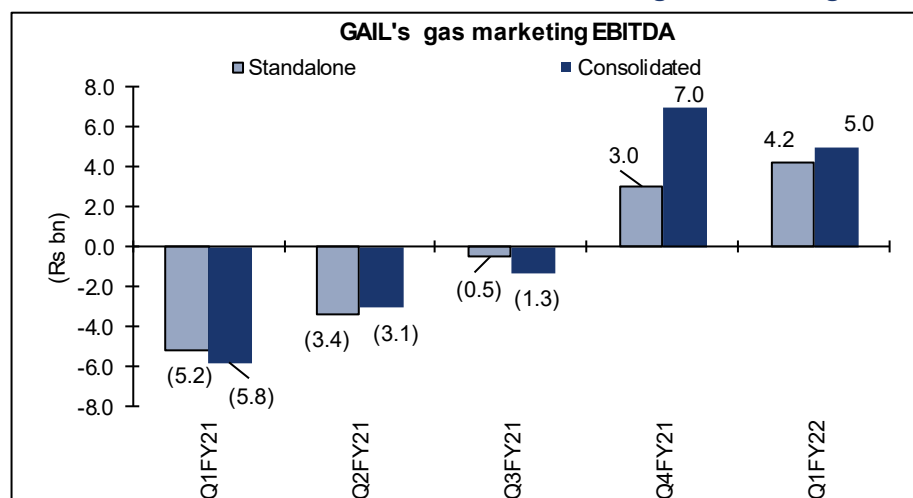
Q1 consolidated EPS YoY growth at 3.3x YoY is more modest than standalone due to 5% YoY fall in share of profit of associates.

Table 6: Q1FY22 standalone EPS up 6.1x YoY; down 20% QoQ

(Rs mn)	Q1FY22	Q1FY21	Change	Q4FY21	Change
Net sales	1,73,866	1,20,875	44%	1,55,491	12%
Total expenditure	1,49,754	1,14,648	31%	1,29,842	15%
EBITDA	24,113	6,226	287%	25,648	-6%
EBITDA margin	13.9%	5.2%		16.5%	
Interest	466	495	-6%	459	2%
Depreciation	5,086	4,583	11%	4,758	7%
Other Income	1,976	2,413	-18%	5,684	-65%
PBT	20,537	3,562	477%	26,116	-21%
Tax	5,238	1,007	420%	7,039	-26%
Recurring PAT	15,299	2,555	499%	19,077	-20%
Extra-ordinary items	-	-		-	
Reported PAT	15,299	2,555	499%	19,077	-20%
Recurring EPS	3.4	0.6	508%	4.3	-20%
Reported EPS	3.4	0.6	508%	4.3	-20%

Source: Company data, I-Sec research

Chart 11: Trend in standalone and consolidated gas marketing EBITDA



Source: Company data, I-Sec research

Q1 earnings miss mainly due to gas marketing and other income

Q1FY22 EBITDA and EPS were 19-30% lower than our estimate mainly due to:

- Gas marketing EBITDA at Rs5bn, 33% lower than our estimate of Rs7.5bn
- Other income at Rs2bn, 56% lower than our estimate of Rs4.5bn

Table 7: EBITDA surge driven by YoY rise in EBITDA across segments

(Rs mn)	Q1FY22	Q1FY21	Change	Q4FY21	Change
Gas pipeline	11,760	9,530	23%	12,040	-2%
LPG pipeline	1,020	960	6%	1,040	-2%
Regulated business	12,780	10,490	22%	13,080	-2%
Gas marketing*	4,220	(5,170)	NM	2,990	-28%
LPG and other liquid hydrocarbons	6,540	2,860	129%	4,960	32%
Petrochemicals	2,550	(430)	NM	7,240	-65%
Cyclical business	13,310	-2,740	NM	15,190	-12%
EBITDA before unallocated	26,090	7,750	237%	28,270	-8%
Unallocated & other income	-	890	-100%	3,070	-100%
EBITDA including other income	26,090	8,640	202%	31,340	-17%
Volumes					
Gas transmission (mmscmd)	107.7	90.2	19%	109.8	-2%
Gas marketing (mmscmd)	96.0	81.2	18%	91.4	5%
LPG transmission (t)	10,23,000	9,63,000	6%	10,54,000	-3%
LPG/other liquid hydrocarbons (t)	2,50,000	2,65,000	-6%	2,57,000	-3%
Petrochemicals (t)	1,38,000	1,83,000	-25%	2,34,000	-41%
Margins					
Gas transmission (Rs/mscm)	1,187	1,148	3%	1,192	0%
Gas trading (Rs/mscm)	478	(692)	NM	356	34%
Gas trading (US\$/mmbtu)	0.18	(0.25)	NM	0.14	33%
LPG pipeline (Rs/t)	997	997	0%	987	1%
LPG /other hydrocarbons (Rs/t)	26,160	10,792	142%	19,300	36%
Petrochemicals (Rs/t)	18,478	(2,350)	NM	30,940	-40%

Source: Company data, I-Sec research. *Consolidated gas marketing EBITDA at Rs5bn in Q1FY22

Table 8: Q1FY22 consolidated EPS up 3.3x YoY; share of profit of associates down 5% YoY

(Rs mn)	Q1FY22	Q1FY21	Change	Q4FY21	Change
Net sales	1,75,886	1,21,806	44%	1,57,572	12%
Total expenditure	1,49,491	1,14,869	30%	1,28,748	16%
EBITDA	26,395	6,937	280%	28,824	-8%
EBITDA margin	15.0%	5.7%		18.3%	
Interest	524	526	0%	577	-9%
Depreciation	5,900	5,211	13%	5,459	8%
Other Income	1,138	1,585	-28%	4,475	-75%
PBT	21,109	2,786	658%	27,264	-23%
Share of profit of JV/associates	4,294	4,502	-5%	4,925	-13%
Tax	3,831	858	347%	6,842	-44%
Minority interest	194	(114)	NM	480	-60%
Recurring PAT	21,378	6,543	227%	24,866	-14%
Extra-ordinary items	-	-		-	
Reported PAT	21,378	6,543	227%	24,866	-14%
Recurring EPS	4.8	1.5	232%	5.5	-13%
Reported EPS	4.8	1.5	232%	5.5	-13%

Source: Company data, I-Sec research

Financial summary

Table 9: Profit and Loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Operating Income (Sales)	7,27,537	5,74,283	6,30,080	6,68,601
Operating Expenses	6,35,427	5,01,845	5,09,042	5,31,580
EBITDA	92,110	72,438	1,21,038	1,37,021
% margins	13%	13%	19%	20%
Depreciation & Amortisation	20,802	21,738	24,509	25,910
Gross Interest	3,089	1,793	1,998	2,040
Other Income	15,464	10,434	10,674	11,116
Recurring PBT	1,02,871	60,109	1,05,204	1,20,188
Less: Taxes	24,049	15,826	26,301	30,047
Net Income (Reported)	75,033	60,595	95,860	1,12,174
Recurring Net Income	75,033	60,595	95,860	1,12,174

Source: Company data, I-Sec research

Table 10: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Assets				
Total Current Assets	1,07,398	83,741	52,750	60,082
Total Current Liabilities & Provisions	99,120	1,10,294	1,28,428	1,39,838
Net Current Assets	8,278	-26,553	-75,679	-79,756
Investments	1,30,292	1,64,262	1,64,262	1,64,262
Net Fixed Assets	4,98,995	5,45,600	5,87,091	6,31,181
Capital Work-in-Progress	1,16,663	1,33,997	1,29,997	1,29,997
Total Assets	6,50,067	7,03,555	7,62,859	8,38,690

Liabilities				
Borrowings	63,376	67,603	82,374	1,07,374
Equity Share Capital	45,101	44,404	44,404	44,404
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	4,47,578	4,87,417	5,31,750	5,82,382
Net Worth	4,92,683	5,31,823	5,76,156	6,26,788
Total Liabilities	6,50,067	7,03,555	7,62,859	8,38,690

*excluding revaluation reserves

Source: Company data, I-Sec research

Table 11: Quarterly trend

(Rs mn, year ending March 31)

	Sep'20	Dec'20	Mar'21	Jun'21
Net sales	1,36,445	1,54,568	1,55,491	1,73,866
% growth (YoY)	-25%	-13%	-12%	44%
EBITDA	13,381	19,195	25,648	24,113
Margin (%)	9.8%	12.4%	16.5%	13.9%
Other income	6,471	4,708	5,684	1,976
Add: Extraordinaries	(768)	-	-	-
Net profit	11,629	14,873	19,077	15,299

Source: Company data, I-Sec research

Table 12: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Operating Cashflow before working capital change	99,623	66,021	1,03,613	1,16,249
Working Capital Changes	29,680	34,831	49,125	4,077
Operating cash flow	1,29,304	1,00,852	1,52,738	1,20,327
Capital Commitments	95,419	68,343	66,000	70,000
Cashflow from Investing Activities	(76,501)	(1,02,313)	(66,000)	(70,000)
Inc (Dec) in Borrowings	12,280	(4,227)	(14,771)	(25,000)
Dividend paid	35,113	24,693	34,570	39,509
Cashflow from Financing Activities	(69,944)	(19,769)	(19,799)	(14,509)
Chg. in Cash & Bank balances	27,960	(22,625)	66,939	35,818

Source: Company data, I-Sec research

Table 13: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
Per Share Data (Rs)				
EPS(Basic Recurring)	16.6	13.6	21.6	25.3
Recurring Cash EPS	21.2	18.5	27.1	31.1
Dividend per share (DPS)	7.0	5.0	7.0	8.0
Book Value per share (BV)	109.2	119.8	129.8	141.2
Growth Ratios (%)				
Operating Income	-5%	-21%	10%	6%
EBITDA	-5%	-21%	67%	13%
Recurring Net Income	15%	-19%	58%	17%
Recurring EPS	15%	-18%	58%	17%
Recurring CFPS	17%	-13%	46%	15%
Valuation Ratios (x)				
P/E	8.6	10.5	6.6	5.7
P/CFPS	6.5	9.6	6.1	5.5
P/BV	1.3	1.19	1.10	1.01
EV / EBITDA	7.5	9.4	5.2	4.5
EV / FCF	(23.9)	(18.5)	(47.7)	15.3

Operating Ratios

Other Income / PBT (%)	15%	17%	10%	9%
Effective Tax Rate (%)	23%	26%	25%	25%
D/E Ratio (%)	13%	13%	14%	17%

Return/Profitability Ratios (%)

Recurring Net Income Margins	11%	8%	13%	13%
RoCE	13%	7%	11%	11%
RoNW	13%	8%	14%	15%
Dividend Payout Ratio	34%	36%	32%	32%
Dividend Yield	5%	3%	5%	6%
EBITDA Margins	13%	13%	19%	20%

Source: Company data, I-Sec research

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