

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	GAIL IN
Equity Shares (m)	4,510
M.Cap.(INRb)/(USDb)	634.5 / 8.6
52-Week Range (INR)	170 / 81
1, 6, 12 Rel. Per (%)	-9/4/8
12M Avg Val (INR M)	2580

#### Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	567.4	689.9	750.1
EBITDA	64.5	101.6	98.4
Adj. PAT	49.0	75.8	73.6
Adj. EPS (INR)	10.9	16.8	16.3
EPS Gr. (%)	-34.0	54.8	-2.8
BV/Sh.(INR)	111.7	121.8	131.6

#### Ratios

Net D:E	0.1	0.1	0.1
RoE (%)	10.8	15.5	13.8
RoCE (%)	9.2	13.1	11.8
Payout (%)	46.1	40.0	40.0

#### Valuations

P/E (x)	13.2	8.5	8.8
P/BV (x)	1.3	1.2	1.1
EV/EBITDA (x)	8.0	5.6	5.7
Div. Yield (%)	3.5	4.7	4.5
FCF Yield (%)	4.8	7.0	2.2

#### Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	51.5	51.5	51.8
DII	27.1	27.6	27.2
FII	17.6	16.2	16.2
Others	3.9	4.7	4.9

FII Includes depository receipts

**CMP: INR143** **TP: INR200 (+40%)**

**Buy**

#### Doing good, expecting even better – reiterate Buy

- GAIL reported an EBITDA in line with our estimate, as better performance in Gas Trading and LPG and Liquid HC business offsets lower profitability in the Petchem segment (impacted due to the planned shutdown in 1QFY22).
- The management guided that the Petchem plant is currently operating at over 100% utilization and **will achieve 100% utilization in FY22, despite the lower utilization rate in 1Q**.
- In the current high spot LNG price environment (JKM forward curve at USD15-16/mmbtu, up from USD10/mmbtu in 1QFY22), the **company expects the Trading segment to do even better in 2Q**.
- Transmission volumes, which were lower in 1QFY22 (108mmscmd, -2% QoQ on account of a lower offtake by a few customers), **have recovered back to ~115mmscmd at present. The management expects 8-10mmscmd of volume growth in FY22** from the commissioning of fertilizer plants, aiding domestic placement of trading volumes.
- GAIL has enjoyed alignment of operational macros since the start of CY21. **We expect macros to support the company (as discussed above) over the next couple of quarters as well.**
- Valuing the core business at 10x Sep'23E adjusted EPS of INR15.7 and adding investments, we arrive at our TP of INR200/share. The stock is trading at 8.8x FY23E P/E and 5.7x FY23E EV/EBITDA. We **reiterate GAIL as our top pick in the largecap O&G space**.

#### EBITDA in line with our estimate; fertilizer plants to aid growth

- EBITDA came in line with our estimate at INR24.1b (+287% YoY, -6% QoQ). PAT stood at INR15.3b (+499% YoY, -22% QoQ owing to lower other income).
- **Update on fertilizer plants:**
  - GAIL said MCFL has already started drawing gas, and that MRPL and OMPL would ramp up going forward (gas offtake at 2mmscmd currently, likely to increase by 0.5-1mmscmd).
  - The Ramagundam plant has been commissioned (currently consumes ~2.5mmscmd).
  - The Gorakhpur plant is in the later stage of pre-commissioning (gas offtake ~0.1mmscmd currently. It will increase to 2mmscmd by Dec'21).
  - The Matix plant is likely to start gas offtake from Sep'21 (under commissioning in Aug'21).
  - Sindri and Baurani plants are ready and would reach peak capacity by May'22 (pre-commissioning of gas supply to start in Aug'21).

### Valuation and view

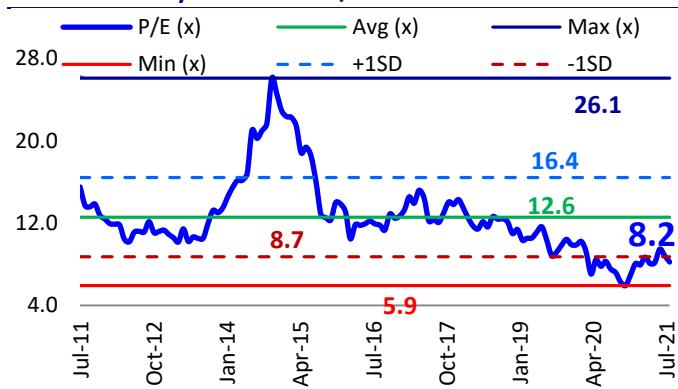
- GAIL expects gas transmission volumes to grow at 7-8% YoY over the next 3-4 years, with further upside after the completion of the national gas grid. Increased demand will primarily be from commissioning of fertilizer plants, ongoing refinery and petchem expansions, and development of CGDs (under IX-X round). We conservatively forecast transmission volume of 115/125/130mmscmd in FY22E/FY23E/FY24E v/s 104mmscmd in FY21 (110mmscmd in 4QFY21). **An increase of 10mmscmd in transmission volume would result in a rise of ~5% in our EPS estimate.**
- Capex guidance for FY22/FY23 stands at INR70b/INR120b (INR70b in FY21). GAIL is currently executing various projects worth INR400b.
- Dabhol terminal has already awarded a break water development project to L&T (completion expected by the end of 3QFY23).
- **The stock trades at a discount of ~35% to its one-year forward long term P/E average. We haven't ascribe any valuation so far to GAIL Gas (current volumes at 5.5mmscmd). If volumes pick-up in CGDs, especially Bengaluru, then it may result in additional value.**
- The biggest risk to our call is a sharp decline in oil price before the Fertilizer companies commence operations, which may create uncertainty in the trading segment. We reiterate our Buy rating.

### Quarterly performance

Y/E March	(INR m)										
	FY21				FY22				FY21	FY22E	FY22E Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
<b>Net Sales</b>	<b>1,20,875</b>	<b>1,36,445</b>	<b>1,54,568</b>	<b>1,55,491</b>	<b>1,73,866</b>	<b>1,62,253</b>	<b>1,70,094</b>	<b>1,83,684</b>	<b>5,67,378</b>	<b>6,89,898</b>	<b>1,34,326</b> <b>29%</b>
Change (%)	-34.0	-24.4	-13.0	-12.4	43.8	18.9	10.0	18.1	-21.1	21.6	11.1
<b>EBITDA</b>	<b>6,226</b>	<b>13,381</b>	<b>19,195</b>	<b>25,648</b>	<b>24,113</b>	<b>23,982</b>	<b>26,313</b>	<b>27,158</b>	<b>64,451</b>	<b>1,01,566</b>	<b>24,120</b> <b>0%</b>
% of Net Sales	5.2	9.8	12.4	16.5	13.9	14.8	15.5	14.8	11.4	14.7	18.0
Depreciation	4,583	4,843	4,895	4,758	5,086	4,915	4,915	4,386	19,079	19,302	4,825 <b>5%</b>
Interest	495	274	331	459	466	489	513	559	1,559	2,026	643 <b>-28%</b>
Other Income	2,413	7,239	4,708	5,684	1,976	7,601	4,943	6,527	20,045	21,047	2,534 <b>-22%</b>
<b>PBT</b>	<b>3,562</b>	<b>15,503</b>	<b>18,677</b>	<b>26,116</b>	<b>20,537</b>	<b>26,178</b>	<b>25,828</b>	<b>28,740</b>	<b>63,858</b>	<b>1,01,284</b>	<b>21,186</b> <b>-3%</b>
Rate (%)	28.3	20.0	20.4	27.0	25.5	25.2	25.2	24.9	23.4	25.2	25.5
<b>PAT</b>	<b>2,555</b>	<b>12,397</b>	<b>14,873</b>	<b>19,077</b>	<b>15,299</b>	<b>19,589</b>	<b>19,327</b>	<b>21,575</b>	<b>48,902</b>	<b>75,791</b>	<b>15,792</b> <b>-3%</b>
Change (%)	-80.2	16.5	18.9	-36.8	498.8	58.0	29.9	13.1	-26.1	55.0	518.1
Extraord.: Tax Prov. Write Back	0	0	405	-467	0	0	0	0	-62	0	0
<b>Adj. PAT</b>	<b>2,555</b>	<b>12,397</b>	<b>14,469</b>	<b>19,544</b>	<b>15,299</b>	<b>19,589</b>	<b>19,327</b>	<b>21,575</b>	<b>48,964</b>	<b>75,791</b>	<b>15,792</b> <b>-3%</b>
Change (%)	-80.2	16.5	17.3	-49.0	498.8	58.0	33.6	10.4	-34.0	54.8	518.1

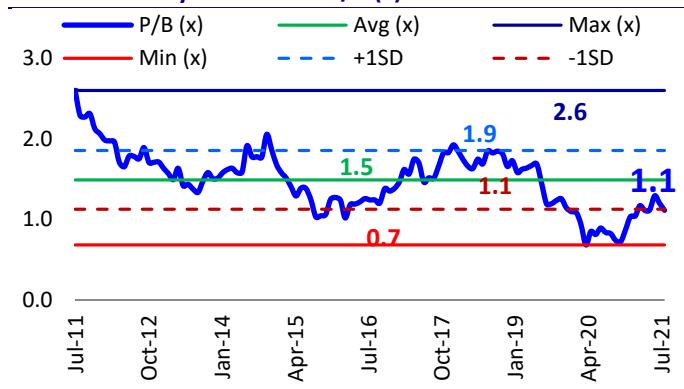
E: MOFSL estimates

#### Exhibit 1: One-year forward P/E



Source: Company, MOFSL

#### Exhibit 2: One-year forward P/B (x)

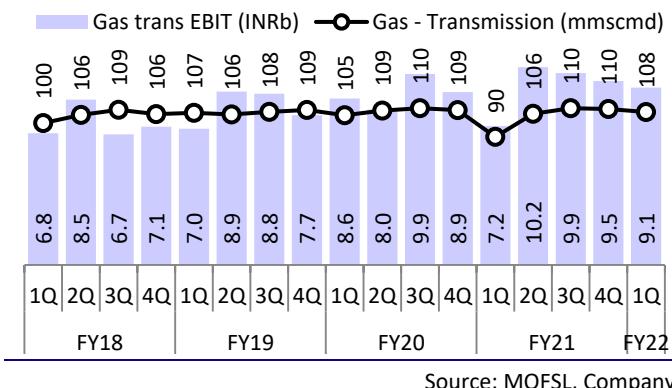


Source: Company, MOFSL

### Segmental highlights

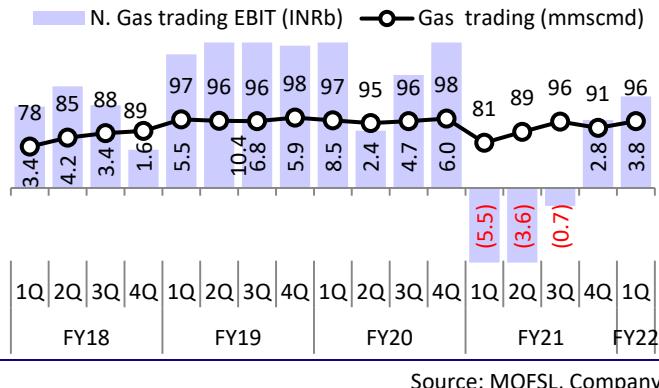
- **Gas transmission:** EBITDA stood at INR11.8b (+23% YoY), with volumes at 107.7mmscmd (+19% YoY, -2% QoQ). Capacity utilization stood ~50% in 1QFY22. EBIT stood at INR9.2b (+28% YoY).
- Kochi-Bengaluru pipeline is expected to be completed by the end of FY23.
- **Gas trading:** Volumes stood at 96mmscmd (+18% YoY, +5% QoQ). Trading EBIT was 52% above our estimate at INR3.8b (+34% QoQ, v/s a loss in 1QFY21).
- In 1QFY22, the company received 23 cargoes from the US, of which 15 were sold in the overseas market. Its entire trading volumes are tied up for FY22, and all cargoes are allocated for FY23.
- **Petchem:** EBITDA stood at INR2.6b (-55% est., -65% QoQ) owing to a planned shutdown in May-Jun'21 (sales volumes at 138tmt, -25% YoY and -41% QoQ). Production stood ~133tmt (flat YoY, although half QoQ) in 1QFY22.
- Petchem realization improved (48% YoY/4% QoQ) to INR99/kg, while EBITDA stood at INR18/kg (v/s INR31 in 4QFY21) due to higher opex.
- **LPG transmission:** EBITDA was up 6% YoY to INR1b (-2% QoQ), with volumes at 1,023tmt, implying a utilization rate of 106% v/s 109% in 4QFY21.
- **Liquid Hydrocarbon business:** EBITDA was up 129% YoY and 32% QoQ at INR6.5b, with volumes at 250tmt (-6% YoY, -3% QoQ), implying a utilization rate of ~71% v/s ~73% in 4QFY21.
- Average realizations were 44% higher YoY (+21% QoQ) at INR40,602/mt. EBITDA/mt increased in a similar fashion to INR26,160/mt.

**Exhibit 3: Transmission volumes down 4% QoQ**



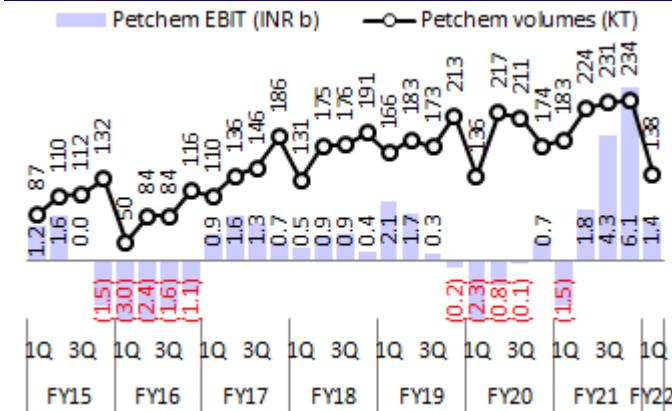
Source: MOFSL, Company

**Exhibit 4: Profitability of the trading segment increases**



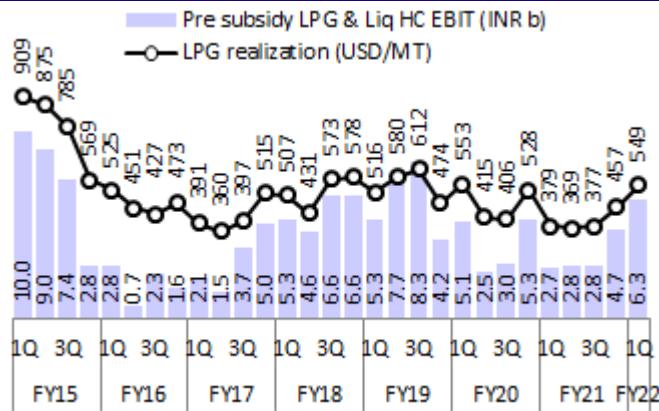
Source: MOFSL, Company

**Exhibit 5: Petchem volumes decline due to shutdown**



Source: MOFSL, Company

**Exhibit 6: Realizations improve for LPG & Liq HC segment**



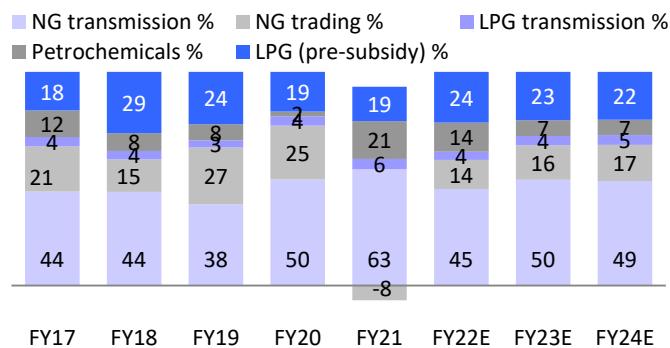
Source: MOFSL, Company

## Exhibit 7: GAIL — Segment-wise performance details (INR m)

	FY20				FY21				FY22	1QFY22 (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Exchange Rate (USD:INR)</b>	<b>69.6</b>	<b>70.3</b>	<b>71.2</b>	<b>72.4</b>	<b>74.4</b>	<b>73.8</b>	<b>72.9</b>	<b>73.6</b>	<b>74.0</b>	<b>-1%</b>	<b>1%</b>
<b>Gas transmission business</b>											
Volumes (mmscmd)	105	109	110	109	90	106	110	110	108	19%	-2%
Gross Revenue	14,797	14,150	15,855	15,542	12,681	15,400	16,135	15,310	14,837	17%	-3%
Opex	4,117	3,950	3,655	3,902	3,151	2,590	3,665	3,270	3,077	-2%	-6%
<b>EBITDA</b>	<b>10,680</b>	<b>10,200</b>	<b>12,200</b>	<b>11,640</b>	<b>9,530</b>	<b>12,810</b>	<b>12,470</b>	<b>12,040</b>	<b>11,760</b>	<b>23%</b>	<b>-2%</b>
Depreciation	2,085	2,173	2,345	2,720	2,364	2,598	2,564	2,546	2,611	10%	3%
<b>EBIT</b>	<b>8,595</b>	<b>8,028</b>	<b>9,855</b>	<b>8,920</b>	<b>7,167</b>	<b>10,212</b>	<b>9,907</b>	<b>9,495</b>	<b>9,149</b>	<b>28%</b>	<b>-4%</b>
Average tariff (INR/mscm)	1,543	1,601	1,562	1,567	1,545	1,590	1,590	1,516	1,498	-3%	-1%
Opex (INR/mscm)	429	395	360	393	384	267	361	324	311	-19%	-4%
<b>EBITDA (INR/mscm)</b>	<b>1,113</b>	<b>1,020</b>	<b>1,202</b>	<b>1,174</b>	<b>1,161</b>	<b>1,323</b>	<b>1,229</b>	<b>1,192</b>	<b>1,187</b>	<b>2%</b>	<b>0%</b>
Depreciation (INR/mscm)	217	217	231	274	288	268	253	252	264	-8%	5%
<b>EBIT (INR/mscm)</b>	<b>896</b>	<b>803</b>	<b>971</b>	<b>899</b>	<b>873</b>	<b>1,054</b>	<b>976</b>	<b>940</b>	<b>924</b>	<b>6%</b>	<b>-2%</b>
<b>LPG Transmission Business</b>											
Volumes ('000MT)	827	999	1,043	1,040	963	1,058	1,088	1,054	1,023	6%	-3%
Gross Revenue	1,346	1,612	1,688	1,719	1,536	1,695	1,754	1,689	1,637	7%	-3%
Opex	586	652	608	619	576	665	664	649	617	7%	-5%
<b>EBITDA</b>	<b>760</b>	<b>960</b>	<b>1,080</b>	<b>1,100</b>	<b>960</b>	<b>1,030</b>	<b>1,090</b>	<b>1,040</b>	<b>1,020</b>	<b>6%</b>	<b>-2%</b>
Depreciation	144	146	145	155	145	148	159	155	153	5%	-1%
<b>EBIT</b>	<b>616</b>	<b>814</b>	<b>935</b>	<b>945</b>	<b>815</b>	<b>882</b>	<b>931</b>	<b>885</b>	<b>867</b>	<b>6%</b>	<b>-2%</b>
Average tariff (INR/MT)	1,627	1,613	1,618	1,653	1,594	1,602	1,612	1,602	1,600	0%	0%
Opex	708	652	583	595	598	628	610	616	603	1%	-2%
<b>EBITDA</b>	<b>919</b>	<b>961</b>	<b>1,035</b>	<b>1,058</b>	<b>997</b>	<b>974</b>	<b>1,002</b>	<b>987</b>	<b>997</b>	<b>0%</b>	<b>1%</b>
Depreciation	175	146	139	149	151	140	146	147	149	-1%	2%
<b>EBIT</b>	<b>744</b>	<b>815</b>	<b>896</b>	<b>909</b>	<b>846</b>	<b>834</b>	<b>856</b>	<b>840</b>	<b>848</b>	<b>0%</b>	<b>1%</b>
<b>Gas Trading Business</b>											
Volumes (mmscmd)	97	95	96.0	97.8	81	89	96	91	96	18%	5%
Revenue	1,54,613	1,50,858	1,46,627	1,47,449	94,437	1,05,067	1,19,034	1,19,918	1,42,883	51%	19%
<b>EBIT</b>	<b>8,505</b>	<b>2,366</b>	<b>4,665</b>	<b>6,026</b>	<b>-5,455</b>	<b>-3,640</b>	<b>-737</b>	<b>2,809</b>	<b>3,776</b>	<b>-169%</b>	<b>34%</b>
Revenue (INR/mscm)	17,598	17,315	16,602	16,574	12,787	13,031	13,534	14,266	16,186	27%	13%
<b>EBIT (INR/mscm)</b>	<b>968</b>	<b>272</b>	<b>528</b>	<b>677</b>	<b>-739</b>	<b>-451</b>	<b>-84</b>	<b>334</b>	<b>428</b>	<b>-158%</b>	<b>28%</b>
<b>Petrochemicals Business</b>											
Volumes ('000MT)	136	217	211	174	183	224	231	234	138	-25%	-41%
Gross Revenue	11,128	16,192	14,828	12,174	12,217	16,847	19,366	22,179	13,623	12%	-39%
Opex	12,298	15,872	13,778	10,324	12,647	13,957	13,876	14,939	11,073	-12%	-26%
<b>EBITDA</b>	<b>-1,170</b>	<b>320</b>	<b>1,050</b>	<b>1,850</b>	<b>-430</b>	<b>2,890</b>	<b>5,490</b>	<b>7,240</b>	<b>2,550</b>	<b>-693%</b>	<b>-65%</b>
Depreciation	1,100	1,143	1,135	1,126	1,114	1,127	1,149	1,151	1,167	5%	1%
<b>EBIT</b>	<b>-2,270</b>	<b>-823</b>	<b>-85</b>	<b>724</b>	<b>-1,544</b>	<b>1,763</b>	<b>4,341</b>	<b>6,089</b>	<b>1,383</b>	<b>-190%</b>	<b>-77%</b>
Realization (USD/MT)	1,176	1,061	987	966	897	1,019	1,150	1,288	1,334	49%	4%
Realization (INR/kg)	82	75	70	70	67	75	84	95	99	48%	4%
Opex (INR/kg)	90	73	65	59	69	62	60	64	80	16%	26%
<b>EBITDA (INR/kg)</b>	<b>-9</b>	<b>1</b>	<b>5</b>	<b>11</b>	<b>-2</b>	<b>13</b>	<b>24</b>	<b>31</b>	<b>18</b>	<b>-886%</b>	<b>-40%</b>
Depreciation (INR/kg)	8	5	5	6	6	5	5	5	8	39%	72%
<b>EBIT (INR/kg)</b>	<b>-17</b>	<b>-4</b>	<b>0</b>	<b>4</b>	<b>-8</b>	<b>8</b>	<b>19</b>	<b>26</b>	<b>10</b>	<b>-219%</b>	<b>-61%</b>
<b>LPG and Liquid HC Business</b>											
Volumes ('000MT)	298	329	337	302	265	295	319	257	250	-6%	-3%
Gross Revenue	11,457	9,605	9,736	11,539	7,479	8,030	8,779	8,651	10,151	36%	17%
Opex	6,177	6,875	6,556	5,999	4,619	5,010	5,739	3,691	3,611	-22%	-2%
<b>EBITDA</b>	<b>5,280</b>	<b>2,730</b>	<b>3,180</b>	<b>5,540</b>	<b>2,860</b>	<b>3,020</b>	<b>3,040</b>	<b>4,960</b>	<b>6,540</b>	<b>129%</b>	<b>32%</b>
Depreciation	172	277	216	259	198	219	213	216	199	0%	-8%
EBIT	5,108	2,454	2,964	5,281	2,662	2,802	2,827	4,744	6,341	138%	34%
<b>EBIT (Post Subsidy)</b>	<b>5,108</b>	<b>2,454</b>	<b>2,964</b>	<b>5,281</b>	<b>2,662</b>	<b>2,802</b>	<b>2,827</b>	<b>4,744</b>	<b>6,341</b>	<b>138%</b>	<b>34%</b>
Realization (USD/MT)	553	415	406	528	379	369	377	457	549	45%	20%
Realization (INR/MT)	38,445	29,195	28,891	38,209	28,223	27,222	27,519	33,660	40,602	44%	21%
Opex (INR/MT)	20,727	20,898	19,455	19,865	17,431	16,984	17,989	14,360	14,442	-17%	1%
<b>EBITDA (INR/MT)</b>	<b>17,718</b>	<b>8,298</b>	<b>9,436</b>	<b>18,344</b>	<b>10,792</b>	<b>10,237</b>	<b>9,530</b>	<b>19,300</b>	<b>26,160</b>	<b>142%</b>	<b>36%</b>
Depreciation (INR/MT)	578	840	642	856	747	741	666	842	796	6%	-6%
EBIT (INR/MT)	17,140	7,457	8,794	17,488	10,045	9,497	8,863	18,458	25,364	153%	37%
<b>EBIT post Subsidy (INR/MT)</b>	<b>17,140</b>	<b>7,457</b>	<b>8,794</b>	<b>17,488</b>	<b>10,045</b>	<b>9,497</b>	<b>8,863</b>	<b>18,458</b>	<b>25,364</b>	<b>153%</b>	<b>37%</b>

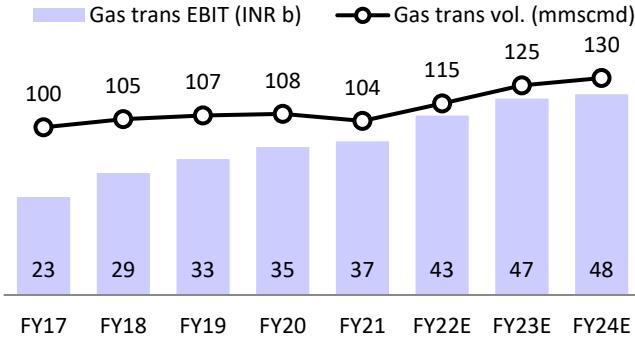
## Story in charts

### Exhibit 8: Transmission a major contributor to EBITDA



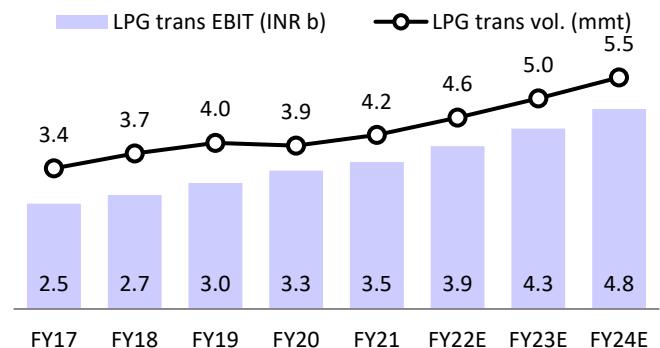
Source: Company, MOFSL

### Exhibit 9: Gas transmission volumes to grow in FY22-24E



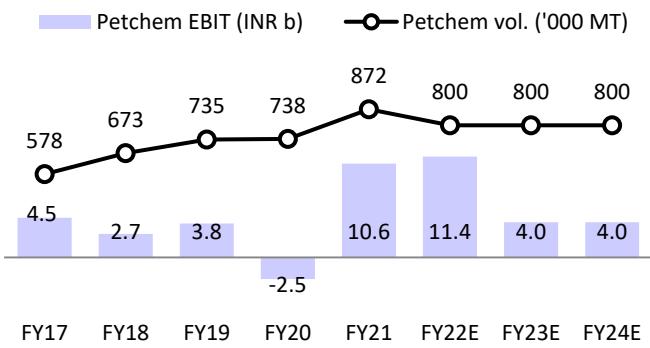
Source: Company, MOFSL

### Exhibit 10: LPG transmission segment



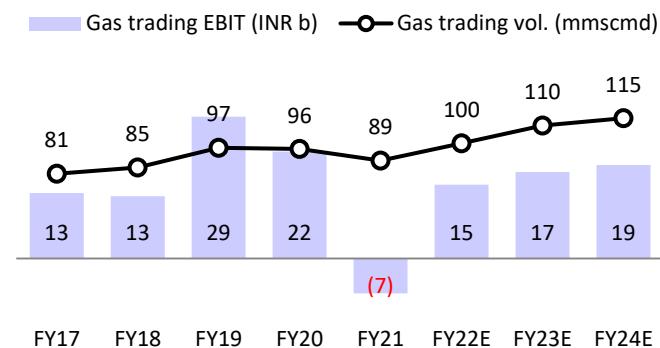
Source: Company, MOFSL

### Exhibit 11: Petchem EBIT to increase in FY22E



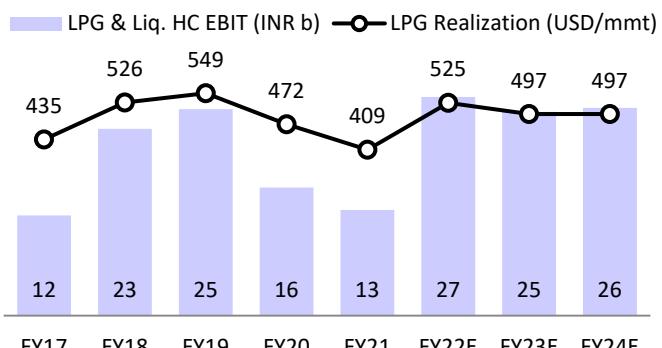
Source: Company, MOFSL

### Exhibit 12: Gas trading volume to grow in FY22-24E



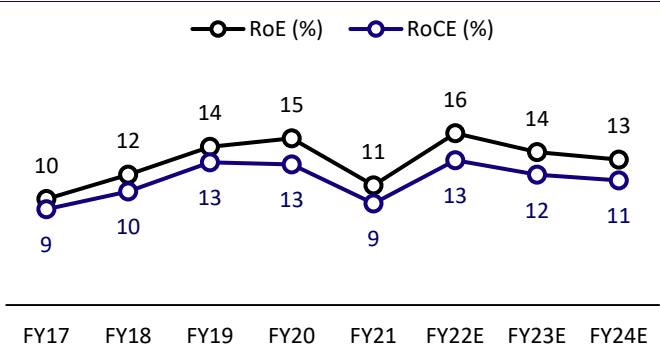
Source: Company, MOFSL

### Exhibit 13: LPG and Liquid HC EBIT to improve in FY22E



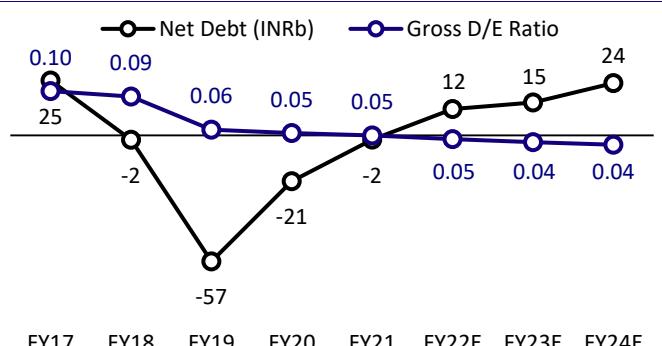
Source: Company, MOFSL

### Exhibit 14: Return ratios to improve



Source: Company, MOFSL

### Exhibit 15: Expect D/E ratio to decline



Source: Company, MOFSL

## Financials and valuations

Income Statement									(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	
<b>Net Sales</b>	<b>4,80,743</b>	<b>5,36,612</b>	<b>7,51,268</b>	<b>7,18,764</b>	<b>5,67,378</b>	<b>6,89,898</b>	<b>7,50,112</b>	<b>7,75,509</b>	
Change (%)	-6.9	11.6	40.0	-4.3	-21.1	21.6	8.7	3.4	
<b>EBITDA</b>	<b>63,152</b>	<b>76,339</b>	<b>95,287</b>	<b>83,694</b>	<b>64,451</b>	<b>1,01,566</b>	<b>98,383</b>	<b>1,00,828</b>	
% of Net Sales	13.1	14.2	12.7	11.6	11.4	14.7	13.1	13.0	
Depreciation	13,968	14,151	15,502	18,360	19,079	19,302	19,537	19,783	
Interest	4,794	2,751	1,385	1,085	1,559	2,026	2,548	2,802	
Other Income	12,705	9,870	15,712	14,168	20,045	21,047	22,099	23,204	
EO Items (net)	-2,987	277	-3,263	1,016	0	0	0	0	
<b>PBT</b>	<b>54,108</b>	<b>69,584</b>	<b>90,848</b>	<b>79,434</b>	<b>63,858</b>	<b>1,01,284</b>	<b>98,398</b>	<b>1,01,447</b>	
Tax	19,079	23,400	30,592	13,227	14,956	25,493	24,767	25,534	
Rate (%)	35.3	33.6	33.7	16.7	23.4	25.2	25.2	25.2	
<b>Reported PAT</b>	<b>35,029</b>	<b>46,183</b>	<b>60,257</b>	<b>66,206</b>	<b>48,902</b>	<b>75,791</b>	<b>73,631</b>	<b>75,912</b>	
<b>Adjusted PAT</b>	<b>38,167</b>	<b>45,699</b>	<b>63,264</b>	<b>74,193</b>	<b>48,964</b>	<b>75,791</b>	<b>73,631</b>	<b>75,912</b>	
Change (%)	52.4	31.8	30.5	9.9	-26.1	55.0	-2.8	3.1	

Balance Sheet									(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	
Share Capital	16,913	22,551	22,551	45,101	44,404	44,404	44,404	44,404	
Reserves	3,64,581	3,80,731	4,18,379	3,94,610	4,21,708	4,67,182	5,11,361	5,56,908	
<b>Net Worth</b>	<b>3,81,494</b>	<b>4,03,281</b>	<b>4,40,929</b>	<b>4,39,711</b>	<b>4,66,112</b>	<b>5,11,586</b>	<b>5,55,765</b>	<b>6,01,312</b>	
Loans	38,186	17,517	16,157	43,098	55,142	60,657	66,722	73,395	
Deferred Tax	46,559	46,309	59,477	44,972	45,022	45,022	45,022	45,022	
<b>Capital Employed</b>	<b>4,66,239</b>	<b>4,67,108</b>	<b>5,16,564</b>	<b>5,27,781</b>	<b>5,66,276</b>	<b>6,17,265</b>	<b>6,67,509</b>	<b>7,19,729</b>	
Gross Fixed Assets	4,52,646	4,69,633	5,08,099	5,48,260	5,91,376	6,81,576	7,71,576	8,61,576	
Less: Depreciation	1,67,584	1,81,736	1,97,238	2,15,598	2,34,676	2,53,979	2,73,515	2,93,298	
<b>Net Fixed Assets</b>	<b>2,85,062</b>	<b>2,87,898</b>	<b>3,10,861</b>	<b>3,32,662</b>	<b>3,56,700</b>	<b>4,27,597</b>	<b>4,98,061</b>	<b>5,68,278</b>	
Capital WIP	38,034	55,140	92,025	1,05,819	1,19,034	98,834	98,834	98,834	
Investments	95,096	99,531	95,282	78,772	1,05,518	1,05,518	1,05,518	1,05,518	
<b>Current Assets</b>									
Inventory	16,984	19,195	23,219	29,601	26,038	31,661	34,424	35,590	
Debtors	38,282	40,515	50,743	55,759	44,858	54,544	59,305	61,313	
Cash and Bank Balance	13,419	25,294	12,147	8,039	13,618	31,688	20,207	5,895	
Cash	4,519	10,761	1,508	5,483	12,122	30,192	18,711	4,399	
Bank Balance	8,900	14,533	10,639	2,556	1,496	1,496	1,496	1,496	
Loans/Adv. and Other Assets	75,823	99,558	59,510	74,684	67,339	67,339	67,339	67,339	
<b>Current Liab. and Prov.</b>									
Liabilities	81,327	1,45,740	1,12,969	1,44,709	1,53,228	1,86,316	2,02,578	2,09,437	
Provisions	15,133	14,283	14,253	12,847	13,600	13,600	13,600	13,600	
<b>Net Current Assets</b>	<b>48,047</b>	<b>24,539</b>	<b>18,397</b>	<b>10,527</b>	<b>-14,976</b>	<b>-14,685</b>	<b>-34,904</b>	<b>-52,901</b>	
Misc. Expenses									
<b>Application of Funds</b>	<b>4,66,239</b>	<b>4,67,108</b>	<b>5,16,564</b>	<b>5,27,781</b>	<b>5,66,276</b>	<b>6,17,265</b>	<b>6,67,509</b>	<b>7,19,729</b>	

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Basic (INR)</b>								
EPS	<b>8.5</b>	<b>10.1</b>	<b>14.0</b>	<b>16.5</b>	<b>10.9</b>	<b>16.8</b>	<b>16.3</b>	<b>16.8</b>
Cash EPS	10.9	13.4	16.8	18.8	15.1	21.1	20.7	21.2
Book Value	84.6	90.2	98.9	105.9	111.7	121.8	131.6	141.7
DPS	3.2	3.9	3.8	6.4	5.0	6.7	6.5	6.7
Payout (incl. dvd. tax)	50.1	45.5	34.7	52.5	46.1	40.0	40.0	40.0
<b>Valuation (x)</b>								
P/E	16.9	14.1	10.2	8.7	13.2	8.5	8.8	8.5
Adj. P/E (for investments)	11.9	9.9	7.2	6.1	9.2	6.0	6.1	6.0
Cash P/E	13.2	10.7	8.5	7.6	9.5	6.8	6.9	6.7
EV/EBITDA	4.1	4.3	2.9	6.8	8.0	5.6	5.7	5.6
EV/Sales	0.7	0.7	0.4	0.9	1.2	1.0	0.9	0.9
Price/Book Value	1.7	1.6	1.4	1.3	1.3	1.2	1.1	1.0
Dividend Yield (%)	2.2	2.7	2.7	4.5	3.5	4.7	4.5	4.7
<b>Profitability Ratios (%)</b>								
RoE	9.6	11.8	14.3	15.0	10.8	15.5	13.8	13.1
RoCE	8.7	10.2	12.9	12.7	9.2	13.1	11.8	11.2
RoIC	9.9	13.6	17.5	16.7	10.5	17.4	14.3	12.7
<b>Turnover Ratios</b>								
Debtors (No. of Days)	29	28	25	28	29	29	29	29
Fixed Asset Turnover (x)	1.0	1.1	1.5	1.4	1.0	1.1	1.1	1.1
<b>Leverage Ratio</b>								
Net Debt/Equity (x)	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1

### Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	54,108	69,584	90,848	79,434	63,858	1,01,284	98,398	1,01,447
Depreciation	13,968	14,151	15,502	18,360	19,079	19,302	19,537	19,783
Interest charge	4,794	2,751	1,385	1,085	1,559	2,026	2,548	2,802
Tax paid	-11,909	-13,216	-20,764	-19,555	-12,754	-25,493	-24,767	-25,534
(Inc.)/Dec. in Wkg. Capital	-1,939	18,864	-3,282	3,073	22,210	17,779	8,738	3,685
<b>CF from Op. Activity</b>	<b>57,610</b>	<b>86,626</b>	<b>78,763</b>	<b>68,881</b>	<b>80,639</b>	<b>1,14,898</b>	<b>1,04,453</b>	<b>1,02,183</b>
(Inc.)/Dec. in FA and CWIP	-18,184	-29,425	-72,022	-54,345	-49,767	-70,000	-90,000	-90,000
<b>Free Cash Flow</b>	<b>39,425</b>	<b>57,201</b>	<b>6,741</b>	<b>14,536</b>	<b>30,872</b>	<b>44,898</b>	<b>14,453</b>	<b>12,183</b>
(Pur.)/Sale of Investments	1,889	-7,999	-2,691	-6,222	-10,719	0	0	0
<b>CF from Inv. Activity</b>	<b>-3,801</b>	<b>-25,679</b>	<b>-54,366</b>	<b>-68,290</b>	<b>-38,609</b>	<b>-70,000</b>	<b>-90,000</b>	<b>-90,000</b>
Interest charge	-5,534	-3,562	-1,416	-1,132	-3,199	-2,026	-2,548	-2,802
Inc.-(Dec.) in Debt	-29,312	-30,116	-11,348	45,196	4,564	5,514	6,066	6,672
Dividends Paid	-17,537	-21,027	-20,886	-39,421	-22,371	-30,316	-29,452	-30,365
<b>CF from Fin. Activity</b>	<b>-52,383</b>	<b>-54,705</b>	<b>-33,649</b>	<b>3,384</b>	<b>-35,391</b>	<b>-26,829</b>	<b>-25,934</b>	<b>-26,495</b>
<b>Inc.-(Dec.) in Cash</b>	<b>1,426</b>	<b>6,242</b>	<b>-9,253</b>	<b>3,976</b>	<b>6,639</b>	<b>18,070</b>	<b>-11,481</b>	<b>-14,312</b>
Add: Opening Balance	3,093	4,518	10,760	1,508	5,483	12,122	30,192	18,710
<b>Closing Balance</b>	<b>4,518</b>	<b>10,760</b>	<b>1,508</b>	<b>5,483</b>	<b>12,122</b>	<b>30,192</b>	<b>18,711</b>	<b>4,399</b>

E: MOFSL estimates

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com), CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

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