Gujarat Gas

8 December 2022

Reuters: GGAS.BO; Bloomberg: GUJGA IN

Company Update

Lower gas cost to revive Morbi growth; retain BUY

We maintain BUY on Gujarat Gas Ltd (GGL) after raising our DCF-based target price (TP) by 5.8% to Rs608. This is based on our increased margin and volume estimates for FY23E/FY24E/FY25E, underpinned by potential tailwinds from: (a) signs of spot LNG prices correcting to ~US$30/mmbtu in FY24E and less than US$15/mmbtu by FY25E and (b) the likely US$2.1/mmbtu cut in APM gas price by 4QFY23E based on the cap of US$6.5/mmbtu suggested recently by Dr Kirit Parikh in his gas pricing report. The risk of an interim pullback in LNG prices is a cause for concern, but this is priced in with the stock correcting by 20% YTD. Further, in 1HFY23, GGL has shown tactical adeptness in cutting sales to the sensitive tiles sector in Morbi and improving margins - higher growth there entails pain of sourcing expensive spot LNG, which poses a risk to its margins. We are still cautious on the company's FY23 outlook, although JKM is down 34% from 2QFY23 average. LNG spot prices remain volatile and could tighten in 2HFY23 if weather is colder. But, this may not be a concern for GGL's 2HFY23 results given the beat shown in 2QFY23 despite high LNG prices and the hit on GGL's industrial PNG sales.

Softer gas prices and Morbi revival could be catalysts to enhance GGL's earnings outlook: If we take a view based on normal gas prices/availability and easier access to containers at sharply reduced rates (as seen in the YoY decline in key freight indices), Morbi volume could revive over the next 1-2 years and eventually touch 42%/41% in FY24E/FY25E. Morbi segment, which had 49% share in GGL's FY22 volume, could also see additional windows for export volume vacated by the European tiles sector, which has seen some production cuts due to the high energy cost and gas shortage. This could be a growth catalyst for a revival in GGL's earnings and cashflows, although the trend in topline could decline if we see gas prices come off the current highs, as expected.

LPG's substitution of PNG in Morbi may abate as we head into winter pricing: We understand from industry consultant S&P that Saudi Aramco has raised the LPG contract price (CP) to US$740/te for January'23 from Oct'22 price of US$590/te. This implies that PNG could turn into a discount of ~10-12% vs industrial LPG/propane sold to Morbi tiles sector; and be at par with LPG assuming blended gas cost for Morbi demand does not increase by more than US$3/mmbtu (~10% of spot LNG price @ US$30/mmbtu). This could arrest GGL's loss of market share for PNG in the Morbi cluster due to propane/LPG substitution, and even regain some of this volume in future.

We retain BUY based on: (i) Long-term potential for revival in outlook for Industrial PNG growth/margins based on global spot LNG prices softening from the current elevated levels –~US$30/mmbtu; while LNG prices may not correct immediately, fuel switching in favour of coal and oil as well as potential demand destruction could eventually cool down LNG prices. But, the quantum and timing of such a correction, if any, are uncertain.

(ii) The 20% fall YTD in GGL stock has priced in concerns about the hit in Morbi volume/margins due to high spot LNG cost - 30-33% of gas sourcing

(iii) Tailwind from annuity growth and potential regulatory ban on polluting fuels that could boost gas sales in GGL's GAs outside Morbi

(iv) Robust growth likely in CNG (27.7% share of sales mix) – estimated at 20% per annum - is an added catalyst for earnings growth; this is likely to benefit from expansion in CNG stations. Long term average CGD volume growth of 9.5% and unit EBITDA per scm of Rs6.8 support our DCF-based TP

Valuation is attractive at 19x PE on Sept'24E based on the EPS CAGR of 20.6% over FY22-FY25E and 11.6% over FY23E-FY25E and volume CAGR of 14.3% over the same period. The added positives are the FCF yield of 5.6% on FY25E and the ROIC expansion from 22.1% to 25.2% over FY22-FY25E.

Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Gas Volume (mmscmd)	**9.44**	**9.39**	**11.18**	**10.41**	**11.87**	**13.59**
Revenues	**1,03,003**	**98,543**	**1,64,562**	**1,82,496**	**1,76,753**	**1,70,871**
EBITDA	16,343	20,878	20,763	28,571	31,870	33,923
Net Profit Adj	11,988	12,777	12,993	18,410	21,135	22,918
EPS (Rs)	**17.41**	**18.56**	**18.87**	**26.74**	**30.70**	**33.29**
EPS gr (%)	*174.8*	*6.6*	*1.7*	*41.7*	*14.8*	*8.4*
EBITDA Margin (%)	*15.9*	*21.2*	*12.6*	*15.7*	*18.0*	*19.9*
P/E	**29.0**	**27.3**	**26.8**	**18.9**	**16.5**	**15.2**
EV/EBITDA	**21.7**	**17.0**	**17.0**	**12.4**	**11.1**	**10.4**
P/BV	10.50	7.78	6.18	4.76	3.76	3.07
FCF yield %	***2.7***	***3.0***	***1.1***	***3.4***	***4.5***	***5.6***
Post-tax RoCE (%)	*22.0*	*20.7*	*18.8*	*22.8*	*20.9*	*18.3*
RoIC (%)	*26.6*	*25.3*	*22.1*	*26.6*	*25.7*	*25.2*
RoE (%)	***43.4***	***32.7***	***25.7***	***25.1***	***22.8***	***20.2***

Source: Nirmal Bang Institutional Equities Research

BUY

Sector: Oil and Gas

CMP: Rs506

Target Price: Rs608

Upside: 20.3%

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Key Data

Current Shares O/S (mn)	688.4
Mkt Cap (Rsbn/US$bn)	348/4
52 Wk H / L (Rs)	722/404
Daily Vol. (3M NSE Avg.)	1,412,910

Price Performance (%)

	1-M	6-M	1-Y
Gujarat Gas	(2.1)	3.4	(23.9)
Nifty Index	2.0	13.5	6.2

Source: Bloomberg

Bloomberg consensus EPS estimates Rs			
FY24E	*22.93*	*FY25E*	*26.89*

Future growth catalysts for gas sector stocks:

Gas Aggregators:

The **expansion of the gas grid by GAIL and new regulatory reforms proposed, including unified tariff**, an omnibus transportation system operator for equitable access to the gas grid, gas trading through exchange and potential pricing & tax reforms are all macro enablers for long-term growth in India's gas market.

The massive investments of more than US$15bn in CGD infrastructure is an added fillip for stimulating gas demand across major parts of India's vast landscape and population.

This, along with increased availability of gas over time from various gas development projects, including those of RIL/ONGC (both unrated) on the east coast, and likely increase in imported LNG based on the additional capacities being set up for LNG terminals along the western & eastern coastlines are likely to boost supply of gas. This in itself could be a great fillip to convert potential demand to actual consumption.

Gas is also being viewed as a long-term balancing fuel under energy transition to maintain grid stability as RE from solar & wind power face the problem of intermittency.

On a more sober note – all this potential cannot be harnessed unless the supply chain for field gas and LNG is more stable and visible with adequate support through investments to increase gas reserves & production and the LNG value chain, including LNG liquefaction, shipping and imports.

These efforts need to be supplemented by a pricing mechanism, which is transparent and incentivises gas producers, LNG production and shipping segments, gas transportation, CGD industry and gas consumers.

The journey towards energy transition will result in both opportunities as well as challenges for the Indian gas companies.

Opportunities will be based on govt policy support and the large untapped potential to increase the share of gas from 6.3% to 15%.

The challenges include ad-hoc policies, import dependence for gas and the potential threat of methane emissions across the gas value chain (as alluded to by the IEA). India is evaluating this risk, which we understand is so far under control.

Growth in vehicle conversions to CNG and new CNG models could offset the marginal risk from EVs**.**

The potential for **'Morbi type' ban on polluting fuels in favour of gas could be a fillip for a sharp increase** in PNG market growth in areas which are brought under such a ban by the National Green Tribunal or state government bodies.

The **potential introduction of GST** on gas is an added structural driver for encouraging fuel switching from alternatives under GST, which currently offers the benefit of input tax credit to consumers. This will also enable the gas sector to claim GST input credit on taxes paid on other purchases.

Exhibit 1: Sector operating assumptions

	FY23E	FY24E	FY25E
Brent Crude US$/bbl	99.2	75.00	70.00
APM gas price US$/mmbtu	6.8	6.5	5.9
Spot LNG price US$/mmbtu	29.4	27.50	14.33

Source: Nirmal Bang Institutional Equities Research

Sector drivers

Aggregator model - Gas transportation and LNG

Demand for gas will change based on the price which consumers are able to pay at each point of consumption, along the gas value chain. This is also a function of the competitiveness of gas as a fuel/feedstock vs other alternative.

In the Power sector, gas may emerge as the grid balancing fuel in the very long term under increased share of RE – to ensure 24x7 power supply – given that solar and wind energy are intermittent unless backed by storage investments.

LNG demand could stay strong over time based on increase in global LNG capacity and decline in oil price benchmark used for long term contracts of LNG. This could be subject to a floor of US$8-10/mmbtu in normal markets based on the marginal cost of new LNG projects. This could decline to US$6-8/mmbtu to the extent that cheaper ME, especially Qatar projects, increase the share in LNG supply and under easy demand-supply markets for gas.

In tight markets, with demand growth outpacing supply or plant problems/project delays causing prolonged supply bottlenecks could lead to higher demand and price of LNG in the spot market. And, this could support LNG liquefaction projects demand for a higher slope vs oil benchmark – every 1% increase in slope vs brent at US$60-70/bbl could imply contract prices increasing by US$0.6-0.7/mmbtu.

Indian gas consumption has been hurt over the last two years – especially in 1HFY23 due to the shortage of gas supply from Gazprom against its contract with GAIL and the spike in spot LNG prices to more than US$40/mmbtu in 2QFY23. The outlook for Indian gas consumption across all segments could improve based on expansion in Indian gas grid, potential fall in APM/spot LNG and eventually contract LNG in line with the forecast decline in global oil prices.

Policy and market enablers to support gas transportation expansion and CGD Cos with visible demand growth and pricing power

The recent changes in Gas pipeline regulation and proposed gas pricing reforms by Dr. Kirit Parikh panel are potential catalysts that could encourage investments in gas production, biogas, gas transportation network, LNG import and regas terminals and CGD network expansion. These factors, along with other policy and market enablers like unified gas transportation tariff and market price discovery for gas and wider acceptance of gas as a less polluting fuel (though not yet net zero) compared to petroleum fuels and coal.
We see the above catalysts supporting GGL's growth prospects.

YTD gas demand is under pressure after 7.25% YoY growth in FY22

Indian gas demand saw a CAGR of 2.8% over FY17-22 and just 0.3% during FY12-22. This improved to 4.8% over FY17-20 and 3% over FY17-22. The annual growth in FY22 was 7.25% - the highest in the last 12 years, and higher than the previous highs of 6.34%/6.24% in FY17/FY18. The YTD/Oct'22 trend is down 6%/9% YoY due to the shortage of gas and the steep increase in the prices of APM gas and imported spot LNG.

The Indian government is aiming to increase this share from 6.3% to 15% by CY30 through supportive gas allocation & pricing and the PNGRB awarding licenses to 201 GAs over the last three rounds of bidding, including the latest 11th round awarded in FY22. This has increased the no. of GAs awarded in all to 293.

Indian Natural Gas and LNG in numbers

Exhibit 2: Gas Production and Consumption Trend

Net Production (in MMSCM)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
ONGC+OIL	24993	25401	25242	23988	23242	24375	25743	26814	25726	23715	22774
Private/JVCs	21460	14352	9332	8705	7887	6473	5988	5242	4531	4068	10357
Total	**46453**	**39753**	**34574**	**32693**	**31129**	**30848**	**31731**	**32056**	**30257**	**27784**	**33131**
LNG Import	17997	17614	17801	18607	21388	24849	27439	28740	33887	33031	30776
#Total Gas Consumption	**64451**	**57367**	**52375**	**51300**	**52517**	**55697**	**59170**	**60796**	**64144**	**60815**	**63907**
LNG share (%)	**27.9**	**30.7**	**34.0**	**36.3**	**40.7**	**44.6**	**46.4**	**47.3**	**52.8**	**54.3**	**48.2**

Source: PPAC, Nirmal Bang Institutional Equities Research; **# Total Consumption = Net Production + LNG import – this is apparent consumption from the supply side and is usually higher than the aggregate consumption based on end-use segment data.**

Exhibit 3: Natural Gas and LNG growth trend

Annual volume	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
#Total consumption (MMSCM)	64451	57367	52375	51300	52517	55697	59170	60796	64144	60815	63907
Annual Growth (%)	-	-11.0	-8.7	-2.1	2.4	6.1	6.2	2.7	5.5	-5.2	5.1
5-year rolling CAGR (%)	-	-	-	-	-	-2.9	0.6	3.0	4.6	3.0	2.8
LNG imports (MMSCM)	17997	17614	17801	18607	21388	24849	27439	28740	33887	33031	30776
Annual Growth (%)	-	-2.1	1.1	4.5	15.0	16.2	10.4	4.7	17.9	-2.5	-6.8
5-year rolling CAGR (%)	-	-	-	-	-	6.7	9.3	10.1	12.7	9.1	4.4
GDP Growth Rate (%)	5.2	5.1	6.6	7.5	8.2	8.2	7	6.5	4	-6.6	8.7
APM Gas Price (US$/mmbtu)	-	-	-	-	4.24	2.78	2.69	3.21	3.46	2.09	2.35
Spot LNG Prices (US$/mmbtu)	14.1	13.1	15.4	7.3	7.4	6.6	7.9	8.9	4.6	5.3	21.3

Source: PPAC, Nirmal Bang Institutional Equities Research; **RBI Annual Report; CRISIL Research; APM gas price is on GCV basis.**

Exhibit 4: Sector-wise total gas Consumption including LNG

Annual consumption (MMSCM)	FY20	FY21	FY22	1QFY23	2QFY23
Fertilizer	16115	17781	18079	4822	5069
CGD	10883	10836	12128	3135	3116
Power	11029	9230	8930	1793	1931
Refinery	7786	7911	5313	1139	1003
Petrochemical	3569	3072	2759	364	464
Others	7060	7286	12309	2855	3172
Total	**56442**	**56116**	**59518**	**14108**	**14755**

Source: PPAC, Nirmal Bang Institutional Equities Research

Exhibit 5: Sector-wise RLNG Consumption

Annual consumption (MMSCM)	FY20	FY21	FY22	1QFY23	2QFY23
Fertilizer	9556	11227	12363	3479	3683
CGD	5146	3564	5238	1288	1162
Power	3554	4456	2670	486	237
Refinery	6702	6136	3924	711	598
Petrochemical	3019	2660	2425	276	262
Others	3409	3590	3376	805	633
Total	**31386**	**31633**	**29996**	**7045**	**6575**

Source: PPAC, Nirmal Bang Institutional Equities Research

Exhibit 6: Sector-wise Domestic Gas Consumption

Domestic Gas consumption (MMSCM)	FY20	FY21	FY22	1QFY23	2QFY23
Fertilizer	6559	6554	5716	1343	1386
CGD	5737	7272	6890	1847	1954
Power	7475	4774	6260	1307	1694
Refinery	1084	1775	1389	428	405
Petrochemical	550	412	334	88	202
Others	3651	3696	8933	2050	2539
Total	**25056**	**24483**	**29522**	**7063**	**8180**

Source: PPAC, Nirmal Bang Institutional Equities Research

Exhibit 7: Sector-wise LNG Gas Consumption

RLNG share (%)	FY20	FY21	FY22	1QFY23	2QFY23
Fertilizer	59.3	63.1	68.4	72.1	72.7
CGD	47.3	32.9	43.2	41.1	37.3
Power	32.2	48.3	29.9	27.1	12.3
Refinery	86.1	77.6	73.9	62.4	59.6
Petrochemical	84.6	86.6	87.9	75.8	56.5
Others	48.3	49.3	27.4	28.2	20.0
Total	**55.6**	**56.4**	**50.4**	**49.9**	**44.6**

Source: PPAC, Nirmal Bang Institutional Equities Research

LNG economics

LNG contract price is likely to move with oil price trend as most contracts are linked with the last one month or quarter average brent crude price plus the added elements of transportation and insurance. Most LNG contracts are on ex-ship basis and the buying cost for user segments will also include the regassification cost, the local gas pipeline transportation tariff and any marketing margin by gas trading/marketing entity, which contracts with buyers to supply LNG.

The LNG train starts with gas production by upstream E&P company, the liquefaction of the field gas and then moves on to storage & transportation by LNG ships and receipt, unloading and regassification by onshore import and regassification terminals or FSRU.

The re-gassified LNG – RLNG is the same as gas produced in onshore and offshore fields and can be injected into the gas pipeline system. The only caveat is the methane content and other hydrocarbons while the calorific value/energy content may vary compared to the gas produced in India or abroad.

In a recent NBIE group investor virtual meet on APM gas report, Dr Kiri Parikh stated that the Qatar gas delivered price for LNG could see a floor of US$7/mmbtu on average even assuming basic feed gas cost of US$2/mmbtu for Qatar gas LNG project.

"Even if LNG output increases and the ex-factory price declines, the cost of LNG delivered to India will be higher by about US$5/MMBTU. If field gas price for Qatar gas cost drops to US$2/mmbtu, the impact of liquefaction/freight/regassification will add US$3/1/1 per mmbtu ~ increase of US$5/mmbtu. This would imply a delivered cost LNG ex-ship to India of US$7/mmbtu."

For KP panel gas price report KTAs – pl see Annexure – 1

We have raised estimates and TP for GGL

We have raised GGL's EPS estimates by 9.6%/8.5%/7.9% for FY23E/FY24E/FY25E based on the changes in APM gas price expected from 4QFY23, as per channel checks, although it is pending Cabinet approval. We are raising unit EBITDA assumptions based on lower APM gas price and spot LNG price, along with likely tailwind for volume growth, including from the Morbi tiles cluster.

Please note that in 2QFY23, lower volume in the Morbi segment (included in Industrial PNG sales) appears to have helped GGL's margins. This is because growth in Morbi segment volume entails higher purchase of expensive LNG and GGL may not be able to pass on the resultant increase in gas cost. Therefore, the reduction in Morbi volume in 2QFY23 helped GGL show lower gas cost and higher EBITDA of Rs9.2/scm - a beat of 56.3%. In our view, this has been a key driver for the material beat in earnings vs our/street estimates in both quarters in 1HFY23.

This offers visibility on healthy margins – if volume from the Morbi tiles sector suffers due to high gas cost and hits GGL volume, the company will see a decline in spot LNG gas share in its gas sourcing mix and hence there will be a material reduction in the cost of gas, which will boost gross and EBITDA margins. This is assuming that volume revives closer to normal levels once gas prices decline while the share of spot LNG in the mix and thereby the blended cost of gas may go up. GGL will still earn healthy EBITDA of Rs6.5-7/scm due to improved operating leverage gains based on higher volume. This is above the average unit margin earned in the past, although it is below the super normal unit margin earned in 1HFY23 - Rs8/scm, as the share of spot LNG dwindled to ~10% vs the usual 30-33%.

Exhibit 8: Earnings revision

Rs Mn	Revised estimates			Earlier estimates			*Revision (%/bps)*		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	182496	176753	170871	185077	184028	168694	*-1.4*	*-4.0*	*1.3*
EBITDA	28571	31870	33923	26427	29653	31668	*8.1*	*7.5*	*7.1*
EBITDA margin (%)	*15.7*	*18.0*	*19.9*	*14.3*	*16.1*	*18.8*	*137.7*	*191.7*	*108.0*
PAT	18410	21135	22918	16806	19477	21232	*9.5*	*8.5*	*7.9*
EPS	26.7	30.7	33.3	24.4	28.3	30.8	*9.6*	*8.5*	*7.9*
TP	**608**			**575**			***5.8***		

Note: EBITDA margin change in bps; *Source: Nirmal Bang Institutional Equities Research*

We have raised volume estimates a tad for FY24E and FY25E besides also reducing gas cost assumption based on the lower gas cost YTD FY23 and the likely fall in APM gas price and spot/contract LNG price in line with the decline in crude oil. This has resulted in our increased unit EBITDA assumptions.

Exhibit 9: Changes in operating assumptions

Rs Mn	Revised estimates			Earlier estimates			*% Revision*		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Volume mmscmd									
CNG	2.7	3.4	4.1	2.74	3.40	4.10	*1.54*	*0.01*	*0.06*
PNG	7.7	8.5	9.5	7.67	8.47	9.49	*-0.44*	*-0.34*	*-0.10*
Total Volume	10.4	11.9	13.6	10.41	11.87	13.59	*-0.02*	*0.01*	*0.02*
Per SCM									
Revenue	48.0	40.7	34.4	48.72	42.35	34.00	*-1.39*	*-3.94*	*1.29*
Natural gas cost	37.7	30.4	24.7	38.95	32.57	24.76	*-3.19*	*-6.72*	*-0.06*
EBITDA	7.52	7.33	6.84	6.96	6.82	6.38	*8.06*	*7.55*	*7.17*

Source: Nirmal Bang Institutional Equities Research

Key Catalysts:

- We have raised GGL's EPS estimates by 9.6%/8.5%/7.9% for FY23E/FY24E/FY25E.
- The reduced gas cost assumption of 3.2%/6.7%/0.1% in FY23E/FY24E/FY25E based on the lower gas cost YTD FY23. As a result, we have raised our unit EBITDA assumptions by 8.01%/7.6%/7.2% to Rs7.52/7.33/6.84 per scm in FY23E/FY24E/FY25E.
- FY23E-FY25E EPS CAGR of 11.6% based on 14.3% CAGR in volume and the above EBITDA/scm estimates. ROIC of 26.6%/25.7%/25.2% over FY23E/FY24E/FY25E vs average of 21.2% over FY19-22
- Balance sheet improving to net cash of Rs5.15bn/Rs18.69bn/Rs36bn from net debt of Rs4.6bn in FY22
- The risk of an interim pullback in LNG prices is a cause for concern, but this is priced in by the 20.3% fall in the stock YTD. Further, GGL has shown tactical adeptness in cutting sales to the sensitive tiles sector in Morbi as higher growth there entails pain of sourcing expensive spot LNG, which poses a risk to its margins.
- **GGL trades at 15.8x Sep'24E EPS. Our TP implies PE of 19x and P/BV of 4.1x on Sep'24E.**

Concerns:

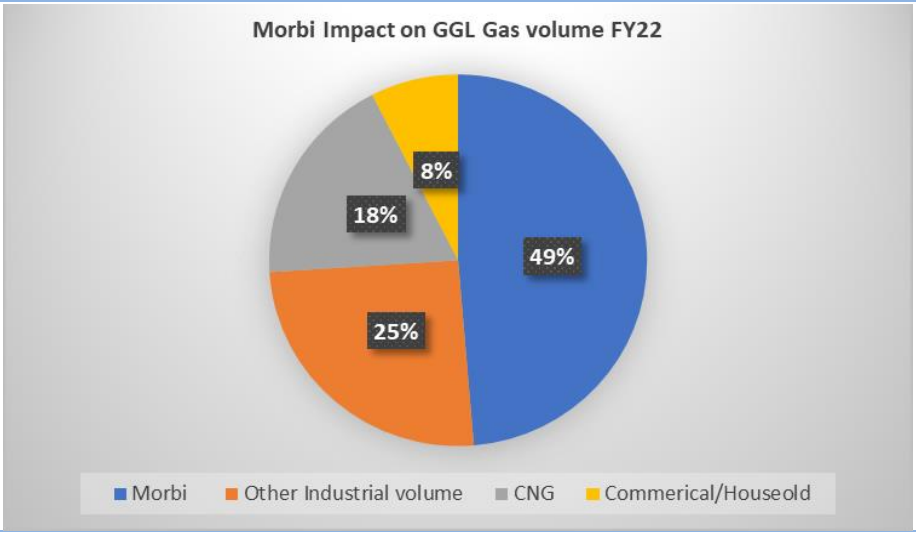
- Risk to volume from demand destruction in PNG and slowdown in CNG, if gas prices continue to rise and become less attractive as a fuel option for CNG/PNG customers
- Rising gas cost can hurt margins more if GGL is forced to sacrifice margins to maintain volume growth. So far, GGL has been able to limit the pressure on margins by sacrificing volume in the sensitive Morbi segment. This may not be possible all the time.
- Also, the Morbi tiles segment is vulnerable to: (1) slowdown in exports if gas price keeps rising and (2) the global economic slowdown, especially in the EU, which could hit the construction segment and reduce demand for tiles.

Exhibit 10: TP revision

Revised TP				Earlier TP			
WACC assumptions	**%**	**Valuation**	**Rs mn**	**WACC assumptions**	**%**	**Valuation**	**Rs mn**
Risk free rate	7.50	Terminal value	6,03,832	Risk free rate	7.50	Terminal value	5,76,755
Risk premium	5	PV of terminal value	2,71,435	Risk premium	5	PV of terminal value	2,59,263
Cost of equity	11.3	PV of FCFF	**1,35,421**	Cost of equity	11.3	PV of FCFF	**1,26,926**
Beta of the Stock x	**0.75**	Enterprise Value	**4,06,857**	Beta of the Stock x	**0.75**	Enterprise Value	**3,86,189**
Cost of debt	6.4	Net Debt	(11,919)	Cost of debt	6.4	Net Debt	(9,309)
Gearing x	0.00	Equity Value	4,18,775	Gearing x	0.00	Equity Value	3,95,498
Stable growth rate	**4.0**	Shares outstanding mn	688.4	Stable growth rate	**4.0**	Shares outstanding mn	688.4
Discounting period	9	**Equity value Rs/share**	**608**	Discounting period	9	**Equity value Rs/share**	**575**
WACC	11.3	CMP Rs	506	WACC	11.3		
		TP revision %	***5.8***				
		Upside/(Downside) %	***20.3***				

Source: Nirmal Bang Institutional Equities Research

Exhibit 11: Morbi's share in GGL volume



Source: Company, Nirmal Bang Institutional Equities Research

Impact on GGL valuation

The investment case in GGL – NBIE framework

The risk-reward for GGL, which was rosy under sub-US$10/mmbtu gas price with limited switching threat from propane, has become cloudy with LNG prices crossing US$35-40/mmbtu.

This implies pain for Morbi tiles industry:
…because tiles volume will suffer as the units there will cut production amid rising gas cost.

This could change for the better for GGL's PNG growth in Morbi, once LPG prices start to rise during the winter period of Oct'22-March'23. The absolute cost of fuel will become the focus area, irrespective of the savings in LPG/Propane or PNG. We note from S&P data that Aramco's Dec'22 and Jan' 23 posting for LPG is ~19.5%-25% higher at US$705/US$740 per tonne vs. Oct'22 level of US$590/tonne.

On the positive side, we see gas prices easing in the medium to long term as new LNG projects commence and additional volume is released for long-term contracts, which tend to be a lot more user-friendly and competitive. And, the recent dip in spot LNG prices could be an interim tailwind.

Key drivers of GGL's long-term cash flows

Our DCF based model, EBITDA per scm and cashflows hinge on:

a) The ability to pass on gas prices in full
b) Maintain reasonable volume growth in Morbi

To the extent that there is visibility on volume growth and gas prices are on a decline and soft, GGL sees enhanced pricing power and ability to improve margins in the long run by Rs0.5/unit to Rs1/unit in Industrial PNG, including the Morbi segment – the share of 56%/49% of GGL volume in FY21/FY22.

In CNG also, subject to the trajectory of MS/HSD pump prices (which is a function of crude, spreads and central & state taxes), CNG prices and margins can be tweaked up over time, when gas prices are on a downtrend trajectory.

Base case TP of Rs608:

Together with volume growth of 11.8% during FY24E-FY26E, GGL offers good value at CMP based on our base case DCF-based TP of Rs608 – this also includes the hit due to 10% of volume coming under open access each year in FY24E/FY25E.

We have also analysed the impact of change in EBITDA/scm and gas volume on GGL's EPS and valuation in the following exhibit.

Exhibit 12: GGL -Impact of open access, volume and margins - Base case vs Bull case

Rs/share	Scenario	FY23E EPS	FY24E EPS	FY25E EPS	DCF value	chg vs Base %
Base case	20% open access by FY25E	26.74	30.70	33.29	608	0
Bull case 1	Unregulated	26.74	31.88	35.89	688	13.15
Bull case 2	EBITDA/scm up Rs1	30.9	35.4	38.7	637	4.73
Bull case 3	volume up 10%	29.9	34.2	37.0	628	3.25
Bear case 1	EBITDA/scm down Rs1	22.6	26.0	27.9	580	-4.73
Bear case 2	volume down 10%	23.6	27.2	29.6	589	-3.25

Source: Nirmal Bang Institutional Equities Research

Key success factors for GGL

Gas cost and price:

The normal trend in PNG and CNG prices for CGD entities, including GGL is based on following:

a) The change in gas cost – depends on weighted average cost of domestic gas, contract or term gas and spot gas

b) For CNG and domestic PNG, a priority sector, government's APM gas price – this is now under review by a government panel headed by Mr Kirit Parikh, which is expected to submit its recommendations shortly.

c) For Industrial & Commercial segment, all CGD companies have to procure LNG; we learn that GGL depends on spot gas to the extent of ~33% of its industrial volume. The rest is a combination of term gas from Reliance, Vedanta and erstwhile BG contract and other term volume from group company and apex promoter GSPC (holding company of parent GSPL).

d) The pricing of GGL gas for Morbi affects 49% of GGL's total volume and hence is quite sensitive for Morbi customers and for GGL's volume and margins. The energy cost - coal, power and gas together - is 35-40% of the total production cost (Cpt) - gas alone is ~22-23% of Cpt.

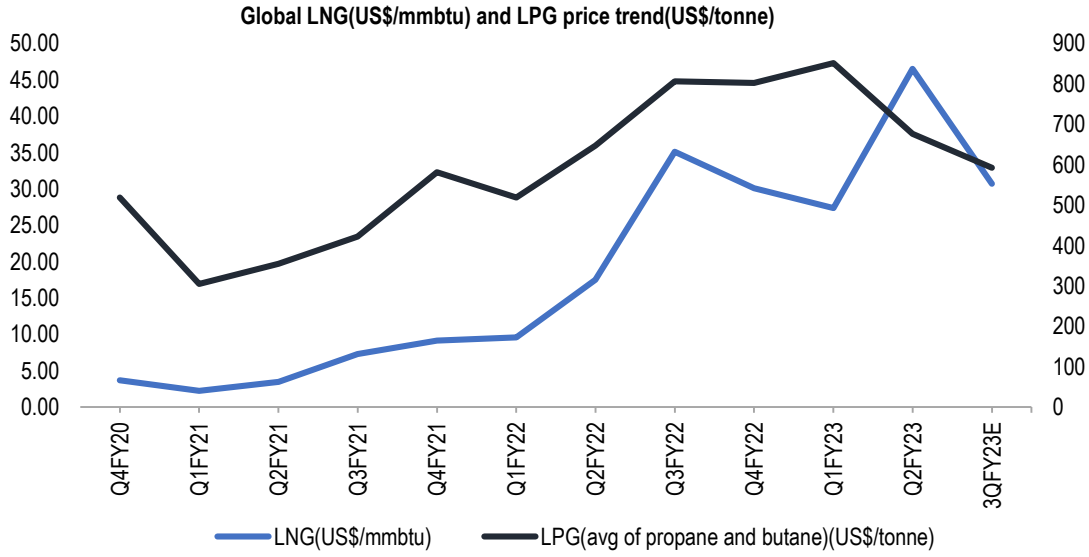
PNG to propane switching an overhang for GGL

The availability of a cheaper alternative in the form of LPG/Propane at Morbi has enabled material share of Morbi capacity switching to propane as fuel. We learn from CGD sources that GGL has likely lost ~2.5mmscmd to 3mmscmd of PNG volume to propane in recent months as the latter is ~15% cheaper than PNG at prevailing selling price for these two fuels.

This could change in favour of PNG in winter months as LPG prices increase due to higher demand in the northern hemisphere.

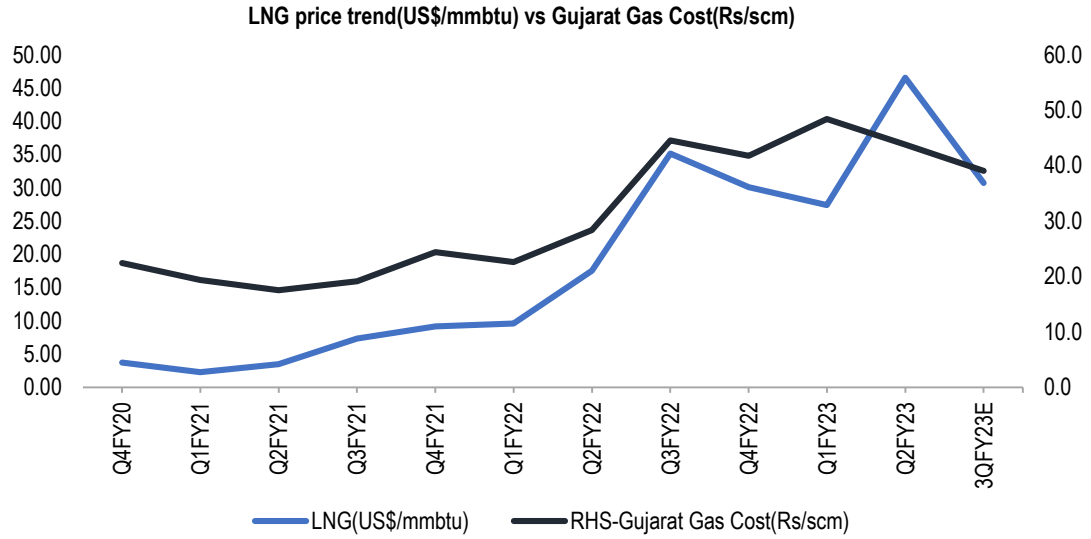
However, we would be guarded as the petroleum fuels, except diesel, have turned weak lately. **The prospects for petrochemicals and demand for gasoline determine demand for the naphtha cut in refining. The use of LPG as feedstock in petchem** in turn depends on the economics based on naptha prices.
If naphtha market is weak as it is today due to weak petchem demand and increased supply (as demand for gasoline is also weak), **then LPG demand for petchem is likely to weaken and hence could cap LPG prices until naphtha prices recover.**

Exhibit 13: Quarterly trend in global LNG & LPG prices



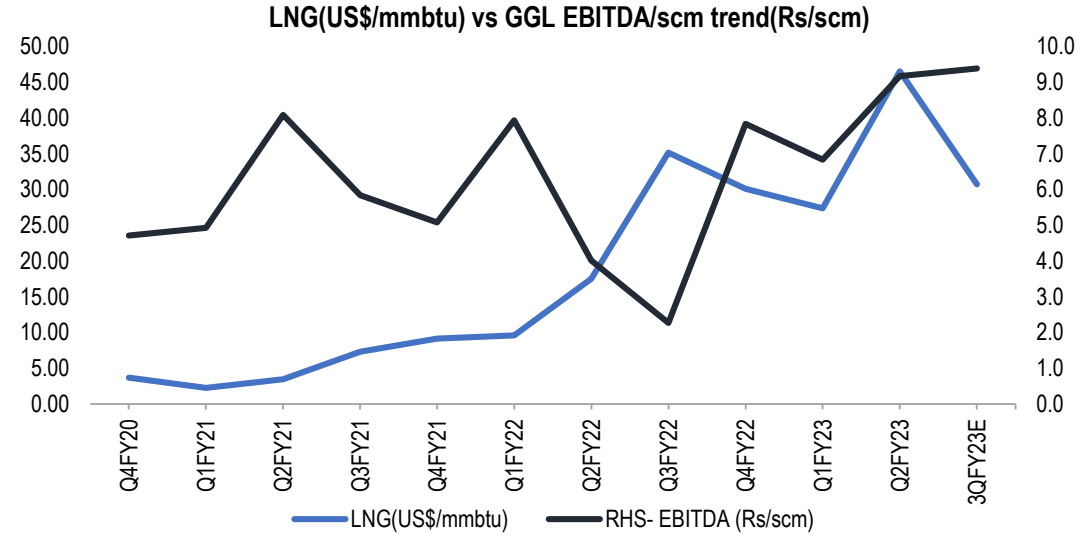
Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 14: Quarterly trend in global LNG prices and GGL gas cost per scm



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 15: Quarterly trend in global LNG prices and GGL EBITDA per scm



Source: Bloomberg, Nirmal Bang Institutional Equities Research

GGL gas volume:

The outlook for GGL's volume under normal gas cost is healthy based on Morbi's competitiveness in exports, the recent track record and the ability to take advantage of the volume vacated by China's ceramic tiles industry due to the latter's focus on reducing pollution and inability to sustain market confidence as a reliable vendor.

However, the increase in spot LNG price has increased production cost for the Indian tiles industry as gas is 22-23% of Morbi tiles sector's opex.

In 4QFY22, the Morbi gas sales volume fell from the normal level of 6.5mmscmd initially to 5.5mmscmd, then to 4.4mmscmd and further down to 3.6mmscmd as GGL had to cut volume sourced at marginal cost of spot LNG to preserve margins at the expense of volume. In 1QFY23 also, Industrial PNG volume was down by 7.5% YoY and a tad below 4QFY22 volume. In 2QFY23, Industrial PNG volume was down by 48.6% YoY.

To understand how gas volume and gas price affect GGL business – let us look at the sensitivity analysis of a 5% change in gas volume and a 5% change in gas cost.

The sensitive analysis below shows the impact of change in volume or gas cost on GGL's earnings.

Exhibit 16: GGL -Sensitivity analysis

	FY24E	FY25E
Company volume down	**5%**	**5%**
Base case volume mmscm	4345	4962
Impact of 10% cut mmscm	-217	-248
Change in Revenue Rs Mn	-8838	-8544
EBITDA Rs Mn	-1593	-1696
Change in EBITDA Rs Mn	-1593	-1696
change in PAT Rs Mn	-1192	-1269
Change in PAT%	**-5.6**	**-5.5**
Cost of gas up	**5%**	**5%**
Rs/scm impact	**-1.52**	**-1.24**
Impact on EBITDA Rs Mn	-6,601	-6,138
Change in PAT Rs Mn	-4,937	-4,592
Change in PAT%	**-23.4**	**-20.0**

Source: Nirmal Bang Institutional Equities Research

If the cost of gas were to fall by 5% from our base case, the above result will be reversed and implies a 20% upside in FY25E PAT.

GGL operating assumptions

Exhibit 17: Operating assumptions and margins

	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY30E
Annual volume - MMSCM							
CNG	543	475	748	1001	1245	1497	2230
PNG Vol	2,911	2,952	3,334	2,798	3,100	3,464	5,581
Total volume	3,454	3,427	4,082	3,799	4,345	4,962	7,811
Daily volume run rate - mmscmd							
CNG	1.5	1.3	2.0	2.7	3.4	4.1	6.1
PNG	8.0	8.1	9.1	7.7	8.5	9.5	15.3
Total	9.44	9.39	11.18	10.41	11.87	13.59	21.40
PER SCM financials							
Revenue	29.82	28.75	40.32	48.04	40.68	34.44	32.60
Gas cost	22.82	20.40	32.92	37.71	30.38	24.74	23.08
Gross margin	7.00	8.36	7.40	10.33	10.30	9.69	9.52
OPEX	2.27	2.27	2.31	2.81	2.96	2.86	2.68
EBITDA	4.73	6.09	5.09	7.52	7.33	6.84	6.84
PBT	3.50	4.97	4.23	6.47	6.50	6.17	7.31
PAT	3.47	3.72	3.18	4.84	4.86	4.61	5.47
Vol Growth %							
CNG	6.26	-12.52	57.44	33.81	24.38	20.31	8.29
PNG	56.34	1.41	12.93	-16.07	10.80	11.74	10.01
GGL Volume	45.55	-0.78	19.10	-6.93	14.38	14.19	9.50

Source: Company, Nirmal Bang Institutional Equities Research. Please note volume growth for FY30E is 5 year CAGR growth

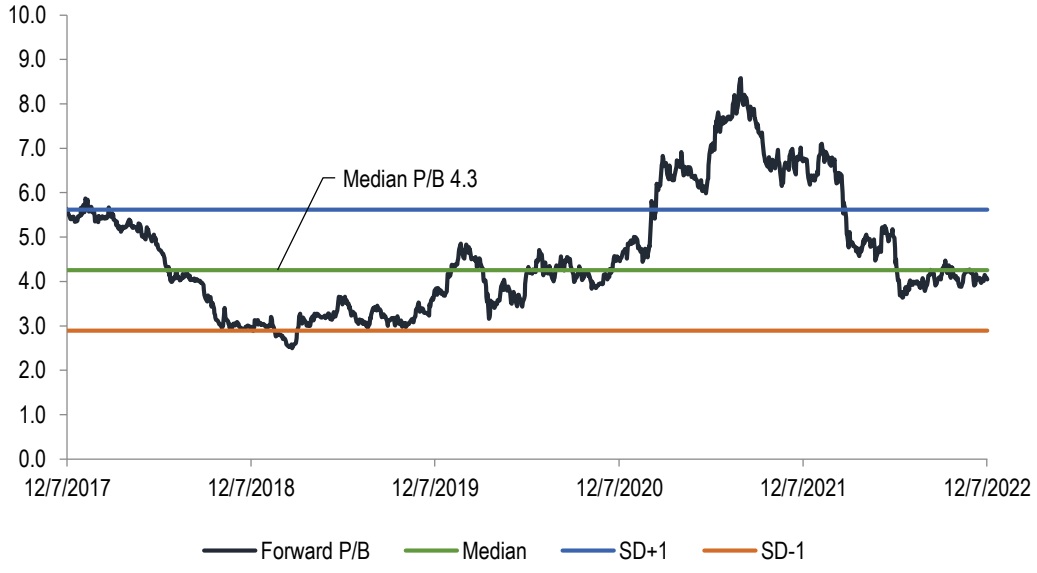
Exhibit 18: GGL quarterly volume and financials per unit of gas sold

Margins (%)	2QFY22	2QFY23	*Ch YoY%*	1QFY23	*Ch QoQ%*	2QFY23E	*Var. (%)*
Gross	17.6	22.8	*523*	16.9	*595.4*	16.3	*650*
EBITDA	11.6	16.2	*460*	11.7	*443.1*	10.9	*530*
PAT	6.8	10.2	*339*	7.4	*278.6*	6.4	*373*
Effective Tax rate	25.6	25.2	*-36.7*	25.1	*9.4*	25.2	*0.0*
Per scm (Rs)							
Net Revenues	34.5	56.7	*64.3*	58.3	*-2.7*	54.0	*5.0*
Gross	6.1	13.0	*113.1*	9.8	*31.7*	8.8	*46.8*
EBITDA	4.0	9.2	*129.7*	6.8	*34.1*	5.9	*56.3*
PAT	2.3	5.8	*146.7*	4.3	*34.0*	3.5	*66.3*
Volumes (MMSCM)							
Industrial	799.5	411.2	*-48.6*	603.3	*-31.8*	514.1	*-20.0*
CNG	180.3	213.4	*18.4*	222.0	*-3.9*	234.4	*-8.9*
Domestic PNG	58.9	63.5	*7.8*	50.1	*26.8*	61.8	*2.7*
Commercial PNG	11.0	12.9	*16.7*	11.8	*8.9*	11.6	*11.1*
Total mmscm	**1049.7**	**701.0**	***-33.2***	**887.3**	***-21.0***	**821.9**	***-14.7***
Total Volumes (mmscmd)	**11.41**	**7.62**	***-33.22***	**9.75**	***-21.85***	**8.93**	***-14.7***

Source: Company, Nirmal Bang Institutional Equities Research. Margin(%) changes are in bps

New customer adds in 2QFY23: GGL added 45,400/61/257 new domestic/industrial/commercial customers **and 20 CNG stations**. As on 30th September, 2022, **the company had signed volume of 5,60,000scmd, which is in the process of being commissioned.**

Exhibit 19: Long-term 1-year Fwd P/B band chart



Source: Company, Nirmal Bang Institutional Equities Research

Annexure 1: Dr Kirit Parikh report on gas pricing policy

KTA on group call with Dr. Kirit Parikh

Dr. Kirit Parikh mentioned different pricing mechanisms prevalent for various types of gas blocks awarded under different policies.

He elaborated on three of the fields as follows:

APM (Administered Pricing Mechanism) with government determined prices on the fields allocated to ONGC and OIL by GOI. This was the prime focus of this committee

HTHP fields based on revenue/profit sharing mechanism, which enjoys some amount of pricing freedom but with a price ceiling.

Third type of field where after Feb 2019 a complete pricing freedom was granted.

Dr. Parikh stressed on the three relevant areas affected by the pricing mechanism and the focus of the committee.

CNG: Growing in relevance as it is less polluting than petrol and diesel and also less polluting than BS-6 vehicle norms

PNG: For domestic use, which reduces indoor pollution compared to other fuels.

Urea Fertilizer Segment: Where farmers are given urea fertilizers at low cost and the producers are also adequately compensated through subsidy. So, pricing is of little worry for this sector, except that the government subsidy bill may increase because of higher cost of Natural Gas.

In 2014, when the current gas pricing was introduced, APM price was determined in India using the weighted average cost of producers in international market based on 12 months weighted average. This pricing formula was then implemented after three months. This resulted in the APM price being revised biannually using 12-month's average price as above with a 3-month lag.

India currently imports ~50% of LNG. So, this mechanism is not a sustainable solution to gas pricing as the prices have a lag effect and current cost of import is very high. Based on this issue, the Kirit Parikh Committee suggested that prices should be linked to imported crude and that it must be revised every month based on previous month average. This is likely to maintain the competitiveness of CNG vs Diesel and PNG vs LPG as the price of all these fuels will be linked to the crude. So, rise/fall in one would be matched by rise/fall in the other.

Gas price floor and ceiling rationale

The floor price of US$4/mmbtu was determined so that gas producers like OIL and ONGC can recover their marginal extraction cost (mc) and earn nominal profit; mc as per his calculation comes to ~US$3.6/mmbtu and the balance is the royalty share of government.

Ceiling price of US$6.5/mmbtu was determined keeping in mind the comfort level of CGD sector, which was satisfied with the APM gas price of US$6.1/mmbtu price fixed for 1HFY23.

Exhibit 20: Gas Price floor and ceiling

Gas Panel APM Gas price	US$/mmbtu	Remarks
Upper cap	6.5	In line with 1HFY23 APM price
Floor	4	To cover breakeven price for ONGC OIL net of 10% royalty

Source: Company, Nirmal Bang Institutional Equities Research

The three objectives before this committee:

Increasing the share of Natural Gas in India's energy basket from the current level of 6.3% to 15% by 2030.

The above objective led to the second objective of the need to encourage increase in domestic production of natural gas. These incentives must be given for NG exploration and production. For this, the committee recommended free price/market pricing for APM gas 4th year onwards i.e. from 1st January, 2027 and for DW/UDW and HTHP fields from 1st January, 2026.

The last objective was to protect consumers without putting pressure on government budget. The floor and cap price mechanism was recommended to take care of this objective.

Also, the committee recommended bringing NG under the GST regime.

GST implications and how will it be implemented

Dr. Parikh commented that GST will enable uniform pricing and less complexities. Also, in our view, input tax credit will now be available to pay off against output liabilities, which will be beneficial for all as tax incidence will be lower. GST will be implemented in consultation with the three most affected states - AP, MH and Haryana (also NCR). According to Dr Parikh, the Centre can compensate states for a few years for the revenue lost. The GST rate should be determined in a manner, which is revenue neutral at least on the central level. The **Government can also continue to use the excise duty with a reduced rate**.

Gas allocation

Dr. Parikh said that allocation will need to be done by the Government as everyone cannot expect cheaper APM gas. He also commented that some sort of a system needs to be put in place as every gas producer and distributor should have certain obligation (say a % of overall volume) to supply to rural areas. Private players cannot just supply to urban areas for obvious cost benefit and leave the rural India to PSUs.

Gas price for HTHP field

Dr. Parikh said that three years' timeframe was given for market dependent pricing formula because majority contracts entered with this field are expiring in 2-3 years' time. This will avoid any legal cases and issues which might crop up if prices are left to be determined by the market before the contract expires.

Exhibit 21: Framework for estimating APM gas price

	Rising oil price scenario			Falling oil price scenario		
1M AvgBrent crude US$	60.0	64.0	66.0	65.5	60.0	39.0
slope (%)	10.0	10.0	10.0	10.0	10.0	10.0
Slope based gas price	6.0	6.4	6.6	6.6	6.0	3.9
cap	6.5	6.5	6.5	6.5	6.5	6.5
floor	4.0	4.0	4.0	4.0	4.0	4.0
APM gas price applicable	**6.0**	**6.4**	**6.5**	**6.5**	**6.0**	**4.0**

Source: Company, Nirmal Bang Institutional Equities Research

Query on: Impact on gas price and CNG/PNG competitiveness if crude prices hit US$70 in FY24 and gas price is US$7 using 10% slope on crude

How will the CGD companies remain competitive while the Diesel and Petrol prices fall with falling crude?

To this, Dr. Parikh answered that in such scenarios APM prices would also have to be recalibrated and would depend on prevailing retail prices of PNG and LPG at that particular point in time. Also, with the PNG infrastructure already in place, the existing customers will not switch to alternate sources for at least a short period.

The impact of increase in LNG supply in CY26/CY27 on gas pricing for India.

Even if LNG output increases and the ex-factory price declines, the cost of LNG delivered to India will be higher by ~US$5/mmbtu. If field gas price for Qatar gas cost drops to US$2/mmbtu, the impact of liquefaction/freight/regassification will add US$3/1/1 per mmbtu - an increase of US$5/mmbtu. This would imply a delivered cost of LNG (ex-ship) to India of US$7/mmbtu.

Gas pricing post deregulation

This has to based on market mechanism. The gas exchange currently handles only ~5-20% of the total gas volume.

80% of the gas offered on the exchange has no buyers

And 70% of the bid volume could not be met as the offer price was way above the bid price ~ high bid-offer spread.

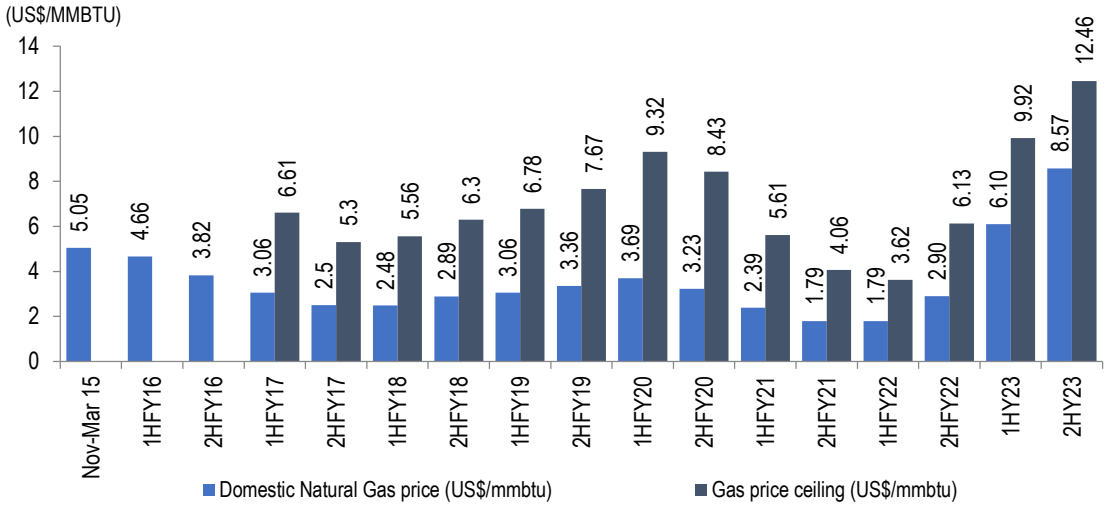
OMC losses on retail sales of MS/HSD because of prices being frozen

Dr. Parikh said that the think tank headed by him, IRADe, had suggested deregulation of diesel prices, which would be beneficial in the longer term as over a 2-year period the rate of inflation is likely to decline, although in the short term, it would increase transportation cost and push up the inflation rate. And, the government in the past has acted on this by gradually increasing diesel prices. Regulating prices as it is being done now would put pressure on OMCs and the government. This would lead to higher fiscal deficit due to the rise in government spending on subsidies and PSU losses. Ultimately, inflation will be higher than what it would have been under free market price mechanism.

NBIE View: CGD companies can benefit from improved competitiveness of CNG and domestic PNG support volume growth; margins unlikely to increase as the cut, if any, in APM gas price is likely to be passed on - at least in the near term, in line with government's expectation in going for this review of gas pricing. The gas aggregators could see enhanced growth in gas volume as the revised gas pricing and eventual deregulation could support growth the gas market and increase in the overall gas consumption, subject to gas price being competitive and economically viable for the users.

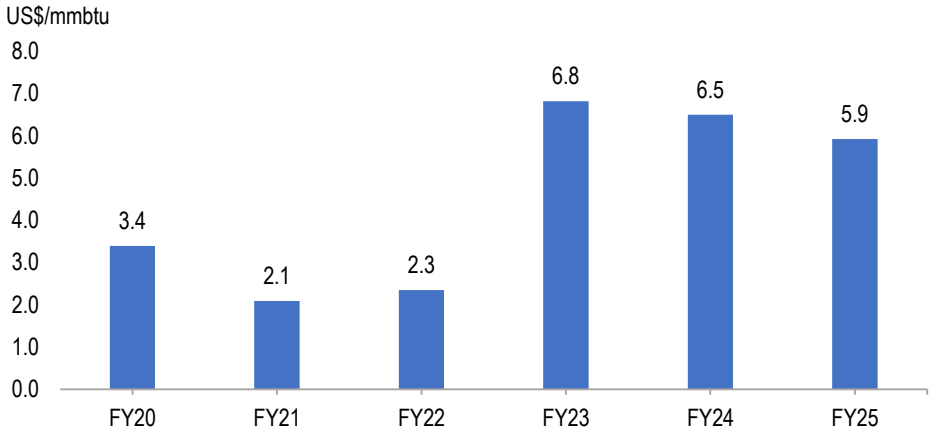
Annexure 2: Oil & Gas price trends

Exhibit: 22: APM gas price chart



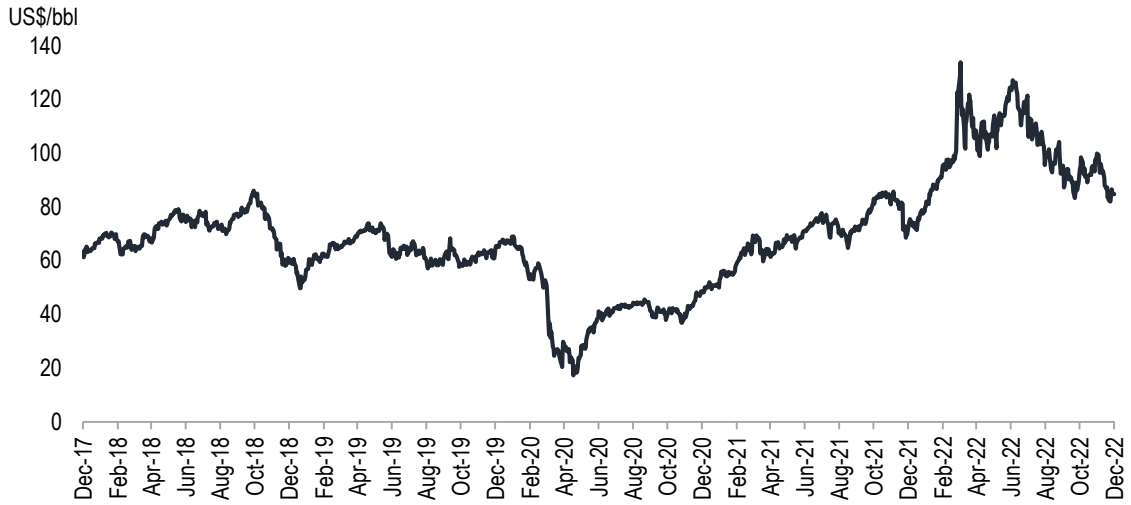
Source: PPAC, Nirmal Bang Institutional Equities Research. Note: DW- Deep Water, HT- High Temperature; 2HFY23 domestic gas price base on Oct'22 notification, it could decline if new ceiling is introduced in Jan'23

Exhibit 23: APM gas price outlook



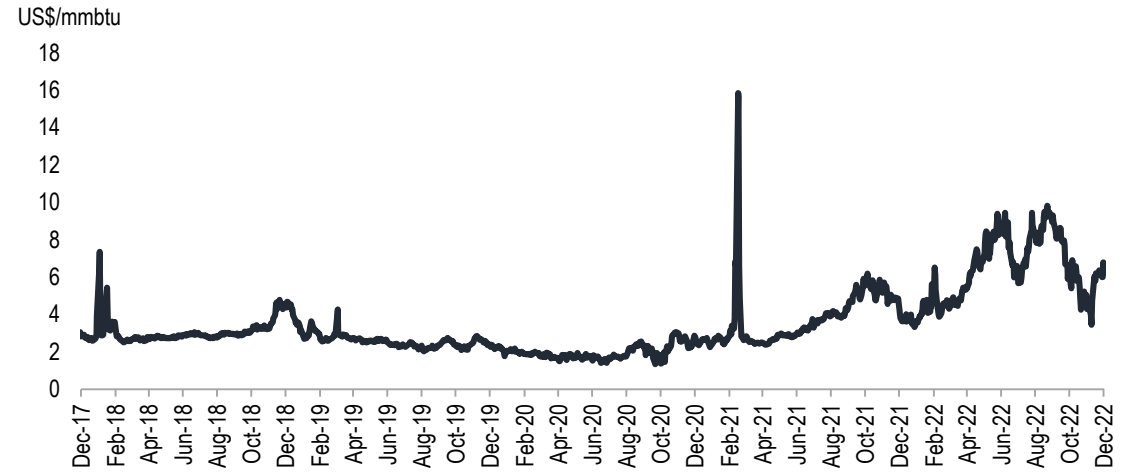
Source: PPAC, Nirmal Bang Institutional Equities Research; note FY23E based on new ceiling price coming into effect from Jan'23

Exhibit 24: Dated Brent crude price trend



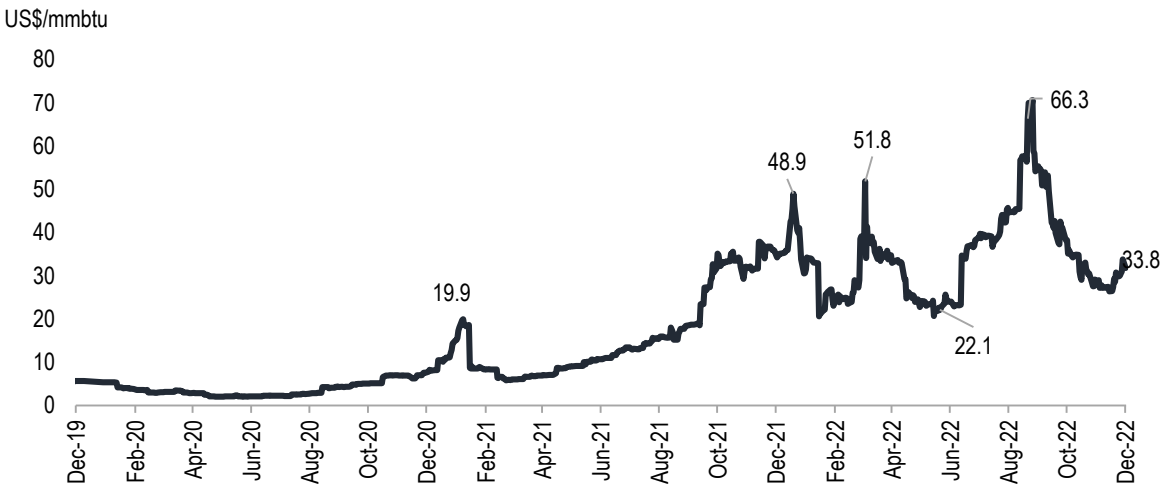
Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 25: Henry hub natural gas price trend



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 26: LNG Japan/Korea market Spot 1-month Swap



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Consolidated Financials

Exhibit 27: Income statement

Y/E March (Rsmn):	FY21	FY22	FY23E	FY24E	FY25E
Net Revenue	**98,543**	**1,64,562**	**1,82,496**	**1,76,753**	**1,70,871**
y/y	*-4.33*	*67.00*	*10.90*	*-3.15*	*-3.33*
Raw Material Expenses	69,898	1,34,369	1,43,239	1,32,010	1,22,770
RM/Sales %	*70.9*	*81.7*	*78.5*	*74.7*	*71.8*
Employee cost	1,775	1,909	1,981	2,525	2,751
Other expenses	5,992	7,522	8,704	10,348	11,428
EBITDA	**20,878**	**20,763**	**28,571**	**31,870**	**33,923**
y/y	*27.75*	*-0.55*	*37.60*	*11.55*	*6.44*
Depreciation	3,408	3,849	4,285	4,789	5,265
EBIT	**17,470**	**16,914**	**24,286**	**27,080**	**28,658**
Interest Expense	1,163	568	618	282	225
Other Income	742	909	925	1,425	2,175
PBT (adjusted)	**17,048**	**17,254**	**24,593**	**28,224**	**30,608**
Income Tax Expense	4,292	4,278	6,206	7,112	7,713
JV/Assoc PAT/loss(+/-)	21	16	23	23	23
PAT	**12,777**	**12,993**	**18,410**	**21,135**	**22,918**
EPS (Rs)	**18.56**	**18.87**	**26.74**	**30.70**	**33.29**
y/y	*6.58*	*1.69*	*41.69*	*14.80*	*8.44*

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 28: Cash flow

Y/E March (Rsmn):	FY21	FY22	FY23E	FY24E	FY25E
PBT	**17,048**	**17,135**	**24,593**	**28,224**	**30,608**
Add depreciation	3,408	3,849	4,285	4,789	5,265
Other expenses/(Income)	798	92	(307)	(1,144)	(1,950)
Change in W/C	537	93	1,175	(207)	(212)
Income tax	4,166	4,364	6,206	7,112	7,713
Cashflow from Operations (A)	16,552	16,620	21,190	24,964	26,421
Capex	(7,512)	(13,663)	(10,169)	(10,848)	(9,123)
Purchase/(Sale) of Investments	974	-	-	-	-
Income on Investments	432	330	925	1,425	2,175
Other Income	3	398	-	-	-
Total Investments	**(6,103)**	**(12,935)**	**(9,244)**	**(9,423)**	**(6,948)**
Free cash flow	**10,449**	**3,684**	**11,946**	**15,541**	**19,473**
Cashflow from Investing (B)	(6,103)	(12,935)	(9,244)	(9,423)	(6,948)
Increase/(Decrease) in borrowings	(11,016)	(4,193)	(1,131)	(730)	973
Lease liability payments	(134)	(186)	-	-	-
Dividends (including tax) paid	-863.3	-1374.7	-1548.9	-1721	-1893.1
Interest expense	-1,163	-531	-618	-282	-225
Cashflow from Financing (C)	-13,177	-6,284	-3,298	-2,732	-1,145
Ch in Cash and Cash equiv	-2,728	-2,600	8,648	12,809	18,328
opening cash	5,494	2,766	166	8,814	21,623
closing cash	2,766	166	8,814	21,623	39,951

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 29: Balance sheet

Y/E March (Rsmn):	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	1,377	1,377	1,377	1,377	1,377
Reserves and Surplus	43,398	54,923	71,760	91,151	1,12,153
Networth	44,775	56,299	73,137	92,528	1,13,529
Long Term Borrowings	7,700	3,910	3,040	2,432	1,946
Deferred Tax Liabilities [Net]	7,925	8,077	8,077	8,077	8,077
Other Long term liab.	629	688	688	688	688
Provisions	518	538	538	538	538
Lease Liabilities	704	1,253	1,253	1,253	1,253
Current Maturities	1,273	901	640	518	1,977
Trade Payable	4,488	4,471	4,967	4,811	4,651
Security Deposits	10,716	13,265	13,265	13,265	13,265
Short term provisions	245	329	329	329	329
Other current liabilities	6,412	6,142	6,142	6,142	6,142
Total Capital And Liabilities	**85,384**	**95,873**	**1,12,077**	**1,30,582**	**1,52,396**
Net Block	60,390	66,299	77,897	86,422	90,699
Capital Work-In-Progress	7,075	9,659	3,945	1,479	1,060
IUD	240	264	264	264	264
Investments in JVs and Assoc	281	297	297	297	297
Non-Current Investments	197	224	224	224	224
Long term loans and advances	22	36	36	36	36
Other Non-Current Assets	3,780	5,195	5,195	5,195	5,195
Inventories	522	534	586	567	548
Trade Receivables	7,747	9,301	10,953	10,608	10,255
Cash And Cash Equivalents	2,766	198	8,814	21,623	39,951
Bank bal other than cash	444	15	15	15	15
Other Current Assets	1,920	3,853	3,853	3,853	3,853
Total Assets	**85,384**	**95,873**	**1,12,077**	**1,30,582**	**1,52,396**

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 30: Key ratios

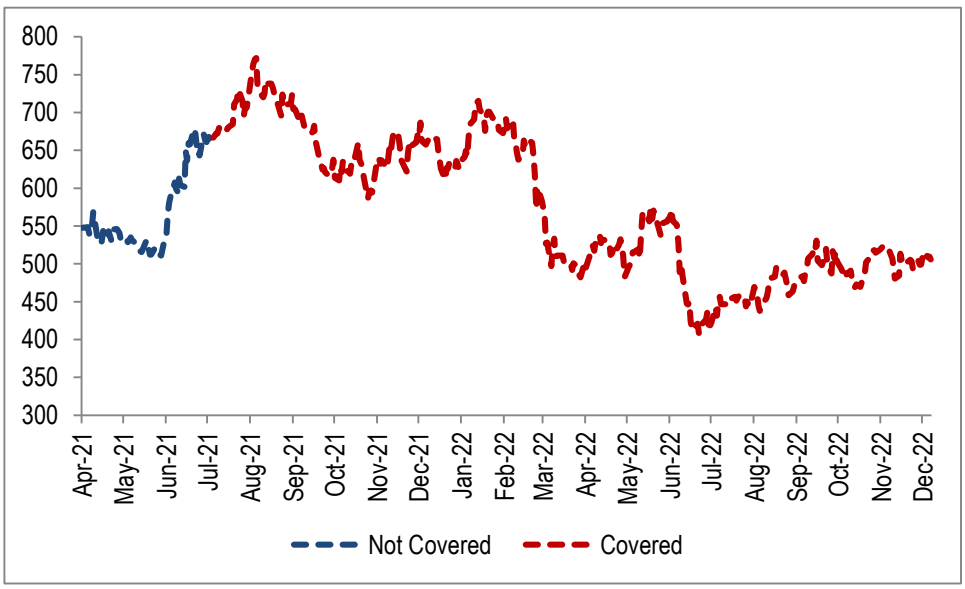
Y/E March	FY21	FY22	FY23E	FY24E	FY25E
Profitability & return ratios					
EBITDA margin (%)	21.2	12.6	15.7	18.0	19.9
EBIT margin (%)	17.7	10.3	13.3	15.3	16.8
Net profit margin (%)	13.0	7.9	10.1	12.0	13.4
RoE (%)	32.7	25.7	25.1	22.8	20.2
Post-tax RoCE (%)	20.7	18.8	22.8	20.9	18.3
RoIC (%)	25.3	22.1	26.6	25.7	25.2
Working capital ratios					
Receivables (days)	23.8	18.9	21.9	21.9	21.9
Inventory (days)	1.8	1.2	1.2	1.2	1.2
Payables (days)	15.1	9.9	9.9	9.9	9.9
Cash conversion cycle	10.5	10.1	13.1	13.1	13.1
Leverage ratios					
Net debt (Rsmn)	**5,763**	**4,598**	**-5,149**	**-18,688**	**-36,043**
Net Debt (cash)/Equity (X)	0.13	0.08	-0.07	-0.20	-0.32
Net Debt/EBITDA	0.28	0.22	-0.18	-0.59	-1.06
Valuation ratios					
EV/sales (x)	3.6	2.2	1.9	2.0	2.1
EV/EBITDA (x)	17.0	17.0	12.4	11.1	10.4
EV/FCF	33.9	96.1	29.6	22.8	18.2
P/E (x)	27.3	26.8	18.9	16.5	15.2
P/BV (x)	7.8	6.2	4.8	3.8	3.1
FCF Yield (%)	3.0	1.1	3.4	4.5	5.6
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.5
Per share ratios					
EPS	18.56	18.87	26.74	30.70	33.29
Cash EPS	23.51	24.47	32.97	37.66	40.94
BVPS	65.04	81.78	106.24	134.41	164.92
DPS	2.00	2.00	2.25	2.50	2.75

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price	Target price (Rs)
5 July 2021	Acc	665	710
7August 2021	Acc	737	751
26 September 2021	Acc	621	671
13 October 2021	Acc	631	610
29October 2021	Acc	593	587
9 February 2022	Sell	665	544
11 May 2022	Acc	537	595
14 July 2022	Acc	456	500
4 August 2022	Acc	464	510
15 September 2022	Acc	514	520
11 November 2022	Buy	495	575
8 December 2022	Buy	506	608

Rating track graph



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BUY> 15%

ACCUMULATE-5% to15%

SELL< -5%

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