

Institutional Equity Research

# Indraprastha Gas

Oil & Gas | India

Company Update | 22 October, 2021

CMP* (Rs)	491
Upside/ (Downside) (%)	27
Bloomberg Ticker	IGL IN
Market Cap. (Rs bn)	344

**BUY** 

1 Year Target Price: Rs622

## EV vs CNG; TCO Economics Favour CNG

### New Geographical Areas and Higher CNG Car Conversion to Drive Volume

Indraprastha Gas (IGL) volume clocked a robust 11% CAGR over FY15-FY20, driven by a strong 10%, 15% and 14% growth in CNG, domestic PNG and industrial/commercial segments, respectively. Mandatory CNG conversion of radio/inter-city cabs and LCVs and a strong rise in the number of DTC fleet were the key volume drivers in the past. Looking ahead, we believe IGL's volume growth will be driven by: (1) expected ~1.7mmscmd volume (32% of FY21 total sales volume) from new geographical areas; (2) expected ~0.6mmscmd volume (11% of FY21 total sales volume) led by pollution control norms to push the growth of PNG industrial in NCR; still a sizeable number of industries to switch to PNG industrial; (3) likely savings of 51%/47% in CNG-fueled vehicles vs. petrol/diesel-driven vehicles, respectively, which will fuel the growth in conversion of cars to CNG; and (4) PNG domestic gas prices are 37% cheaper than the LPG non-subsidized cylinder.

### Very Limited Disruption to CNG Volume Growth Story in Delhi

In the near future, we do not see major threat to the conversion of cars to CNG. Based on our preliminary analysis, the total cost of ownership (TCO) of CNG cars is Rs7/km, compared to Rs11/km for electric cars. In Delhi, the EV vehicle addition rate for 2QFY22 was ~3,000 per month, though the majority of registered EVs are e-rickshaws, followed by electric two-wheelers and a very minimal number of EV cars. The share of electric vehicles in new vehicles registered in 2QFY22 was only 3.3%. However, the overall conversion of vehicles to CNG and new registrations of CNG have reached 15k/month. CNG cars (private + cabs + taxi) contribute ~50% to IGL's total CNG sales volume. Going forward, we expect CNG car conversions to accelerate from the existing fleet of petrol and diesel due to the high fuel prices. We expect a healthy conversion of CNG cars to contribute to a CNG volume CAGR of 21% during FY21-FY24E. 3W auto rickshaw conversion to the electric mode and removal of cap on auto rickshaw permits could be a drag on CNG volume growth. Based on our preliminary analysis, TCO for an electric auto rickshaw stood at Rs1/km (if charging at Rs4.5/KWh), and TCO is slightly higher for electric auto rickshaw as a battery swapping option (Rs150 for a single swap). In comparison with electric auto rickshaw, TCO for CNG 3W auto rickshaw stands at Rs3/km, which is higher than the electric auto. As per the current Govt policy, only 1 lakh 3W auto rickshaws can be converted into the electric mode in Delhi, and we estimate this could translate to a 7% CNG volume loss for IGL in FY24E.

### Attractive Valuation; Reiterate Buy

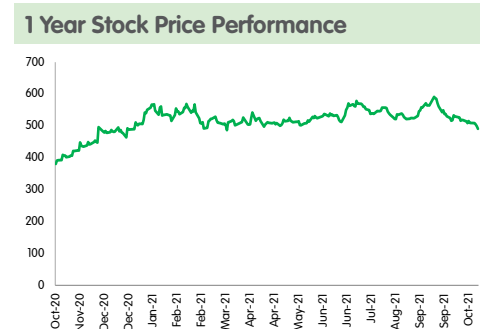
IGL underperformed the broader index by 20% over the last one year, as restricted movement of vehicles during the pandemic hit FY21 CNG volume by 22% YoY (CNG accounts for ~70% of IGL's overall FY21 volume). However, we expect CNG sales to rise going ahead given (1) receding pandemic concerns; (2) expanding vaccination coverage; (3) continued preference for personal mobility; and (4) favorable fuel economics (CNG ~51% cheaper to petrol). IGL's valuation appears to be inexpensive, as we believe the stock does not reflect the likely 19% volume CAGR over FY21-24E and the expected EBITDA margin of ~Rs8.5/scm in FY24E. We raise the revenue estimates by 2% and 21% for FY22E and FY23E, respectively and have introduced FY24 estimates. In the last 3 months, street has raised the consensus EPS estimates of IGL by 21%/6% for FY23E/FY24E respectively. We value the company's standalone business at Rs580 (DCF basis), and its 50% stake in Maharashtra Natural Gas (MNGL) and Central UP Gas at ~Rs41 (13x FY24E EPS). **We maintain our BUY rating and have shifted to a 1-year target price from the earlier 2-year. As we enter 2HFY22, we roll forward the SOTP valuation to FY24E and increase the target price to Rs622 (earlier Rs602). The target price of Rs622 implies a PE multiple of 23.4x FY24E EPS, which is a 6% discount versus the last 1-year average 1-year forward PE multiple of IGL (Bloomberg Consensus).**

Recos/View	Old	Revised	Change
Recos	BUY	BUY	↔
Price Target (Rs)	602	622	↑
↑ Upgrade   ↔ Maintain   ↓ Downgrade			

Share price (%)	1 mth	3 mth	12 mth
Absolute performance	(8.6)	(8.1)	29.9
Relative to Nifty	(10.5)	(22.8)	(22.4)

Shareholding Pattern (%)	Sep-21	Jun-21
Promoter	45.0	45.0
Public	55.0	55.0

Change of Estimates (% change)	FY22E	FY23E
Revenue	2.0	20.9
EBITDA	(2.1)	(1.8)
Net Profit	(4.1)	(4.1)
EPS (Rs)	(3.8)	(4.2)



Note: \* CMP as on October 21, 2021

### Key Financials

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenue	64,853	49,408	73,636	1,05,242	1,16,689
EBITDA	15,196	14,830	20,568	23,991	27,683
PAT	11,365	10,057	13,865	16,229	18,628
EPS	16.2	14.4	19.8	23.2	26.6
P/E	30.2	34.2	24.8	21.2	18.5
RoCE (%)	22.6	17.6	21.9	24.4	25.4

Source: RSec Research

Please refer to the last page for change in rating guideline and time horizon for target price.

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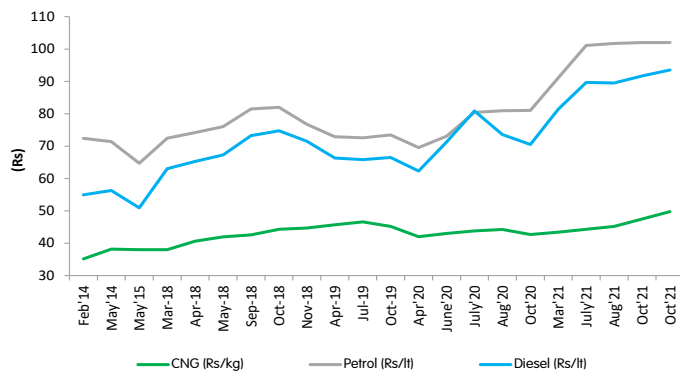
**BUY** 

Target Price: Rs622

## 2kg CNG Price is 3% Cheaper Than 1ltr. Petrol and Closer to 1ltr. Diesel in Delhi

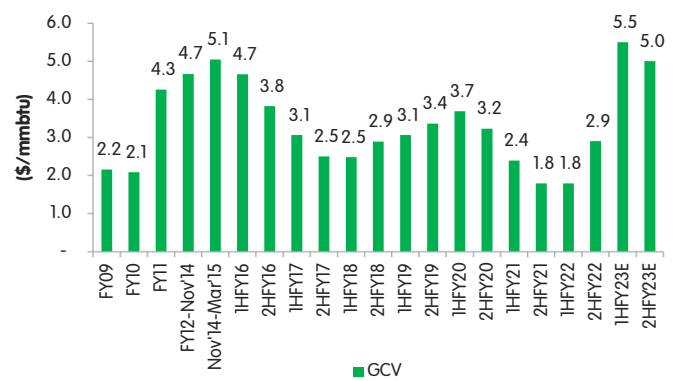
IGL hiked CNG prices by Rs4.6/kg to Rs49.8/kg in Oct'21. The absolute price difference between CNG and alternate auto fuel (petrol and diesel) is at a record level of Rs53/ltr for petrol and Rs44/ltr for diesel. Currently, CNG consumers can purchase 2kg of CNG at a price 3% cheaper than the price of 1 ltr of petrol in Delhi. Given the higher calorific value of CNG compared to alternate fuels, CNG is more economic and environment-friendly. We believe these are the biggest rationale for petrol vehicle owners to switch to CNG. According to the company's guidelines, the conversion of CNG vehicles is happening at 14k-15k per month. We expect that the conversion of Passenger vehicles and commercial vehicles to CNG, and the new registration of CNG vehicles will increase in the future.

**Exhibit 1: CNG prices are 51% or 47% cheaper than petrol or diesel**



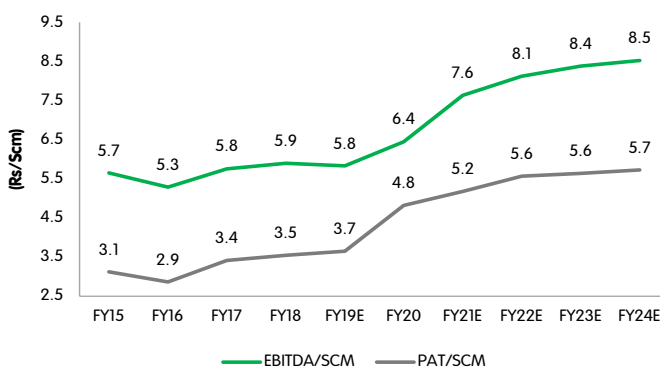
Source: Bloomberg, RSec Research

**Exhibit 2: APM Gas Price Trending Upward in FY23E**



Source: PPAC, RSec Research

**Exhibit 3: IGL's Pricing Power Likely to Maintain EBITDA per SCM at Higher Level Despite APM Gas Price Revision in FY23E**



Source: Company, RSec Research

**Exhibit 4: Brent Oil Price Touching to 7 Year High**



Source: Bloomberg, RSec Research

## Strong Pricing Power to Maintain EBITDA/scm

Historically, IGL has passed on the increase/decrease in APM gas price cost/benefit to consumers in a timely manner, which implies its strong pricing power. Going forward, APM gas prices are expected to increase to US\$5.5/mmbtu in Apr'22 and remain at an elevated level of US\$5.0/mmbtu in FY23E, from the current level of US\$2.9/mmbtu in 2HFY22. Every US\$1/mmbtu increase in APM gas price requires ~Rs4-4.5/kg price hike in CNG. In Apr'22, we expect IGL to pass on an upward price revision to consumers, with ~Rs10/kg increase in CNG price and Rs8/scm in PNG household. Expecting that the crude price will remain at ~US\$80/bbl, the CNG price would be 42%/36% competitive compared to petrol and diesel, respectively. Meanwhile, PNG household prices are expected to be 22% cheaper than domestic LPG cylinder. Hence, we estimate IGL will likely maintain EBITDA/scm at Rs8.4 in FY23E and Rs8.5 in FY24E.

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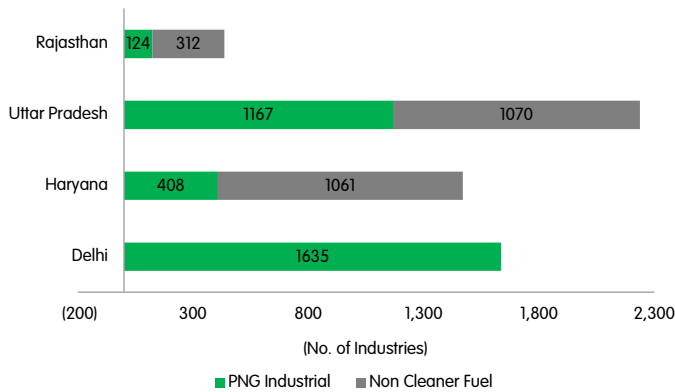
**BUY** 

Target Price: Rs622

## Sizeable Industries Still to Switch to Cleaner Fuel in NCR

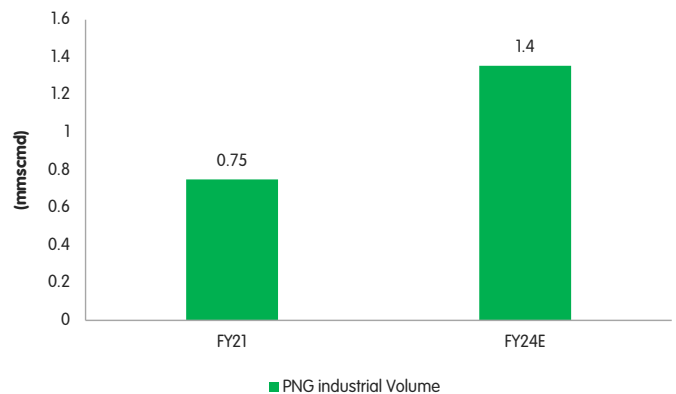
According to the Commission for Air Quality Management (CAQM), Delhi has now completely switched over to PNG industrial for its entire 1,635 identified industries. However, in the case of Haryana/UP/Rajasthan, only 408/1,167/124 industries respectively have switched over to PNG industrial. To mitigate industrial pollution and minimize the use of coal in industries, CAQM has advised the governments of Haryana, UP and Rajasthan to prepare an action plan to shift the industries to cleaner fuels in the NCR districts, where gas infrastructure is already available. Now, the remaining industries in Haryana/UP/Rajasthan (at 1,061/1,070/312 respectively) are expected to switch over to PNG industrial. Currently, IGL's total PNG industrial volume is ~0.75mmscmd, and the PNG industrial gas connections to these new industries will add ~0.6mmscmd till FY24E. We estimate IGL's total PNG industrial volume to touch ~1.4mmscmd (16% of FY24E total volume).

Exhibit 5: Industries to Switch PNG Cleaner Fuel in NCR



Source: RSec Research

Exhibit 6: IGL's Total PNG Industrial Volume to Touch ~1.4mmscmd (16% of FY24E Total Volume)



Source: Company, RSec Research

## Disruption to CNG Growth Story Unlikely from EV-Cars

IGL's CNG volume clocked a robust 10% CAGR over FY15-FY20. Mandatory CNG conversion of radio/inter-city cabs and LCVs, and a strong rise in the number of DTC fleet were the key volume drivers in the past. Going forward, we do not expect any threat to the conversion of cars to CNG. Based on our preliminary analysis, TCO of CNG cars is Rs7/km compared to Rs11/km for EV-cars. However, the running cost of EV car is much lower and attractive at Rs0.5/km, compared to Rs2.0/km for a CNG car. As per VAHAAN data sources, EV vehicles' addition run-rate for 2QFY22 was ~3,000 per month. Though the bulk of EVs registered are e-rickshaws, followed by electric two-wheelers and a very minimal number of EV cars. The share of EV in new vehicles registered in 2QFY22 stands at 3.3% only. However, the overall vehicle conversion to CNG and new registrations of CNG has touched 15k/month, which is on the back of lower TCO, minimal cost of conversion to CNG from petrol and skyrocketing petrol prices. CNG cars (private + cabs + taxi) contribute ~50% to IGL's total CNG sales volume. Going forward, we expect CNG cars conversion to increase from the existing fleet of petrol and diesel cars due to the high fuel prices. We expect a healthy CNG cars conversion to aid CNG volume CAGR of 21% over FY21-FY24E.

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### Exhibit 7: In Detail Break up of TCO for Car and 3W Auto Rickshaw. TCO Economics On 5 Year Period

	Unit	Tata Tigor - EV Price	MS- Alto - CNG Price	Electric -Hero- Rickshaw Price	Electric -Hero- Rickshaw- Battery Swapping Price	Bajaj RE EV- Auto Rickshaw Price	CNG - Auto Rickshaw- Bajaj Price
Ex-Showroom Price	Rs '000	1,199	476	110	110	250	227
Cost Before Incentive	Rs '000	1,243	520	115	115	257	233
Subsidy/ Incentive	Rs '000	150	-	30	30	30	0
Actual Cost to Owner	Rs '000	1,093	520	85	85	227	233
Maintainance cost	Rs '000	48	50	25	25	25	30
Fuel Cost	Rs '000	51	218	50	219	63	208
<b>Fuel Cost/ Operational Cost</b>	<b>Rs/km</b>	<b>0.5</b>	<b>2.0</b>	<b>0.3</b>	<b>1.5</b>	<b>0.4</b>	<b>1.4</b>
TCO - Total Cost of Ownership	Rs '000	1,193	788	160	329	315	471
<b>TCO</b>	<b>Rs/km</b>	<b>11</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>

Source: Bloomberg, RSec Research

### Maximum 1 Lakh CNG 3W Auto Permits to Switch to Electric Mode in Delhi

Currently, IGL supplies CNG to 0.3mn 3W autos, RTVs and LGVs, which consume a daily CNG of 3kg-4kg. Vehicle addition in this segment clocked a CAGR of only 3% over the last 3 years, which implies that this segment has hardly contributed to CNG volume growth over the same period. The main reason for a lower 3W vehicle addition in this segment was a cap on 3W auto rickshaw permission in the Delhi region. According to the Delhi Govt, it is entitled to issue only up to 1 lakh auto rickshaw permits. Recently IGL moved the Supreme Court to lift the ban on electric auto rickshaw additional permits (over 1 lakh). We believe the Supreme Court's judgement will come in the next 1-2 years, and till then we expect only conversions of existing petrol/diesel or CNG 3W auto rickshaws into the electric mode. Based on our preliminary findings, TCO for an electric auto rickshaw stood at Rs1/km (if charging at Rs4.5/KWh), and TCO for an electric auto rickshaw as a battery swapping option (Rs150 for a single swap) is slightly higher. In comparison to electric auto rickshaw, TCO for CNG 3W auto rickshaw is Rs3/km, which is much higher than an electric auto. In addition, the running cost of a 3W electric vehicle is significantly lower at Rs0.3/km, compared to CNG of Rs1.4/km. 3W autos, RTVs and LGVs contribute 23% to IGL's total CNG volume. We believe the 3W auto conversions have a limited risk until there is a cap on auto permits in Delhi. We estimate if the existing fleet of CNG auto is converted into the electric mode, IGL will lose 7% of CNG sales volume in FY24E.

### Electric Bus Poses No Immediate Threat to IGL

Factoring all incentives (under FAME II + Delhi Govt) for electric buses in Delhi, the cost of an electric bus (Rs7.5mn) is more than double the cost of a CNG bus (Rs3.5mn). Although the Delhi Govt is pushing for bus electrification, lack of infrastructure and high costs can be deterrents. Currently, ~300 EV buses are allocated under the FAME II policy and ~1,015 buses will be brought in by the Delhi Govt. Although Delhi is propagating the usage of electric vehicles, we believe CNG has a better economic value, as TCO of an EV bus is much higher than a CNG bus, due to the huge vehicle cost. However, the operating cost of a CNG and EV bus is largely in line at ~Rs17/km. IGL supplies CNG to 3,762 DTC buses in Delhi, and the Delhi Govt has approved the induction of ~1,015 electric and 230 CNG buses in DTC's fleet in FY22. The total DTC bus fleet consumes CNG at ~0.28mnkg/day (which implies every DTC bus consumes ~60kg/day). In a bear case, if the entire CNG bus fleet of 3,762 switches over to electric, we estimate the CNG volume loss for the company would only be ~5%. Strained state finances due to the pandemic leave little room for the Delhi Govt to introduce the high-cost EV bus (Rs7.5mn after 40% subsidy) compared to Rs3.5mn for the CNG variant. However, IGL is preparing to meet the challenge by becoming a part of the value chain in the electric mobility business and is setting up electric charging facilities at its CNG stations. By FY22-end, the company plans to set up 50 electric charging stations to accommodate two-wheelers/three-wheelers, which would entail a capex of Rs1bn.

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### Expansion Spree with Higher Capex Bodes Well

IGL has accelerated its annual installation of residential piped connections from 110,000 to 270,000, which requires a higher capex. The share of OMC-owned pumps (~2 dispensers/station) is lower in the case of IGL at 60% compared to MGL's 72%. It is also easier to set up a CNG station in Delhi, compared to Mumbai, due to faster regulatory approvals and space availability. The vehicular density in Delhi is much lower versus Mumbai, which bodes well for IGL's longer term growth potential. We expect the company to spend Rs15bn/annum over the next 3 years to expand its network.

### Estimate Change & Revision in Target Price

Factoring an increase in CNG and PNG prices on the back of an increase in APM gas price by the Govt in Oct'21 and an expected hike in Apr'22, we increase IGL's revenue estimates by 2%/21% for FY22E/FY23E. The slowdown in CNG consumption during 1QFY22 and the delay in setting up CNG stations and PNG connections over the same period will lead to a lower sales volume in FY23E than expected. Thus, we reduce the EBITDA estimates by 2.1%/1.8% for FY22E/FY23E respectively. We introduce FY24 estimates and expect the company to record an EPS of Rs27 on a revenue of Rs117bn in FY24E. Given that there is no major threat of electric vehicles (based on a TCO comparison of the respective vehicles), healthy demand outlook, expansion into new geographies that will aid the total volume growth, and pollution control norms that will boost PNG industrial's growth in NCR, we maintain our BUY rating on IGL. **We have shifted to a 1-year target price, from the earlier 2-year. As we enter 2HFY22, we roll forward the SOTP valuation to FY24E and increase the target price to Rs622 (earlier Rs602). The 1-year target price of Rs622 implies a PE multiple of 23.4x on FY24E EPS, which is a 6% discount compared to the last 1-year average 1-year forward PE multiple of IGL (Bloomberg Consensus).**

#### Revised vs. Old Estimates

Y/E Mar	FY22E			FY23E		
	Old	Revised	Change (%)	Old	Revised	Change (%)
Revenue	72,159	73,636	2.0	87,030	1,05,242	20.9
EBITDA	21,006	20,568	(2.1)	24,420	23,991	(1.8)
EBITDA Margin (%)	29.1	27.9	(118)bps	28.1	22.8	(526)bps
Net Profit	14,453	13,865	(4.1)	16,928	16,229	(4.1)
Net Profit Margin (%)	20.0	18.8	(120)bps	19.5	15.4	(403)bps

Source: RSec Research

#### DCF Valuation

DCF		Revised	Old
Cost of Equity (%)		9	9
NPV - Continuing Business	Rs mn	1,30,376	1,80,772
NPV - Terminal Value	Rs mn	2,75,730	2,17,439
NPV per share (standalone)	Rs/sh	580	569
12x FY24E EPS from CUGL and MNGL	Rs/sh	41	33
NPV (consolidated) = Target Price	Rs/sh	622	602
CMP	Rs/sh	491	491
Upside (%)		27	23

Source: RSec Research; Note - Terminal growth rate assumption of 4.2% post FY30E and we have assumed total sales volume growth rate of 12% for FY24E to FY30E

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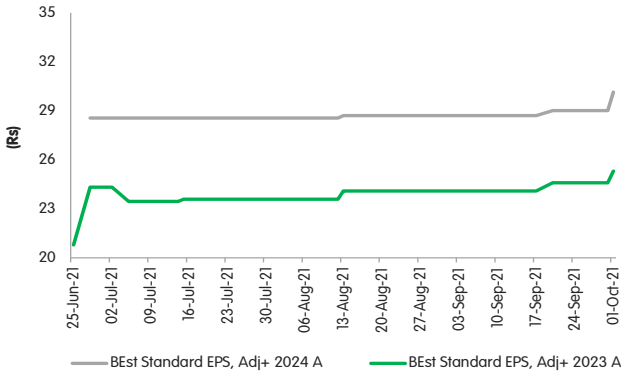
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Exhibit 8: Street Raised Consensus EPS by 21%/6% for FY23E/FY24E



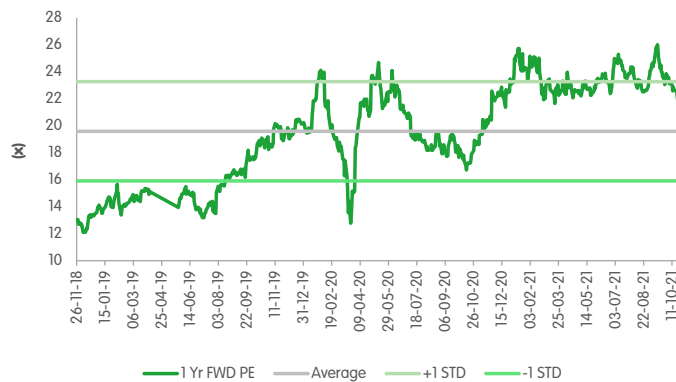
Source: Bloomberg, RSec Research

Exhibit 9: RoCE & RoE



Source: Company, RSec Research

Exhibit 10: IGL 1-Year Forward PE Valuation



Source: Bloomberg, RSec Research

Exhibit 11: IGL 1-Year Forward EV/EBITDA Valuation



Source: Bloomberg, RSec Research

## Key Risks

- ▶ Delay in execution of work programme in new geographical areas i.e. Ajmer, Rewari and Karnal.
- ▶ Adverse regulatory development altering the priority accorded to CGD sector over fertiliser and power sectors for domestic APM gas.
- ▶ Earlier-than-expected implementation on open access policy.

## ESG Analysis

While analyzing 20 key criteria (10 points each) under ESG Matrix, we have assigned an overall score of 58% to IGL. Under **“Environmental Head”**, we have assigned a 64% score. Under **“Social Head”**, we have assigned a 50% score based on high customer satisfaction, low gender diversity. Under **“Governance Head”**, we have assigned a 58% score based on its whistleblower policy; uniform executive compensation and audit committee structure

For detailed report on our ESG analysis of IGL, please click here ([please refer to page no.170 for detailed ESG analysis](#)).

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## Profit & Loss Statement

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Net Revenue</b>	<b>64,853</b>	<b>49,408</b>	<b>73,636</b>	<b>1,05,242</b>	<b>1,16,689</b>
Revenue (Rs/scm)	27.5	25.4	29.1	36.8	35.9
Cost of Natural Gas	36,794	22,295	40,554	66,803	71,923
Cost of natural gas (Rs/scm)	15.6	11.5	16.0	23.3	22.1
<b>Gross Profit</b>	<b>28,059</b>	<b>27,113</b>	<b>33,083</b>	<b>38,439</b>	<b>44,766</b>
Gross margins (Rs/scm)	11.9	14.0	13.1	13.4	13.8
Operating & other expenses	12,863	12,283	12,515	14,447	17,083
<b>EBITDA</b>	<b>15,196</b>	<b>14,830</b>	<b>20,568</b>	<b>23,991</b>	<b>27,683</b>
EBITDA margin (Rs/scm)	6.4	7.6	8.1	8.4	8.5
Depreciation & Amortisation	2,523	2,904	3,305	3,710	4,280
Other Income	1,564	1,502	1,654	1,838	1,966
<b>EBIT</b>	<b>14,238</b>	<b>13,428</b>	<b>18,917</b>	<b>22,119</b>	<b>25,369</b>
PBT	14,157	13,315	18,807	22,014	25,268
Taxes	2,791	3,258	4,942	5,785	6,640
<b>PAT</b>	<b>11,365</b>	<b>10,057</b>	<b>13,865</b>	<b>16,229</b>	<b>18,628</b>
PAT margin (Rs/scm)	4.8	5.2	5.5	5.7	5.7
<b>EPS</b>	<b>16.2</b>	<b>14.4</b>	<b>19.8</b>	<b>23.2</b>	<b>26.6</b>

## Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity Capital	1,400	1,400	1,400	1,400	1,400
Reserve and surplus	49,224	57,319	68,290	81,132	95,872
<b>Shareholders fund</b>	<b>50,624</b>	<b>58,719</b>	<b>69,690</b>	<b>82,532</b>	<b>97,272</b>
Long term debt	782	836	836	836	836
Deferred tax liability (Net)	2,119	2,422	2,850	3,352	3,928
Deposits from customers	12,217	14,663	14,663	14,663	14,663
Total Debt/ deposits	15,118	17,921	18,350	18,851	19,427
<b>Total Funds &amp; Debt</b>	<b>65,742</b>	<b>76,640</b>	<b>88,039</b>	<b>1,01,383</b>	<b>1,16,699</b>
Gross block	57,085	67,629	82,629	97,629	1,12,629
less: Depreciation	21,516	24,420	27,725	31,435	35,715
Net block	35,569	43,209	54,904	66,194	76,914
CWIP	7,767	8,469	8,469	8,469	8,469
Net block	43,336	51,678	63,373	74,663	85,383
Investments	2,581	2,581	2,581	2,581	2,581
Inventories	511	456	587	839	930
Sundry debtors	1,704	2,607	3,360	4,803	5,325
Cash & Cash balances	21,799	11,323	12,727	14,427	17,078
Other current assets	1,637	17,016	21,932	31,345	34,755
Loans & advances	154	213	275	393	436
<b>Current Asset</b>	<b>25,805</b>	<b>31,615</b>	<b>38,882</b>	<b>51,807</b>	<b>58,524</b>
Current liabilities	3,173	5,508	10,018	16,503	17,768
Provisions	2,808	3,727	6,778	11,166	12,021
Total Current Liabilities	5,981	9,234	16,797	27,669	29,789
<b>Total Asset</b>	<b>65,742</b>	<b>76,640</b>	<b>88,039</b>	<b>1,01,383</b>	<b>1,16,699</b>

Institutional Equity Research

# Indraprastha Gas

Oil & Gas | India

CMP* (Rs)	491
Upside/ (Downside) (%)	27
Bloomberg Ticker	IGL IN

**BUY** 

Target Price: Rs622

## Cash Flow Statement

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PAT (Reported)	11,365	10,057	13,865	16,229	18,628
Non cash charges	1,968	3,207	3,734	4,212	4,856
Change in customer deposits	2,440	2,446	-	-	-
Others	(5)	-	-	-	-
Other income	(1,564)	(1,502)	(1,654)	(1,838)	(1,966)
<b>Operating Cash Flow before WC change</b>	<b>14,205</b>	<b>14,207</b>	<b>15,945</b>	<b>18,603</b>	<b>21,518</b>
Working Capital Inflow / (Outflow)	674	(13,032)	1,700	(354)	(1,945)
<b>Net Cash flow from Operating Activities</b>	<b>14,878</b>	<b>1,175</b>	<b>17,644</b>	<b>18,249</b>	<b>19,573</b>
Cash Flow from Investing Activities					
Purchase of fixed assets	(12,309)	(11,246)	(15,000)	(15,000)	(15,000)
Sale of Investments	12,859	-	-	-	-
Others	1,564	1,502	1,654	1,838	1,966
<b>Net cash flow from investing activities</b>	<b>2,113</b>	<b>(9,744)</b>	<b>(13,346)</b>	<b>(13,162)</b>	<b>(13,034)</b>
Cash Flow from Financing Activities					
Change in Net Worth	717	137	-	-	-
Proceeds from fresh borrowings	777	55	-	-	-
Dividend paid	(2,757)	(2,099)	(2,894)	(3,387)	(3,888)
<b>Net Cash flow from Financing Activities (e)</b>	<b>(1,263)</b>	<b>(1,907)</b>	<b>(2,894)</b>	<b>(3,387)</b>	<b>(3,888)</b>
Total Increase / (Decrease) in Cash	15,729	(10,476)	1,405	1,700	2,651
Opening Cash and Bank balance	6,071	21,799	11,323	12,727	14,427
<b>Closing Cash and Bank balance</b>	<b>21,799</b>	<b>11,323</b>	<b>12,727</b>	<b>14,427</b>	<b>17,078</b>

## Key Ratio

Y/E Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Valuation Ratio (x)</b>					
P/E	30.2	34.2	24.8	21.2	18.5
P/CEPS	25.7	28.1	21.1	18.1	15.8
P/BV	6.79	5.85	4.93	4.16	3.53
Dividend yield (%)	0.6	0.6	0.8	1.0	1.1
EV/EBITDA	21.1	22.3	16.0	13.7	11.7
<b>Per Share Data (Rs)</b>					
BVPS	72.3	83.9	99.6	117.9	139.0
EPS	16.2	14.4	19.8	23.2	26.6
Cash EPS	19.1	17.5	23.3	27.1	31.1
DPS	2.8	3.0	4.1	4.8	5.6
<b>Returns (%)</b>					
RoCE	22.6	17.6	21.9	24.4	25.4
RoE	24.7	18.4	21.6	21.3	20.7
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	1.0	1.6	1.2	1.0	1.0
Inventory (days)	5.1	7.5	5.3	4.6	4.7
Receivables (days)	9.6	19.3	16.7	16.7	16.7
Payables (days)	31.5	90.2	90.2	90.2	90.2



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**BUY** 

Target Price: Rs622

## Change in Ratings

We have changed our rating system and included **HOLD** recommendation. We have **BUY, HOLD and SELL** recommendation now.

We have also shifted to **1-Year Target Price** from **2-Year Target Price**.

## Rating History

Date	Reco	CMP	TP
29-Jun-20	BUY	443	602

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## Rating Guides

Rating	Expected absolute returns (%) over 12 months
BUY	≥10%
HOLD	0% to <10%
SELL	<0%

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