

# GAIL (India) Ltd

BUY

CMP Rs163

Target Rs250

Upside 53%

## Result Highlights- Inline Earnings; Strong Prognosis

- ✓ **4QFY21 Profitability:** Operating Profit and PAT at Rs 25.6bn (+3.5% YoY; +33.6% QoQ) and Rs 19.1bn (-35% YoY; +28% QoQ). Sequential improvement on stronger Petrochemical and Gas trading segment even as gas transmission stood a shade weaker. The YoY decline in reported PAT in primarily on account of tax adjustments undertaken in the base quarter
- ✓ **FY21 Profitability:** Ebitda & PAT at Rs 64.5bn (-25% YoY) and Rs 48.9bn (-26% YoY). The YoY decline in annual profitability stemmed from 4% YoY drop in NG transmission and 7% drop in NG trading volume on account of Covid pandemic. In addition NG Trading segment suffered a pre-tax loss of Rs 7bn (FY20: Profit of Rs 21.5bn), on account of adverse dynamics in LNG market, contributing to weaker profitability in FY21.
- ✓ **NG Transmission:** Gas transmission volume stood QoQ marginally weaker at 109.8mmscmd (3Q: 110.3mmscmd), resulting in average gas transmission volume of 104.2mmscmd for FY21 (FY20: 108.4mmscmd)
- ✓ **NG Trading:** NG trading volume stood QoQ weaker at 91.4mmscmd (3Q: 95.6mmscmd). The average for FY21 stood at 89.2mmscmd (FY20: 96.3mmscmd). The NG segment profitability turned black after consecutive losses in previous three quarter, with EBIT at Rs 2.8bn (USD 0.13/mmbtu)
- ✓ **Petrochemicals:** Petchem, sales stood at 234TMT and profitability at Rs 6.1bn improved QoQ and YoY on account of 35% YoY & 13% QoQ higher realizations at Rs 94.8/kg. The annual sales at 872 TMT, stood 18% higher YoY leading to a pre-tax profit of Rs 10.6bn for the segment, vs a loss in the FY20.
- ✓ **LPG-LHC:** Segment profitability improved 68% QoQ, despite 20% QoQ lower sales volume at 257TMT, on account of stronger LPG realizations. The annual sales at 1138TMT stood 10% lower YoY, leading to an EBIT of Rs 13bn (-17% YoY).
- ✓ **Capex:** GAIL incurred a capex of ~Rs 70bn for FY21, the planned capex for FY22, FY23 and FY24 is estimated at Rs 70bn, Rs 120bn and Rs 90bn, in light of almost 71 projects, worth Rs 475bn being under-execution.
- ✓ **Dividend:** Declared Rs 22380 mn as dividend at Rs 5/sh during FY21
- ✓ **Share Buyback:** GAIL successfully concluded its Buy-Back program in Mar'21, buying back 69.8 mn shares worth Rs 10460mn, implying 2.5% of net worth

## View & Valuation

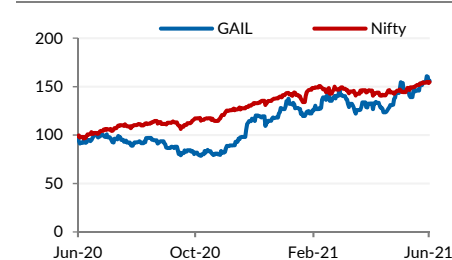
The 4QFY21 earnings, stood broadly in-line with our and street estimates. The earnings were healthy on several counts, despite a tumultuous FY21 as a) NG trading segment reported in black, after losses in previous three quarter, indicating revival, b) Petchem and LPG segment reported strong margins on resurgent prices. We believe that prognosis for FY22 and beyond is healthy as a) NG transmission and trading volumes are expected to improve at 6-8% CAGR and b) investment in pipeline and petrochemical capacity addition would also aid earnings going forward.

We maintain our BUY rating on GAIL with a TP of Rs 250/sh. Our TP implies a target P/E multiple of 17.5x (FY23e S.A.) as against 11.4x stock is currently trading at. Our SOTP based TP is a sum of a) stand-alone business valued at Rs 141/sh on DCF, b) Listed investment valued at Rs 41/sh and unlisted investments at Rs 56/sh.

## Stock data (as on Jun 11, 2021)

Sensex:	15,738
52 Week h/l (Rs)	170 / 81
Market cap (Rs/USD mn)	726003 / 9938
Outstanding Shares	4,440
6m Avg t/o (Rs mn):	3,223
Div yield (%):	3.1
Bloomberg code:	GAIL IN
NSE code:	GAIL

## Stock performance



	1M	3M	1Y
Absolute return	5.8%	12.7%	73%

## Shareholding pattern (As of Dec'20 end)

Promoter	51.8%
FII+DII	34.9%
Others	4.8%

## Financial Summary

(Rs bn)	FY21	FY22e	FY23e
Net Revenue	567.3	644.6	744.7
YoY Growth (%)	(21.1)	13.6	15.5
EBIDTA	64.5	91.3	96.6
YoY Growth (%)	(23.0)	41.6	5.8
PAT	48.9	62.5	64.3
YoY Growth (%)	(25.0)	27.9	2.8
ROE	10.8	12.9	12.3
EPS	10.8	13.9	14.2
P/E	15.0	11.8	11.4
BV	103.4	111.7	120.2
P/BV	1.6	1.5	1.4

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## Exhibit 1: Comparison with estimates

(Rs mn)	Actual	YES Estimate	%Variance	Consensus Estimate	% Variance
Revenue	155,462	170,696	(8.9)	184,172	(15.6)
EBITDA	25,648	24,468	4.8	26,120	(1.8)
PBT	26,116	23,647	10.4	24,384	7.1
Adj net income	19,077	17,735	7.6	18,288	4.3
FDEPS (Rs)	4.2	3.9	7.6	4.1	4.3

## Exhibit 2: Earnings snapshot

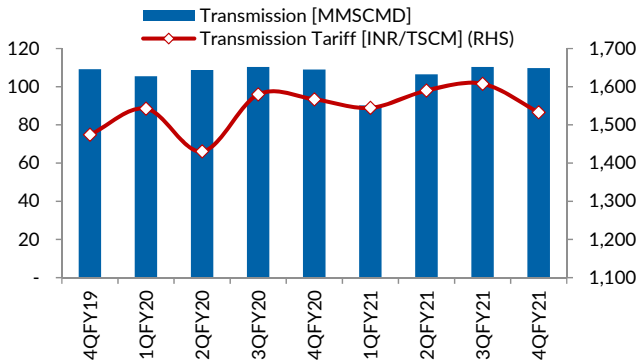
(Rs mn)	4QFY21	4QFY20	% Chg YoY	3QFY21	% Chg QoQ	FY21	FY20	% Chg YoY
Revenue	155,462	177,550	(12.4)	154,543	0.6	567,307	720,623	(21.3)
Expenditure	129,814	152,778	(15.0)	135,348	(4.1)	502,850	635,031	(20.8)
<b>Operating profit</b>	<b>25,648</b>	<b>24,773</b>	<b>3.5</b>	<b>19,195</b>	<b>33.6</b>	<b>64,457</b>	<b>85,593</b>	<b>(24.7)</b>
Other income	5,684	5,132	10.8	4,708	20.7	20,045	14,168	41.5
Interest	459	329	39.2	331	38.4	1,559	1,085	43.7
Depreciation	4,758	5,016	(5.1)	4,895	(2.8)	19,079	18,360	3.9
<b>Extraordinary item</b>	<b>0</b>	<b>1,016</b>	<b>-</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>-844</b>	<b>n.a.</b>
<b>PBT</b>	<b>26,116</b>	<b>25,576</b>	<b>2.1</b>	<b>18,677</b>	<b>39.8</b>	<b>63,864</b>	<b>79,472</b>	<b>(19.6)</b>
Tax	7,039	-4,625	(252.2)	3,804	85.1	14,956	13,227	13.1
<b>Reported PAT</b>	<b>19,077</b>	<b>30,201</b>	<b>(36.8)</b>	<b>14,873</b>	<b>28.3</b>	<b>48,907</b>	<b>66,245</b>	<b>(26.2)</b>
Adjusted PAT	19,077	29,520	(35.4)	14,873	28.3	48,907	66,810	(26.8)
EBITDA margin (%)	16%	14%	18.2	12%	32.8	11%	12%	(4.3)
FDEPS (Rs)	4.3	6.8	(36.8)	3.3	28.3	11.0	14.9	(26.2)

## Exhibit 3: Operating highlights

	4QFY21	4QFY20	% Chg YoY	3QFY20	% Chg QoQ	FY21	FY20	% Chg YoY
<b>Natural Gas- Transmission</b>								
Transmission Volume (mmscmd)	109.8	109.0	0.7	110.3	(0.5)	104.2	108.4	(3.9)
Revenue (Rs mn)	15,310.0	15,542.0	(1.5)	16,135.1	(5.1)	59,525.9	60,344.3	(1.4)
EBIT (Rs mn)	9,494.5	8,920.3	6.4	9,906.5	(4.2)	36,779.3	35,397.7	3.9
Average Tariff (Rs/tscm)	1,533.0	1,567.0	(2.2)	1,607.5	(4.6)	1,568.7	1,529.9	2.5
EBIT margin (%)	62%	57%	8.0	61%	1.0	62%	59%	5.1
<b>LPG Transmission</b>								
Transmission Volume(MMT)	1.1	1.0	1.3	1.1	(3.1)	4.2	3.9	6.5
Revenue (Rs mn)	1,689.0	1,718.6	(1.7)	1,753.5	(3.7)	6,672.6	6,364.1	4.8
Average Tariff (Rs /MT)	1,602.5	1,652.5	(3.0)	1,611.7	(0.6)	1,602.6	1,627.9	(1.6)
EBIT (Rs mn)	885.2	934.7	(5.3)	931.4	(5.0)	3,513.8	3,298.7	6.5
EBIT margin (%)	52%	54%	(3.6)	53%	(1.3)	53%	51%	2.3
<b>Petchem</b>								
Sales Volume (TMT)	234.0	174.0	34.5	231.0	1.3	872.0	738.0	18.2
Revenue (Rs mn)	22,178.6	12,173.9	82.2	19,366.2	14.5	70,608.9	54,321.3	30.0
EBIT (Rs mn)	6,089.0	723.6	n.a.	4,340.8	40.3	10,648.6	(2,455.0)	n.a.
EBIT margin (%)	27%	6%	361.9	22%	22.5	12%	-5%	(337.1)
Realization (Rs/Kg)	94.8	70.0	35.5	83.8	13.1	80.1	74.2	8.1
<b>LPG and Other HC -Sales</b>								
Sales Volume (TMT)	257.0	302.0	(14.9)	319.0	(19.4)	1138.0	1264.0	(10.0)
Revenue (INRmn)	8,650.6	11,539.1	(25.0)	8,778.6	(1.5)	32,938.7	42,337.1	(22.2)
EBIT (Rs mn)	4,743.6	5,281.4	(10.2)	2,827.4	67.8	13,034.5	15,806.2	(17.5)
EBIT (%)	55%	46%	19.8	32%	70.3	39%	37%	7.6
Realization (INR/Kg)	33.7	38.2	(11.9)	27.5	22.3	29.1	33.7	(13.7)
Cost inc dep (INR/Kg)	15.2	20.7	(26.6)	18.7	(18.5)	17.4	21.0	(17.1)
<b>Natural gas trading / others</b>								
Trading Volume (mmscmd)	91.4	97.8	(6.5)	95.6	(4.4)	89.2	96.3	(7.3)
Gas cost (USD/mmbtu)	4.6	5.6	(16.6)	4.6	0.0	4.4	5.8	(23.3)
EBIT (Rs mn)	2,808.9	6,026.4	(53.4)	(737.0)	(481.1)	(7,022.5)	21,562.4	(132.6)
Mkt Mgn (USD/mmbtu)	0.13	0.27	(50.5)	(0.03)	(503.7)	(0.1)	0.25	(135.5)

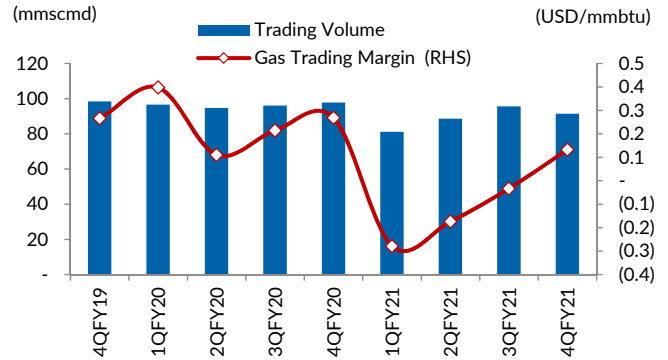
## CHARTS

**Exhibit 4: Dahej: Transmission stood almost flat QoQ at 109.8mmscmd with tariff QoQ lower at Rs 1.5/scm (3Q: Rs 1.61/scm)**



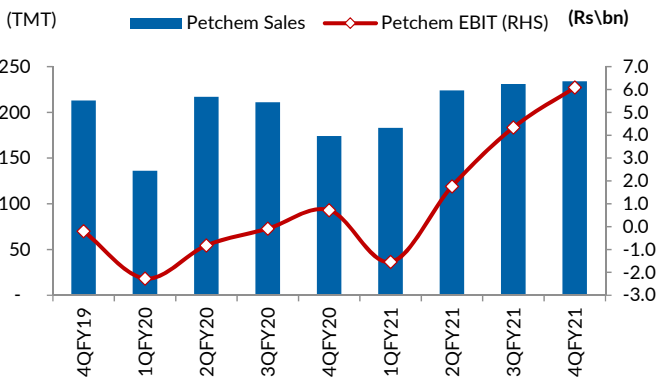
Source: Company, YES Sec - Research

**Exhibit 5: NG trading volumes stood QoQ weaker at 91.4mmscmd (3Q: 95.6mmscmd), but trading margins improved to USD 0.13/mmbtu, from loss in 3Q**



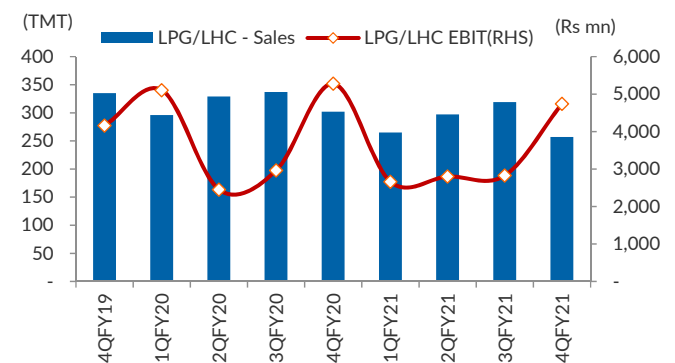
Source: Company, YES Sec - Research

**Exhibit 6: Petchem sales stood QoQ higher at 234TMT along with improvement in realization at Rs 94.8/kg**



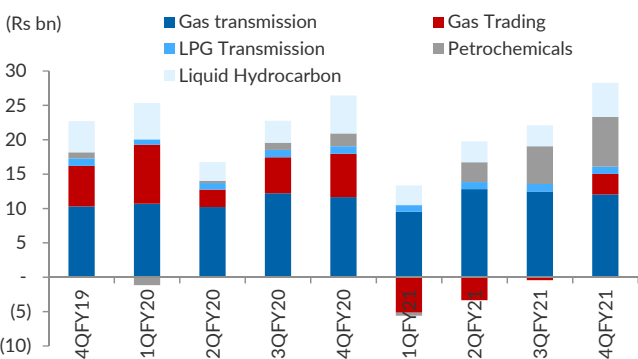
Source: Company, YES Sec - Research

**Exhibit 7: LPG-LHC reported QoQ weaker sales at 257 TMT; EBIT margin however improved on stronger prices**



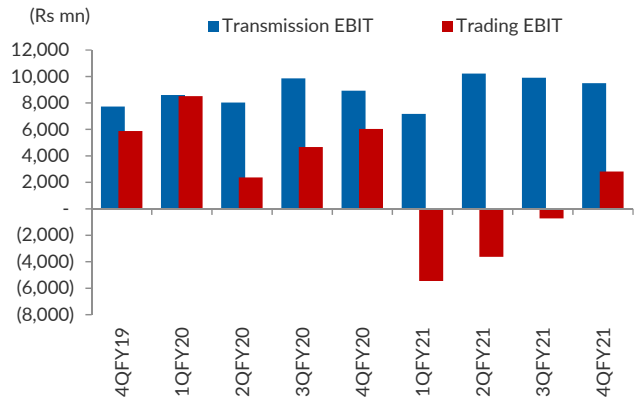
Source: Company, YES Sec - Research

**Exhibit 8: NG transmission and trading contributed to 48% of operating profit, with Petchem & LHC contributing 39%**



Source: Company, YES Sec - Research

**Exhibit 9: NG transmission EBIT stood QoQ marginally weaker at Rs 9.5bn (3Q: Rs 9.9bn); Trading EBIT however improved to Rs 2.8bn (3Q: Rs 0.74)bn**



Source: Company, YES Sec - Research

**CON-CALL HIGHLIGHTS**

- ✓ Total CSR spend in FY21 at Rs 1.45bn
- ✓ Contributed Rs 500mn to PM cares fund
- ✓ Project worth Rs 300 mn undertaken in battle against Covid (including equipment to hospitals, oxygen plants and cylinders)
- ✓ Kochi-Mangalore section of length 450km, of the Kochi-Mangalore-Bangalore pipeline, commissioned on 5th Jan 2021
- ✓ The Bangalore section of the above pipeline would take another 18 months for commissioning
- ✓ The 350 km Dobi -Durgapur pipeline commissioned on 7th Feb 2021
- ✓ The 175km section of Vijapur -Auraiya pipeline has also been commissioned
- ✓ In total 1000 km of pipelines were commissioned in 2021
- ✓ ONGC's Mandam gas tied up and is being supplied in south Tamil Nadu
- ✓ GAIL is at present executing 71 projects at cost of Rs 475bn
- ✓ Development of National Gas Grid , including 8 pipeline projects of 7500km length, at cost of Rs 364 bn is under execution
- ✓ Two projects worth Rs 100bn, under execution in the petrochemical space viz. a) 60TMT polypropylene plant at PATA and b) new plant of 500 TMT PDH-PP at Usar
- ✓ CGD segment: GAIL group of CGD companies have made 1.1mn domestic connections; and also added 341 CNG stations
- ✓ GAIL is also focusing on Compressed Bio Gas (CBG) project in Ranchi, signed license agreement for 22 years; project to based on municipal waste as raw material
- ✓ Seeking partners for ethanol refinery project
- ✓ During FY21, 69.8 mn shares worth Rs 10460mn, implying 2.5% of net worth, were bought back
- ✓ Declared Rs 22380 mn as dividend at Rs 5/sh during FY21
- ✓ Reduction in contingent tax liability of Rs 20bn, on account of successful application to tax department under 'Vivaad se Vishwas' scheme
- ✓ Long term borrowing cost reduced to 5.2% in Mar '21 from 7.94% earlier
- ✓ Polymer production: With a production of 813 TMT, PATA plant exceeded 100% utilization
- ✓ For FY21 GAIL's, Gas marketing volume stood at 89.2mmscmd; Transmission at 104.2mmscmd, with capacity utilization at 51%
- ✓ 11-12mmscmd improvement expected in Gas Trading and Transmission segment on commissioning of Fertilizer plants at Barauni, Sindri, Gorakhpur and Matix plant in West Bengal.
- ✓ GAIL marketing segment: Gail imported 119 LNG cargoes, of which 83 were US LNG cargoes; of which 35 cargoes were sold in international market
- ✓ GAIL Gas Financial metrics: Revenue: Rs 40150 mn, PBT 2130mn, PAT: 1570 mn

- ✓ BCPL Financial Metrics: Plant fully stabilized with utilization at 106%; Revenue: Rs 29030mn; Gross Margin: Rs 14270mn, Net Worth of Rs 20730 mn
- ✓ Konkan LNG Update: NTPC and GAIL executed share swapping agreement; Now GAIL owns 92.15%; Reported Profit of ~1200mn;
- ✓ Breakwater construction at Dabhol terminal is underway
- ✓ Capex Update: Executed in FY21: Rs 70bn ; Planned Capex: FY22: Rs 70bn, FY23: Rs 120bn, FY24: Rs 90bn
- ✓ PMUGY Update: Total capex commitment Rs 147bn of which the actual spend till date : is Rs 113bn ; GAIL has received total capital grant of Rs 44.87 bn with respect to above project
- ✓ National Gas Grid: 7500 km of pipeline network at a cost of Rs 370bn under implementation
- ✓ Capex outlay on renewable space: Rs 300 mn investment on CBG plant of 5 tonnes per day capacity, another plant of Rs 500-600 mn is planned and expected in FY22.

### Exhibit 10: Key pipeline projects under execution

S No.	Project	Length (Km)	Capacity (mmscmd)	Capex (Rs mn)	Timeline
1	Mumbai -Nagpur-Jhansuguda	1755	16.5	78000	Mar'23
2	Srikakulam -Angul	744	6.65	27000	Jul'22
3	Dhamra Haldia	253	16	12000	Nov'22

## VIEW & VALUATION

### Maintain BUY with a TP of Rs 250/sh.

In our view, GAIL is a direct beneficiary of potential growth in domestic natural gas consumption. Being the largest transporter and marketer of natural gas in the country it is therefore a direct proxy to natural gas demand/consumption in India.

Given the expectation of growth, we find the stock attractively valued trading at just 11x FY23e, well below its historical average and value GAIL at Rs 250/sh on SOTP basis, implying a P/E multiple of 17.5x FY23e. While GAIL has strong portfolio of investment in listed/unlisted CGD companies, which is a potentially high growth segment, but we believe that at CMP, the same is not adequately valued by the market.

Our SOTP valuation involves a) valuing the standalone business at Rs 141/sh on DCF basis, b) valuing the listed investment at Rs 41/sh, at 20% holding discount to market price and c) unlisted CGD business at Rs 56/sh, benchmarked to listed CGD companies.

### Exhibit 11: Cashflow analysis

	FY20	FY21	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e
EBIT	71,754	56,980	78,277	81,782	85,603	86,020	89,922	93,349	96,918	101,017	105,683
EBIT *(1-T)	59,805	43,635	58,551	61,173	64,031	64,343	67,261	69,825	72,495	75,561	79,051
Depreciation	18,360	19,079	21,436	24,238	27,040	29,842	32,644	35,446	38,248	41,050	43,852
Change in W/C	(14,711)	41,589	(7,739)	14,567	3,145	(7,061)	4,900	4,798	5,234	5,577	5,946
Capex	(49,258)	(52,106)	(93,413)	(120,000)	(90,000)	(57,700)	(47,700)	(37,700)	(37,700)	(37,700)	(37,700)
FCFF	14197	52197	(21165)	(20021)	4216	29424	57106	72370	78277	84488	91149

### Exhibit 12: Valuation table

	USD mn	Rs mn	Rs/sh	Notes
Sum of discounted cash flows (FY21-30)	2789	209166	46.4	
Terminal Value	6744	505784	112.1	
<b>EV</b>	<b>9533</b>	<b>714950</b>	<b>158.5</b>	
Net Debt	1065	79852	17.7	
<b>Equity (SA)</b>	<b>8468</b>	<b>635098</b>	<b>141</b>	<b>DCF based valuation</b>
<b>Investments</b>				
Listed	2,441	183,071	40.6	At 20% holding discount to market price
Unlisted -CGD	3,374	253,076	56.1	Unlisted CGD investment benchmarked to listed entities
Unlisted Others	470	35,219	7.8	At book value
E&P	157	11781	2.6	4.6 Tcf at US\$ 2.0/ boe (8.5% stake)
<b>Total Equity</b>	<b>15002</b>	<b>1125116</b>	<b>248</b>	

## Exhibit 13: Key assumptions

	Unit	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e	FY25e
Natural Gas transmission business												
Gas Transmission volumes	mmscmd	92.1	92.1	100.4	105.2	107.4	108.0	104.2	116.0	121.0	125.0	130.0
Weighted Average Transmission tariff	Rs /tscm	1,024	1,221	1,292	1,296	1,478	1,529	1,569	1,545	1,545	1,545	1,545
LPG transmission business												
LPG pipelines thrupt	TMT	3,094	2,819	3,478	3,721	3,975	3,909	3,478	3,478	3,478	3,478	3,478
Average LPG pipelines tariff	Rs/ mmt	1,424	1,724	1,524	1,518	1,570	1,628	1,600	1,600	1,600	1,600	1,600
LPG & other hydrocarbons business												
LPG & other hydrocarbons Sales	tmt	1,277	1,086	1,095	1,276	1,329	1,264	1,138	1,295	1,295	1,295	1,295
Gross realisation	USD/ mmt	735	435	395	490	541	432	392	475	538	538	538
Net realisation (incl.subsidy loss)	USD/mmt											
Petrochemicals business												
Petrochemicals % utilization		54%	41%	71%	83%	91%	91%	108%	100%	100%	100%	100%
Polymers Sales	tmt	441	334	578	673	735	738	872	810	810	810	810
Average Polymer realisation (Rs/Kg)	Rs/ kg	107	101	98	86	92	74	80	85	95	100	100
Average purchase price for gas	USD/mmbtu	7	6	5	5	6	6	5	5	6	6	6
Exchange Rate	Rs/USD	61.1	65.4	67.0	64.5	70.0	70.8	74.3	75.0	75.0	75.0	75.0
Crude Oil Price (Brent)	USD/bbl	86.5	48.73	49	57.9	70.8	62.5	45.74	60	65	65	65
Henry Hub prices	USD/mmbtu	3.8	2.4	2.7	3.0	3.1	2.4	2.6	2.7	2.7	2.7	2.7
Price of APM Gas	USD/mmbtu	4.9	4.7	3.1	3.0	3.6	3.8	2.3	2.8	3.9	3.9	3.9
Spot LNG Price	USD/mmbtu	15	9	6	7	9	5	5	7	7	7	7



## FINANCIALS

### Exhibit 14: Balance sheet

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Equity capital	16,913	22,551	22,550	45,101	44,404	44,404	44,404	44,404	44,404
Reserves	364,581	380,731	418,379	394,610	421,708	459,221	497,775	537,651	577,921
Net worth	381,494	403,281	440,929	439,711	466,112	503,625	542,179	582,055	622,325
Debt	30,046	9,761	8,706	54,118	55,656	88,287	121,936	142,103	122,363
Deferred tax liab (net)	46,559	46,309	59,477	44,972	45,022	49,411	53,921	58,585	63,296
<b>Capital Employed</b>	<b>458,098</b>	<b>459,352</b>	<b>509,112</b>	<b>538,801</b>	<b>566,790</b>	<b>641,322</b>	<b>718,035</b>	<b>782,743</b>	<b>807,984</b>
Fixed assets	315,662	332,527	388,854	419,752	452,779	524,756	620,518	683,477	711,335
Intangible Assets	7,434	10,511	14,032	22,517	31,235	31,235	31,235	31,235	31,235
Investments	95,096	99,531	95,282	74,985	97,238	97,238	97,238	97,238	97,238
Net working capital	39,906	16,782	10,945	21,548	(14,462)	(11,907)	(30,955)	(29,207)	(31,824)
Inventories	16,984	19,195	23,219	29,601	26,038	24,382	28,770	29,824	31,096
Sundry debtors	38,282	40,515	50,743	55,759	44,858	44,149	51,009	53,005	66,092
Cash & Bank Balance	13,419	25,293	12,147	8,039	13,618	8,434	3,953	8,846	(832)
Other current assets	75,823	53,249	59,510	74,684	67,339	66,955	66,740	66,692	66,812
Sundry creditors	27,160	38,816	39,612	41,284	43,264	40,636	47,951	49,707	51,826
Other liabilities	77,442	82,655	95,062	105,251	123,051	115,191	133,476	137,867	143,165
<b>Application of Funds</b>	<b>458,098</b>	<b>459,351</b>	<b>509,112</b>	<b>538,801</b>	<b>566,790</b>	<b>641,322</b>	<b>718,035</b>	<b>782,743</b>	<b>807,984</b>

### Exhibit 15: Income statement

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Revenue	488830	538255	751263	718710	567302	644581	744725	773873	804119
Total Expense	(416971)	(460618)	(659537)	(641002)	(497413)	(553287)	(648124)	(671650)	(699677)
<b>Operating Profit</b>	<b>64094</b>	<b>76339</b>	<b>95551</b>	<b>83694</b>	<b>64451</b>	<b>91293</b>	<b>96601</b>	<b>102224</b>	<b>104443</b>
Other Income	11763	9870	15448	14168	20045	17327	18798	20268	21739
Depreciation	(13968)	(14151)	(15502)	(18360)	(19079)	(21436)	(24238)	(27040)	(29842)
EBIT	61889	72058	95497	79502	65417	87184	91160	95452	96339
Interest	(4794)	(2751)	(1385)	(1085)	(1559)	(3599)	(5256)	(6601)	(6612)
Extraordinary Item	(2987)	277	(3263)	1016	0	0	0	0	0
<b>PBT</b>	<b>54108</b>	<b>69584</b>	<b>90848</b>	<b>79434</b>	<b>63858</b>	<b>83586</b>	<b>85905</b>	<b>88851</b>	<b>89728</b>
Tax	(19079)	(23400)	(30592)	(13227)	(14956)	(21064)	(21648)	(22390)	(22611)
<b>PAT</b>	<b>35029</b>	<b>46184</b>	<b>60257</b>	<b>66206</b>	<b>48902</b>	<b>62522</b>	<b>64257</b>	<b>66460</b>	<b>67116</b>
Adj. PAT	38016	45907	63520	65190	48902	62522	64257	66460	67116
Eps	8.6	10.3	14.3	14.7	11.0	14.1	14.5	15.0	15.1

## Exhibit 17: Cash flow statement

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
PBT	54,108	69,584	90,848	79,434	63,858	83,586	85,905	88,851	89,728
Depreciation & amortization	13,968	14,151	15,502	18,360	19,079	21,436	24,238	27,040	29,842
Interest expense	4,794	2,751	1,385	1,085	1,559	3,599	5,256	6,601	6,612
(Inc)/Dec in working capital	(49)	34,998	(7,309)	(14,711)	41,589	(7,739)	14,567	3,145	(7,061)
Tax paid	(13,345)	(16,333)	(24,386)	(20,772)	(15,496)	(16,675)	(17,138)	(17,726)	(17,901)
Less: Interest/Dividend Income Received	(11,763)	(9,870)	(15,448)	(14,168)	(20,045)	(17,327)	(18,798)	(20,268)	(21,739)
Other operating Cash Flow	0	0	0	0	0	0	0	0	0
<b>Cash flow from operating activities</b>	<b>47,713</b>	<b>95,282</b>	<b>60,592</b>	<b>49,227</b>	<b>90,545</b>	<b>66,879</b>	<b>94,030</b>	<b>87,643</b>	<b>79,481</b>
Capital expenditure	(18,135)	(31,016)	(71,829)	(49,258)	(52,106)	(93,413)	(120,000)	(90,000)	(57,700)
Inc/(Dec) in investments	(9,249)	(4,434)	4,249	20,297	(22,254)	0	0	0	0
Add: Interest/Dividend Income Received	11,763	9,870	15,448	14,168	20,045	17,327	18,798	20,268	21,739
<b>Cash flow from investing activities</b>	<b>(15,621)</b>	<b>(25,580)</b>	<b>(52,132)</b>	<b>(14,792)</b>	<b>(54,315)</b>	<b>(76,086)</b>	<b>(101,202)</b>	<b>(69,732)</b>	<b>(35,961)</b>
Inc/(Dec) in share capital	(0)	0	(0)	0	(12,810)	0	(0)	0	0
Inc/(Dec) in debt	(27,328)	(20,284)	(1,055)	45,412	1,538	32,631	33,649	20,167	(19,740)
Dividend Paid	(17,837)	(18,830)	(21,033)	(28,864)	(22,380)	(25,009)	(25,703)	(26,584)	(26,847)
Others	8,553	(18,712)	483	(55,091)	3,002	(3,599)	(5,256)	(6,601)	(6,612)
<b>Cash flow from financing activities</b>	<b>(36,612)</b>	<b>(57,826)</b>	<b>(21,606)</b>	<b>(38,543)</b>	<b>(30,650)</b>	<b>4,023</b>	<b>2,691</b>	<b>(13,018)</b>	<b>(53,198)</b>
<b>Net cash flow</b>	<b>(4,520)</b>	<b>11,875</b>	<b>(13,146)</b>	<b>(4,108)</b>	<b>5,579</b>	<b>(5,184)</b>	<b>(4,481)</b>	<b>4,893</b>	<b>(9,678)</b>
Ending Cash Balance	13419	25293	12147	8039	13619	8434	3953	8846	(832)

## Exhibit 18: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
Tax burden (x)	0.6	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Interest burden (x)	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	0.9	0.9	1.2	1.1	0.8	0.8	0.9	0.8	0.8
Financial leverage (x)	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.6
RoE (%)	9.6	11.8	14.3	15.0	10.8	13.3	12.1	11.6	11.0

## Exhibit 19: Ratio analysis

Y/e 31 Mar	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
<b>Growth matrix (%)</b>									
Revenue growth	(6.3)	10.1	39.6	(4.3)	(21.1)	13.6	15.5	3.9	3.9
Op profit growth	49.8	19.1	25.2	(12.4)	(23.0)	41.6	5.8	5.8	2.2
EBIT growth	68.8	24.1	28.7	(18.4)	(30.6)	54.0	3.6	3.9	(0.8)
Net profit growth	70.8	20.8	36.0	4.4	(25.0)	27.9	2.8	3.4	1.0
<b>Profitability ratios (%)</b>									
OPM	13.1	14.2	12.7	11.6	11.4	14.2	13.0	13.2	13.0
EBIT margin	10.3	11.6	10.7	9.1	8.0	10.8	9.7	9.7	9.3
Net profit margin	7.6	8.4	8.1	8.9	8.3	9.4	8.4	8.4	8.1
RoCE	13.6	15.7	19.7	15.2	11.8	14.4	13.4	12.7	12.1
RoE	10.4	11.7	14.8	14.8	10.8	12.9	12.3	11.8	11.1
RoA	6.8	8.0	10.2	9.8	6.9	8.2	7.6	7.1	6.8
<b>Per share ratios</b>									
EPS	8.4	10.2	13.4	14.7	10.8	13.9	14.2	14.7	14.9
Dividend per share	3.4	3.6	4.0	6.4	5.0	5.5	5.7	5.9	6.0
Cash EPS	10.9	13.4	16.8	18.8	15.1	18.6	19.6	20.7	21.5
Book value per share	84.6	89.4	97.8	97.5	103.4	111.7	120.2	129.1	138.0
<b>Valuation ratios</b>									
P/E	19.3	15.9	12.2	11.1	15.0	11.8	11.4	11.1	11.0
P/CEPS	15.0	12.2	9.7	8.7	10.8	8.8	8.3	7.9	7.6
P/B	1.9	1.8	1.7	1.7	1.6	1.5	1.4	1.3	1.2
EV/EBIDTA	11.7	9.4	7.7	9.3	12.1	8.9	8.8	8.5	8.2
<b>Payout (%)</b>									
Dividend payout	40.3	35.1	30.0	43.6	45.8	40.0	40.0	40.0	40.0
Tax payout	35.3	33.6	33.7	16.7	23.4	25.2	25.2	25.2	25.2
<b>Liquidity ratios</b>									
Debtor days	28.6	27.5	24.7	28.3	28.9	25.0	25.0	25.0	30.0
Inventory days	17.1	17.3	14.3	18.6	21.7	18.0	18.0	18.0	18.0
Creditor days	27.3	35.0	24.4	26.0	36.0	30.0	30.0	30.0	30.0

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