

# Gujarat State Petronet

**BUY**

## Strong volume growth

We maintain BUY on GSPL post a better than estimated performance in 1QFY20. We expect benign spot LNG prices (1) To drive strong volume growth from industrial customers and (2) Encourage RIL to continue to using LNG. We raise our volume estimates for FY20/21 by 11.4/13%, thus our SOTP based TP to Rs 247/share.

### HIGHLIGHTS OF THE QUARTER

- Gas transmission volume for the quarter was 38.2mmscmd (+17.9% QoQ and +4.6% YoY) as against our estimate of 36.5mmscmd. Volume break-up in mmscmd was: Refinery 13.4, Fertiliser 3.8, Power 5, CGD 10.7 and other 5.3. Blended transmission tariff was Rs 1,434/tscm (-2.1% QoQ and -2.3% YoY), which was in-line with our estimate.
- Post NGT order to ban use of coal gasifiers in Morbi area in order to curb pollution, CGD demand jumped up by 26.8% QoQ to 10.7mmscmd. Besides, demand from power and other industries increased by 24% QoQ owing to low spot LNG prices. The volume outlook of GSPL shall remain robust owing to (1) Strong demand from CGD, power and other industries, (2) The sole right to transmit re-gasified gas from Gujarat State Petroleum Corporation (GSPC) -Adani's 5mmtpa LNG Mundra terminal, (3) Post expansion of Petronet LNG's

### Financial Summary (Standalone)

Year Ending March (Rs bn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY19P	FY20E	FY21E	FY22E
Revenues	5.12	3.91	31.0	4.34	18.1	18.77	21.43	22.29	25.09
EBITDA	4.02	3.43	17.1	3.29	22.1	15.43	16.81	17.48	20.10
APAT	2.06	1.44	42.7	1.53	34.4	7.95	9.06	9.61	11.45
AEPS (Rs)	3.7	2.6	42.7	2.7	34.4	14.1	16.1	17.0	20.3
P/E (x)						14.9	13.1	12.3	10.3
EV/EBITDA (x)						9.1	8.0	7.4	6.1
RoE (%)						14.7	14.9	14.2	15.2

Source: Company, HDFC sec Inst Research

Dahej terminal to 17.5mmtpa from 15mmtpa.

- The demand in Saurashtra region (particularly from Morbi tile manufacturers and RIL refinery) was quite strong. To cater to this demand, GSPL is using RIL's compressors, apart from its own, to push more gas through its pipelines. Hence, gas transmission charges were up 37.6%YoY to Rs 452mn. As we expect demand in this region to continue, compression charges should remain elevated in ensuing quarters as well. However, these charges are recoverable from customers (RIL).
- Near term outlook:** Ramp up in utilisation of Mundra and Dahej LNG terminal.

### STANCE

**We like the GSPL owing to the (1) Robust volume outlook on the back of strong demand from CGD entities and the power sector (2) Smoothing of cyclicity in its earnings, post acquisition of a controlling stake in Gujarat Gas (3) Steady cash flows (FCF of Rs 38.73 bn over FY20-23E) from transmission business which will turn the company's position to a net cash one. We value the transmission business using Discounted Cash Flow (DCF) at Rs 150/sh. To this, we add Rs 97/sh as value of its investments in Gujarat Gas, Sabarmati Gas and other investments to arrive at the target price of Rs 247/sh.**

INDUSTRY	OIL & GAS
<b>CMP (as on 05 Aug 19)</b>	<b>Rs 210</b>
<b>Target Price</b>	<b>Rs 247</b>
Nifty	10,863
Sensex	36,700

### KEY STOCK DATA

Bloomberg	GUJS IN
No. of Shares (mn)	564
MCap (Rs bn) / (\$ mn)	119/1,690
6m avg traded value (Rs mn)	94

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 217/149		
	3M	6M	12M
Absolute (%)	11.2	24.1	5.7
Relative (%)	17.0	23.8	7.9

### SHAREHOLDING PATTERN (%)

	Mar-19	Jun-19
Promoters	37.65	37.64
FIs & Local MFs	20.97	22.81
FPIs	16.52	15.42
Public & Others	24.86	24.13
Pledged Shares	0.00	0.00

Source : BSE

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**Operating expenses (Opex) jumped 151% YoY owing to higher System Usage Gas (SUG) cost of Rs 130mn**

**The sequential rise of 8.5% in Opex is largely due to 37.6% increase in gas transmission charges Rs 452mn**

### Quarterly Financial Snapshot (Standalone)

(Rs. bn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
<b>Net Sales</b>	<b>5.12</b>	<b>3.91</b>	<b>31.0</b>	<b>4.34</b>	<b>18.1</b>
Raw material and Traded Goods	0.00	0.00	-	0.00	-
Employee Expenses	0.13	0.09	47.0	0.15	(13.1)
Other Operating Expenses	0.97	0.39	151.3	0.90	8.5
<b>EBITDA</b>	<b>4.02</b>	<b>3.43</b>	<b>17.1</b>	<b>3.29</b>	<b>22.1</b>
Depreciation	0.49	0.45	9.1	0.48	2.8
<b>EBIT</b>	<b>3.53</b>	<b>2.99</b>	<b>18.3</b>	<b>2.82</b>	<b>25.3</b>
Other Income	0.08	0.05	40.2	0.08	(3.2)
Interest	0.48	0.58	(17.3)	0.50	(5.1)
<b>PBT</b>	<b>3.13</b>	<b>2.46</b>	<b>27.1</b>	<b>2.39</b>	<b>30.8</b>
Provision for tax	1.07	1.02	4.6	0.86	24.4
RPAT	2.06	1.44	43.1	1.53	34.4
<b>APAT</b>	<b>2.06</b>	<b>1.44</b>	<b>42.7</b>	<b>1.53</b>	<b>34.4</b>
REPS (Rs)	3.67	2.57	42.7	2.73	34.4
<b>Adjusted EPS (Rs)</b>	<b>3.67</b>	<b>2.57</b>	<b>42.7</b>	<b>2.73</b>	<b>34.4</b>

Source: Company, HDFC Sec Inst Research

### Margin Analysis

	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)
Employee Expenses as % of Net Sales	2.50	2.23	27.2	3.40	(89.9)
Other Operating Expenses as % of Net Sales	18.97	9.89	908.0	20.65	(167.7)
EBITDA Margin (%)	78.45	87.77	(932.6)	75.90	121.86
<b>Net Profit Margin (%)</b>	<b>40.22</b>	<b>36.92</b>	<b>330.2</b>	<b>35.34</b>	<b>488.3</b>
Tax Rate (%)	34.12	41.49	(736.3)	35.90	(177.1)

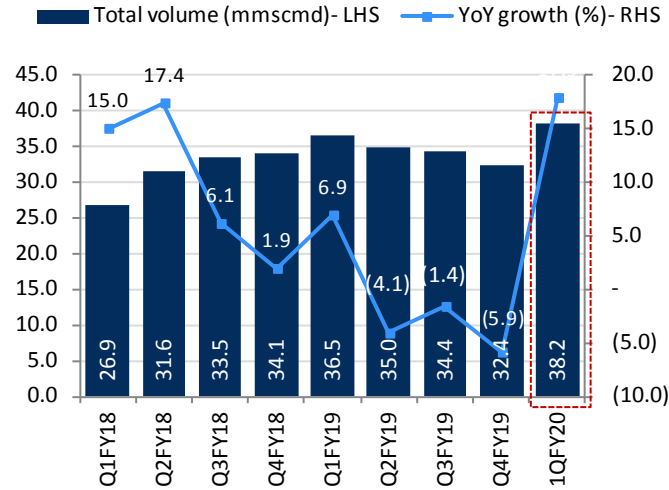
Source: Company, HDFC Sec Inst Research

**Volume increased 19.2% QoQ to 38.2mmscmd owing to (1) 26.8% jump in CGD demand (2) 24% increased in power and other industrial demand**

**GSPL's current volumes in Q2FY20 are at 40mmscmd as LNG prices are presently benign and demand from power plant continue**

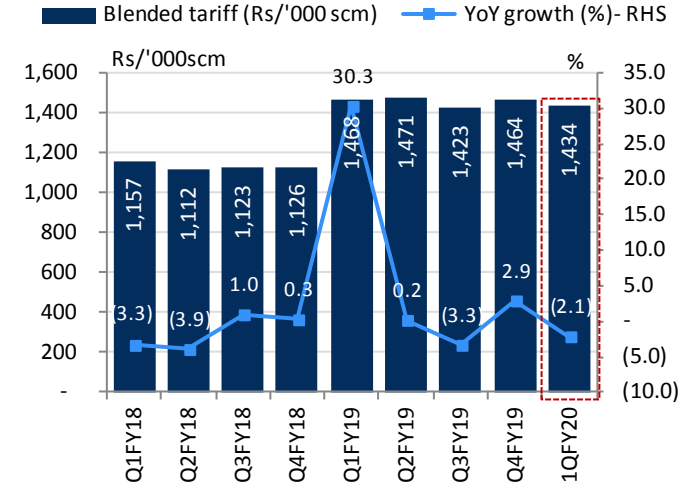
**PNGRB has increased the final blended tariff of GSPL by ~27% in 1HFY19 from Rs 1,130/t scm to Rs 1,440/t scm**

**Quarterly Volume Trend**



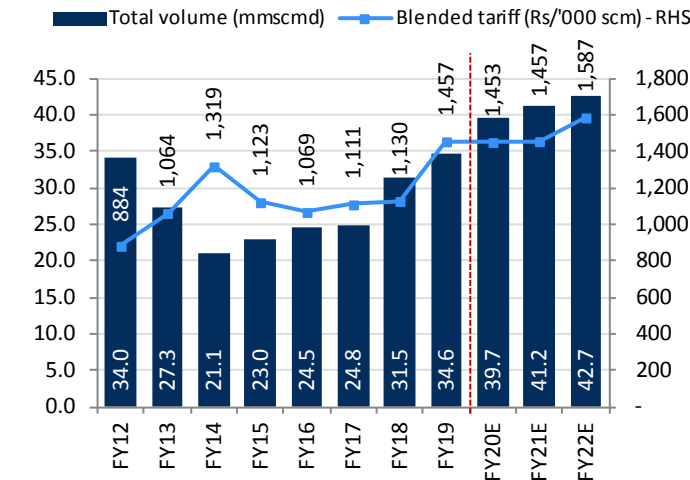
Source: Company, HDFC Sec Inst Research

**Quarterly Blended Tariff Trend**



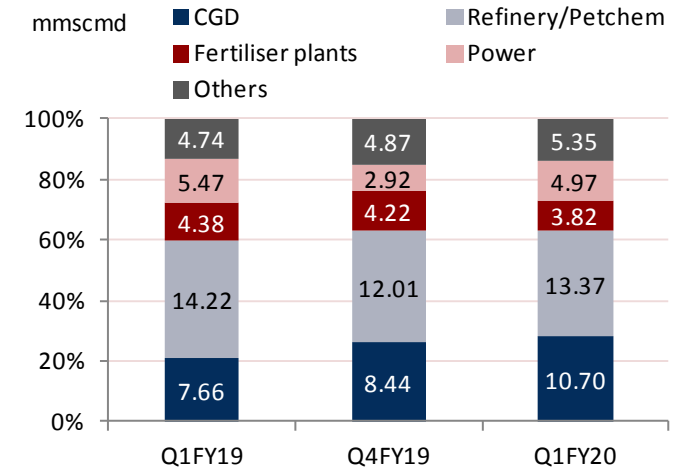
Source: Company, HDFC Sec Inst Research

**Annual Volume And Blended Tariff**



Source: Company, HDFC Sec Inst Research

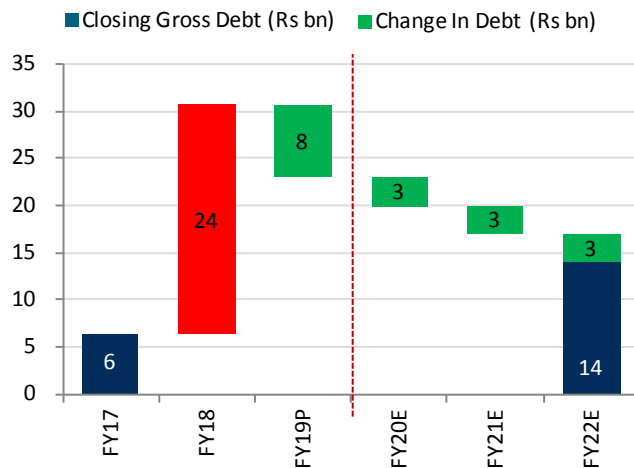
**Sector-Wise Volume Off-Takers**



Source: Company, HDFC Sec Inst Research

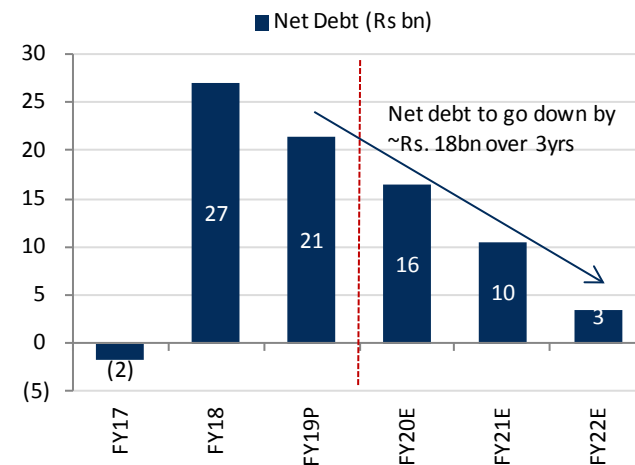
**Gross debt rose by Rs 24bn in FY18 to Rs30.6bn post the GGL acquisition (highlighted in red). The company has reduced its debt by Rs 7.6bn in FY19 to Rs 22.9bn. We expect GSPL to repay ~Rs 3bn pa starting FY20E and reach ~Rs 14.0bn of gross Debt by the end of FY22E**

**Gross Debt**



Source: Company, HDFC Sec Inst Research

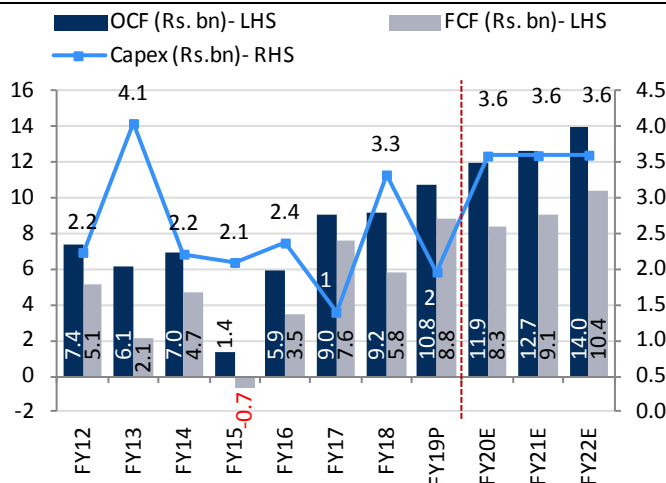
**Net Debt**



Source: Company, HDFC Sec Inst Research

**GSPL should return to its net cash position in FY23E backed by healthy free cash flows of ~Rs 38.73bn cumulatively generated over FY20-23E**

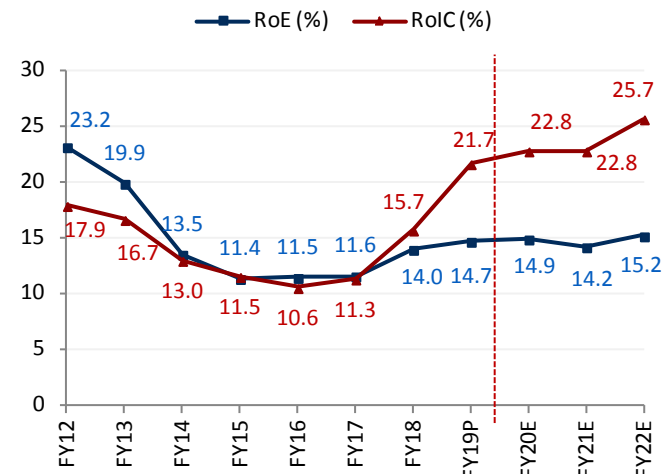
**Free Cash Flow To The Firm**



Source: Company, HDFC Sec Inst Research

**Returns spiked in FY19 post the revision in tariff**

**Return Ratios**



Source: Company, HDFC Sec Inst Research

**We expect RoIC to remain above 20% over FY20-23E**

### Assumptions

	FY20E	FY21E	FY22E
<b>Volume</b>			
Volumes (mmscm)	14,487	15,047	15,578
Total volumes (mmscmd)	39.7	41.2	42.7
<b>Tariff</b>			
Blended tariff (Rs/'000 scm)	1,453	1,457	1,587
Blended tariff (Rs/mmbtu)	38.53	38.65	42.11

Source: Company, HDFC Sec Inst Research

### Changes In Estimates

Rs bn	FY20E			FY21E		
	Old	New	%Ch	Old	New	%Ch
Net Revenue	18.97	21.43	13.0	19.34	22.29	15.2
EBITDA	15.28	16.81	10.1	15.48	17.48	13.0
APAT	8.10	9.06	11.8	8.29	9.61	16.0
AEPS (Rs/sh)	14.37	16.07	11.8	14.69	17.04	16.0
Transmission tariff (Rs/'000scm)	1,435.6	1,452.5	1.2	1,435.6	1,457.2	1.5
Volume (mmscmd)	35.64	39.69	11.4	36.48	41.22	13.0

Source: HDFC Sec Inst Research

*We raise our volume assumption keeping in mind strong demand from CGD entities and the power sector*

**DCF Valuation Of Transmission Business**

Particulars	Unit	FY19P	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Volumes	mmcmd	35	40	41	43	43	44.0	44.9	45.8	46.7
Blended tariff	Rs/scm	1,457	1,453	1,457	1,587	1,587	1,025	1,025	1,025	1,025
Blended tariff	Rs/mmbtu	38.64	38.53	38.65	42.11	42.11	27.19	27.19	27.19	27.19
Total revenue	Rs mn	18,391	21,046	21,926	24,730	25,010	16,471	16,800	17,136	17,479
Opex as a % of revenue	%	17.8	21.5	21.6	19.9	20.4	20.4	20.4	20.4	20.4
EBITDA	Rs mn	15,113	16,515	17,198	19,811	19,899	13,105	13,367	13,635	13,907
Rate of depreciation	%	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Depreciation	Rs mn	1,800	2,025	2,165	2,304	2,444	2,615	2,798	2,994	3,204
EBIT	Rs mn	13,313	14,490	15,033	17,507	17,456	10,490	10,569	10,641	10,704
Interest	Rs mn	2,192	1,719	1,479	1,239	999	979	959	940	921
PBT	Rs mn	11,121	12,771	13,555	16,268	16,457	9,512	9,610	9,701	9,783
Tax	Rs mn	3,781	4,342	4,609	5,531	5,595	3,234	3,267	3,298	3,326
PAT	Rs mn	7,340	8,429	8,946	10,737	10,862	6,278	6,343	6,403	6,457
Working capital change	Rs mn	(592.93)	(216.02)	147.92	(193.94)	286.56	188.72	192.50	196.35	200.27
OCF (a)	Rs mn	10,739	11,957	12,737	14,086	14,591	10,060	10,292	10,533	10,782
Capex (b)	Rs mn	1,878	3,500	3,500	3,500	3,500	3,675	3,859	4,052	4,254
<b>Free cash flow (a)-(b)</b>	Rs mn	8,861	8,457	9,237	10,586	11,091	6,385	6,434	6,481	6,527
Risk free return	%	7.4								
Market risk premium	%	4.0								
Beta of the stock		0.9								
Cost of Equity	%	11.0								
Cost of Debt	%	7.6								
Weight of equity	%	81.8								
Weight of debt	%	18.2								
<b>WACC</b>	%	<b>10.3</b>								
NPV	Rs mn	41,533								
Terminal growth rate	%	0								
NPV of terminal growth	Rs mn	63,094								
EV	Rs mn	104,627								
Net debt	Rs mn	20,146								
Market cap	Rs mn	84,480								
<b>Value of transmission business</b>	Rs/sh	<b>150</b>								

### Sensitivity Of Transmission Business To Terminal Growth Rate And WACC

	WACC (%)	Terminal Growth Rate (%)		
		-2.0	0.0	2.0
	8.0	157	179	215
	10.3	136	150	170
	12.0	124	134	149

Source: Company, HDFC Sec Inst Research

### P/E Based Valuation Of Gujarat Gas (Jun-21E)

	Unit	FY21E	FY22E
EPS	(Rs/ share)	11.7	14.1
Weight assigned	(%)	75	25
Weighted Average EPS	(Rs/ share)	12.3	
P/E Multiple	(x)	20	
Value per share	(Rs/ share)	246	
GSPL's share in Gujarat Gas	%	54.16	
Value of GSPL's stake in Gujarat Gas @50% discount	Rs/share	81	

Source: Company, HDFC Sec Inst Research

### SOTP Valuation (Based On Jun-21E)

Business	Unit	Value	Valuation basis
Value of GSPL standalone business (A)	Rs/share	150	DCF valuation based method
Value of stake in Gujarat Gas (B)	Rs/share	81	50% discount to our P/E based target price
Value of Sabarmati Gas (C)	Rs/share	8	30% discount to EV/EBITDA valuation
Other investments (D)	Rs/share	8	At book value
<b>Target price (Rs/share) (A)+(B)+(C)+(D)</b>		<b>247</b>	

Source: Company, HDFC Sec Inst Research

### Implied EV/EBITDA Calculation

	Unit	Jun-21
Market cap	(Rs mn)	84,480
Net debt	(Rs mn)	20,146
EV	(Rs mn)	104,627
EBITDA	(Rs mn)	18,136
<b>Implied EV/EBITDA multiple</b>	<b>(x)</b>	<b>6</b>

Source: Bloomberg, HDFC Sec Inst Research

## Peer Set Comparison

	MCap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	EPS (Rs/sh)				P/E (x)				P/BV (x)				ROE (%)			
					FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E
Reliance Industries	7,505	1,184	NEU	1,302	53.0	55.5	60.9	62.6	22.3	21.3	19.4	18.9	2.4	1.9	1.7	1.6	11.1	9.8	9.2	8.7
ONGC	1,686	134	BUY	189	15.9	21.2	20.6	21.1	8.5	6.3	6.5	6.4	0.9	0.8	0.8	0.7	10.5	13.5	12.3	11.8
Indian Oil Corp	1,240	135	BUY	190	22.8	18.4	18.2	21.1	5.9	7.3	7.4	6.4	1.1	1.1	1.1	1.0	19.9	15.4	14.7	15.8
BPCL	673	342	BUY	409	41.6	36.3	33.8	34.3	8.2	9.4	10.1	10.0	2.0	1.8	1.7	1.5	25.6	20.1	17.3	16.0
GAIL	577	128	BUY	206	10.2	13.8	13.6	15.0	12.6	9.2	9.4	8.5	1.4	1.3	1.2	1.1	11.7	14.8	13.3	13.5
HPCL	387	254	BUY	346	41.7	39.6	32.7	35.1	6.1	6.4	7.8	7.2	1.6	1.4	1.2	1.1	28.7	23.1	16.7	16.1
Petronet LNG	353	235	BUY	356	13.9	14.4	16.3	20.9	17.0	16.4	14.4	11.2	3.6	3.5	3.4	3.1	23.3	21.8	23.7	28.6
Indraprastha Gas	216	309	BUY	384	9.6	11.2	13.1	14.1	32.2	27.5	23.6	21.9	6.2	5.2	4.6	4.0	20.9	20.6	20.7	19.6
Oil India	168	155	BUY	232	24.6	33.4	32.2	32.6	6.3	4.6	4.8	4.8	0.6	0.6	0.5	0.5	9.4	13.0	11.8	10.7
Gujarat Gas	121	176	BUY	246	4.2	6.1	11.1	11.7	41.6	28.7	15.9	15.0	6.5	5.5	4.3	3.4	16.5	20.9	30.4	25.3
<b>GSPL</b>	<b>119</b>	<b>210</b>	<b>BUY</b>	<b>247</b>	<b>11.9</b>	<b>14.1</b>	<b>16.1</b>	<b>17.0</b>	<b>17.7</b>	<b>14.9</b>	<b>13.1</b>	<b>12.3</b>	<b>2.3</b>	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>	<b>14.0</b>	<b>14.7</b>	<b>14.9</b>	<b>14.2</b>
Mahanagar Gas	78	790	BUY	1,104	48.4	55.3	56.7	58.1	16.3	14.3	13.9	13.6	3.7	3.3	2.9	2.6	24.3	24.3	21.9	19.9

Source: Company, HDFC sec Inst Research, \* Fair Value



## Standalone Income Statement

(Rs bn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenues</b>	<b>13.32</b>	<b>18.77</b>	<b>21.43</b>	<b>22.29</b>	<b>25.09</b>
<b>Growth %</b>	<b>29.6</b>	<b>41.0</b>	<b>14.1</b>	<b>4.0</b>	<b>12.5</b>
Raw Material					
Employee Cost	0.43	0.65	0.72	0.78	0.85
Other Expenses	1.41	2.70	3.89	4.02	4.14
<b>EBITDA</b>	<b>11.48</b>	<b>15.43</b>	<b>16.81</b>	<b>17.48</b>	<b>20.10</b>
<b>EBITDA Margin (%)</b>	<b>86.2</b>	<b>82.2</b>	<b>78.5</b>	<b>78.4</b>	<b>80.1</b>
<b>EBITDA Growth %</b>	<b>29.2</b>	<b>34.4</b>	<b>9.0</b>	<b>4.0</b>	<b>14.9</b>
Depreciation	1.75	1.80	2.03	2.16	2.30
<b>EBIT</b>	<b>9.73</b>	<b>13.63</b>	<b>14.79</b>	<b>15.32</b>	<b>17.79</b>
Other Income (Including EO Items)	0.73	0.59	0.64	0.71	0.78
Interest	0.35	2.19	1.72	1.48	1.24
<b>PBT</b>	<b>10.11</b>	<b>12.03</b>	<b>13.71</b>	<b>14.55</b>	<b>17.33</b>
Tax	3.42	4.08	4.65	4.94	5.88
<b>RPAT</b>	<b>6.68</b>	<b>7.95</b>	<b>9.06</b>	<b>9.61</b>	<b>11.45</b>
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-
<b>APAT</b>	<b>6.68</b>	<b>7.95</b>	<b>9.06</b>	<b>9.61</b>	<b>11.45</b>
<b>APAT Growth (%)</b>	<b>34.6</b>	<b>18.9</b>	<b>14.0</b>	<b>6.1</b>	<b>19.1</b>
<b>AEPS</b>	<b>11.9</b>	<b>14.1</b>	<b>16.1</b>	<b>17.0</b>	<b>20.3</b>
<b>AEPS Growth %</b>	<b>34.6</b>	<b>18.9</b>	<b>14.0</b>	<b>6.1</b>	<b>19.1</b>

Source: Company, HDFC Sec Inst Research

## Standalone Balance Sheet

(Rs bn)	FY18	FY19P	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	5.64	5.64	5.64	5.64	5.64
Reserves And Surplus	45.01	51.80	58.46	65.53	73.95
<b>Total Equity</b>	<b>50.65</b>	<b>57.44</b>	<b>64.10</b>	<b>71.17</b>	<b>79.59</b>
Long-term Debt	30.58	22.98	19.98	16.98	13.98
Short-term Debt	-	-	-	-	-
<b>Total Debt</b>	<b>30.58</b>	<b>22.98</b>	<b>19.98</b>	<b>16.98</b>	<b>13.98</b>
Deferred Tax Liability	4.98	5.23	5.33	5.44	5.55
Long-term Provision	0.43	0.65	0.68	0.71	0.73
<b>TOTAL SOURCES OF FUNDS</b>	<b>86.64</b>	<b>86.30</b>	<b>90.09</b>	<b>94.29</b>	<b>99.85</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	31.14	36.07	37.12	38.03	38.81
<b>Capital WIP</b>	<b>8.96</b>	<b>4.19</b>	<b>4.72</b>	<b>5.24</b>	<b>5.77</b>
LT Loans And Advances	1.26	1.22	1.39	1.46	1.63
<b>Total Non-current Investments</b>	<b>41.81</b>	<b>42.77</b>	<b>42.77</b>	<b>42.77</b>	<b>42.77</b>
Inventories	1.23	1.28	1.47	1.52	1.58
Debtors	1.24	2.08	2.38	2.47	2.78
Cash and Cash Equivalent	3.65	1.58	3.60	6.51	10.56
<b>Other Current Assets</b>	<b>0.19</b>	<b>0.29</b>	<b>0.33</b>	<b>0.35</b>	<b>0.39</b>
Total Current Assets	6.31	5.24	7.77	10.85	15.31
<b>Creditors</b>	<b>0.19</b>	<b>0.24</b>	<b>0.34</b>	<b>0.36</b>	<b>0.37</b>
Other Current Liabilities & Provns	2.66	2.97	3.34	3.71	4.08
<b>Total Current Liabilities</b>	<b>2.85</b>	<b>3.20</b>	<b>3.68</b>	<b>4.06</b>	<b>4.44</b>
<b>Net Current Assets</b>	<b>3.46</b>	<b>2.03</b>	<b>4.09</b>	<b>6.79</b>	<b>10.87</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>86.64</b>	<b>86.30</b>	<b>90.09</b>	<b>94.29</b>	<b>99.85</b>

Source: Company, HDFC Sec Inst Research

**Standalone Cash Flow**

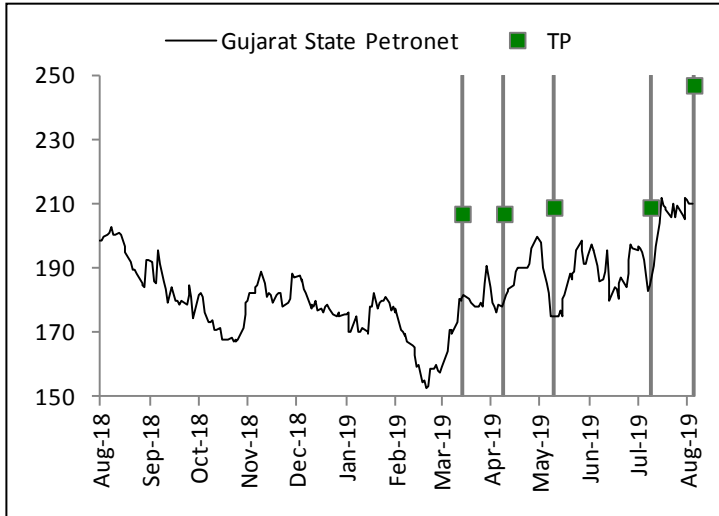
(Rs bn)	FY18	FY19P	FY20E	FY21E	FY22E
Reported PBT	10.11	12.03	13.71	14.55	17.33
Non-operating & EO Items	(0.73)	(0.59)	(0.64)	(0.71)	(0.78)
Interest Expenses	0.35	2.19	1.72	1.48	1.24
Depreciation	1.75	1.80	2.03	2.16	2.30
Working Capital Change	1.11	(0.59)	(0.22)	0.15	(0.19)
Tax Paid	(3.42)	(4.08)	(4.65)	(4.94)	(5.88)
<b>OPERATING CASH FLOW ( a )</b>	<b>9.16</b>	<b>10.75</b>	<b>11.94</b>	<b>12.70</b>	<b>14.02</b>
Capex	(3.33)	(1.97)	(3.60)	(3.60)	(3.61)
Free Cash Flow (FCF)	5.83	8.78	8.35	9.09	10.41
Investments	(34.16)	(0.96)	-	-	-
Non-operating Income	0.73	0.59	0.64	0.71	0.78
Others	0.48	0.66	0.14	0.13	0.14
<b>INVESTING CASH FLOW ( b )</b>	<b>(36.28)</b>	<b>(1.67)</b>	<b>(2.81)</b>	<b>(2.76)</b>	<b>(2.69)</b>
Debt Issuance/(Repaid)	24.27	(7.60)	(3.00)	(3.00)	(3.00)
Interest Expenses	(0.35)	(2.19)	(1.72)	(1.48)	(1.24)
FCFE	29.75	(1.00)	3.63	4.61	6.17
Share Capital Issuance	0.00	0.00	-	-	-
Dividend	(1.19)	(1.36)	(2.40)	(2.54)	(3.03)
<b>FINANCING CASH FLOW ( c )</b>	<b>22.73</b>	<b>(11.14)</b>	<b>(7.12)</b>	<b>(7.02)</b>	<b>(7.27)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(4.38)</b>	<b>(2.06)</b>	<b>2.01</b>	<b>2.91</b>	<b>4.06</b>
EO Items, Others					
<b>Closing Cash &amp; Equivalents</b>	<b>3.65</b>	<b>1.58</b>	<b>3.60</b>	<b>6.51</b>	<b>10.56</b>

Source: Company, HDFC Sec Inst Research

**Standalone Key Ratios**

	FY18	FY19P	FY20E	FY21E	FY22E
<b>PROFITABILITY %</b>					
EBITDA Margin	86.2	82.2	78.5	78.4	80.1
EBIT Margin	73.0	72.6	69.0	68.7	70.9
APAT Margin	50.2	42.3	42.3	43.1	45.6
RoE	14.0	14.7	14.9	14.2	15.2
RoIC	15.7	21.7	22.8	22.8	25.7
RoCE	9.7	10.9	11.6	11.5	12.6
<b>EFFICIENCY</b>					
Tax Rate %	33.9	33.9	33.9	33.9	33.9
Fixed Asset Turnover (x)	0.4	0.5	0.5	0.5	0.5
Inventory (days)	34	25	25	25	23
Debtor (days)	34	40	40	40	40
Other Current Assets (days)	5	6	6	6	6
Payables (days)	48	32	32	32	32
Other Current Liab & Provns (days)	73	58	57	61	59
Cash Conversion Cycle (days)	(48)	(19)	(18)	(22)	(22)
Net Debt/EBITDA (x)	2.3	1.4	1.0	0.6	0.2
Net D/E	0.5	0.4	0.3	0.1	0.0
Interest Coverage	0.0	0.2	0.1	0.1	0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	11.9	14.1	16.1	17.0	20.3
CEPS	15.0	17.3	19.7	20.9	24.4
Dividend	1.0	1.1	2.0	2.1	2.5
Book Value	89.8	101.8	113.7	126.2	141.1
<b>VALUATION</b>					
P/E (x)	17.7	14.9	13.1	12.3	10.3
P/Cash EPS (x)	14.0	12.2	10.7	10.1	8.6
P/BV (x)	2.3	2.1	1.8	1.7	1.5
EV/EBITDA (x)	12.7	9.1	8.0	7.4	6.1
EV/Revenue (x)	10.9	7.4	6.3	5.8	4.9
Dividend Yield (%)	0.5	0.5	0.9	1.0	1.2
OCF/EV (%)	6.3	7.7	8.9	9.8	11.5
FCFF/EV (%)	4.0	6.3	6.2	7.1	8.5
FCFE/M Cap (%)	25.1	(0.8)	3.1	3.9	5.2

Source: Company, HDFC Sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
14-Mar-19	180	BUY	207
9-Apr-19	179	BUY	207
10-May-19	175	BUY	209
9-Jul-19	183	BUY	209
5-Aug-19	210	BUY	247

**Rating Definitions**

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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