

Sector Thematic

Indian Gas Sector

Resilience in the eye of the storm

A sharp increase in domestic gas production growth, from a decline of 3% over FY17–FY21 to a 13% CAGR over FY21–FY25E, should support the resilient demand from (1) increasing City Gas (CGD) network, (2) increase in pipeline connectivity, (3) industrial consumption, and (4) shift towards cleaner fuels. We expect domestic gas production and improving connectivity led 9% CAGR in Indian natural gas demand over FY21–25E to drive FY21–FY25E earnings growth of 16-18% as well as stock price upside potential of 23-31% for our top picks IGL and GAIL. On FY23E, IGL is trading at a PER of 23.4x and GAIL is trading at a PER of 7.7x. We downgrade PLNG (trades at PER 14.4x on FY23E) to REDUCE from BUY because of the adverse impact of seasonally adjusted high spot LNG price of over USD 20/mmbtu (oil equivalent of USD ~117/bbl) and rising domestic gas production on spot LNG demand over the medium term.



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- LNG price and impact of high spot LNG price – total demand unaffected but impact varies by companies:** Asian spot LNG prices are currently at seasonally adjusted high at over USD 20.1/mmbtu, given supply constraints and strong global demand. We expect spot prices to remain elevated over the medium term, given major consumers like Europe are working towards increasing their inventories ahead of the winter season. Moreover, a possible further spike in spot LNG prices in the event of a severe winter and/or delay in Nord Stream 2 pipeline commissioning in Europe cannot be ruled out. We expect minimal impact on gas transmission and CNG dominant CGD networks. GUJGA, with a higher exposure to industrial consumers, could see decline in margins and PLNG could witness reduction in spot/service contract volumes.
- Demand growth to sustain despite multiple challenges:** Domestic gas supply jumped 20% between Mar-20 to Jul-21, led by production from the KG D6 block. We expect the supply to continue rising with the recent start in production from ONGC KG DWN92/2 block and the upcoming MJ field to be commissioned in Q3FY23; we expect this to add >45mmscmd of domestic supply between FY21-25E. Demand has been resilient despite COVID-19 last year and high spot LNG prices this year. The commissioning of new fertilizer plants and CGD network connectivity should further boost demand. We expect demand to increase by >60mmscmd between FY21-25E.
- Increasing footprint to boost gas demand for transmission and CGD:** We expect ~16% CAGR volume growth between FY21-25E for the CGD sector, driven by increase in CGD network connectivity with the development of 9th and 10th rounds and price benefit over competitive fuels. GAIL and GSPL should benefit from completion of over 12,000kms of gas transmission pipelines by CY23. Completion of these will ensure connectivity with the eastern and southern parts, which are currently underserved. Development of these pipeline projects should convert latent demand from new users and CGD, which had to depend on a more expensive alternative fuel because of lack of pipeline connectivity.

Company	Reco	TP	Upside (%)
GAIL	BUY	205	30.6
GGL	BUY	825	22.4
GSPL	ADD	360	4.3
IGL	BUY	720	22.9
MGL	ADD	1280	8.5
PLNG	REDUCE	240	3.1

FY23E	PER (x)	P/B (x)
GAIL	7.7	1.0
GGL	22.9	5.9
GSPL	8.5	1.8
IGL	23.4	4.6
MGL	12.1	2.8
PLNG	14.4	2.8

Valuations: We value the city gas on DFC (WACC 9%), gas transmission and LNG importing companies on DCF (WACC of 10%). We value GAIL using sum-of-the-parts with each segment being valued on EV/EBIDTA multiples

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Over the past six quarters, the world over, everyone grappled with COVID-19, which took the world by surprise. India also suffered the waves with multiple lockdowns and lower consumption across sectors.

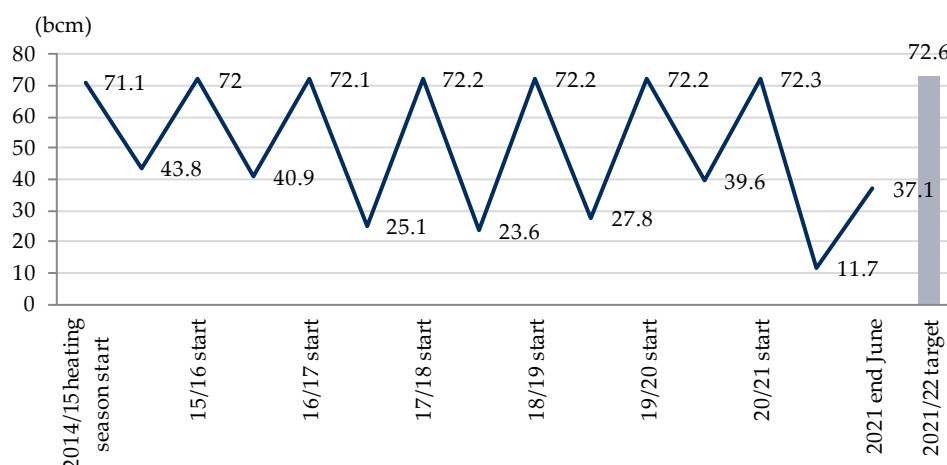
Currently, in 2021, India is moving out of the spell of COVID-19 with operations ramping up, which could be at risk if the country is forced to slow down due to a possible third wave. We, however, see a second storm of rising spot LNG prices facing the Indian natural gas sector.

Despite these two challenges, we have witnessed a strong resilience in the gas utility companies in terms of demand. Furthermore, given the progress in vaccination, we expect the growth momentum to pick up from here to new highs till FY25, supported by domestic gas production.

RLNG prices to remain elevated over short term

Russia is a major supplier of gas to Europe. However, this year, Europe is facing a supply pressure as Russia is unable to meet Europe's gas demand. This is given the fact that Russia itself is a big consumer of gas and is working towards increasing its own inventories to 72.6bcm by 1 November 2021.

Exhibit 1: Russia gas inventory level-trendline



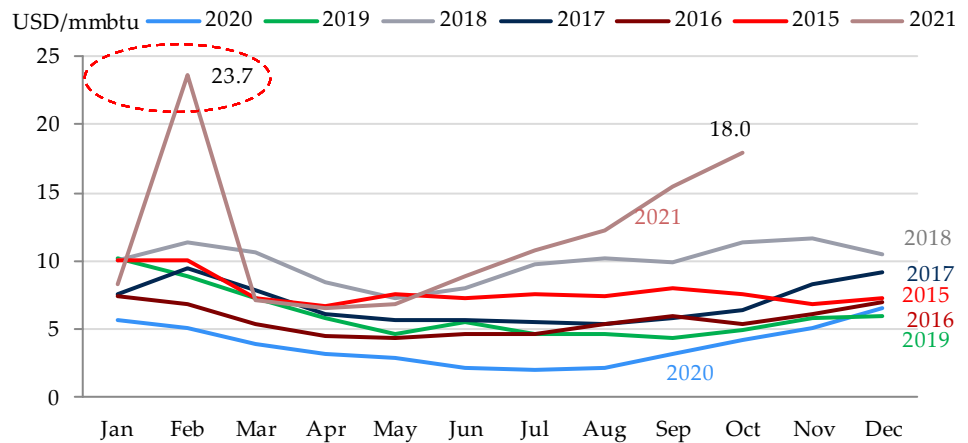
Source: Bloomberg, HSIE Research

This has resulted in a sharp spike in Asian LNG prices as Europe competes with Asian gas buyers for gas. As a result, Asian spot LNG price for Oct delivery is at a peak price of USD 20.1/mmbtu for the week ending 10 September 2021. This is 10x the price vs Jul-2020, ~29.2% slope to current Brent price vs from 4.7% in Jul-2020. We estimate that LNG is currently at 38% premium to fuel oil and 10% premium to naphtha for Sep-21.

Given natural gas/LNG inventory for Europe is below its 10-year average, we believe the price war could continue as it works towards increasing its inventory levels in Q3 before the winter season.

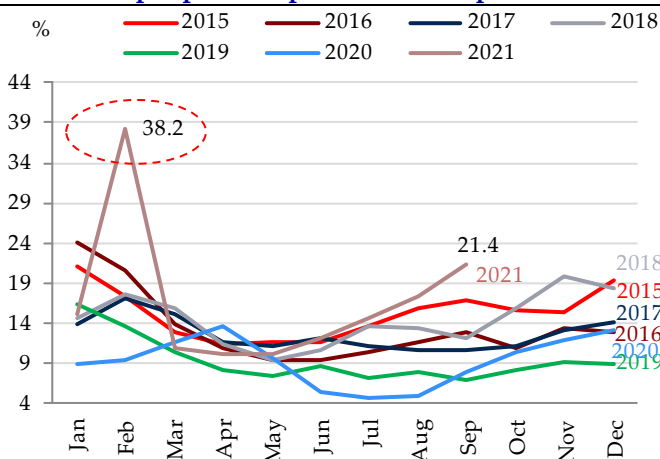
We, therefore, expect LNG prices to remain elevated for the short term. On a near-term basis, we don't rule out a possible further rise in LNG prices if the upcoming winter is severe.

Exhibit 2: Historical spot LNG prices



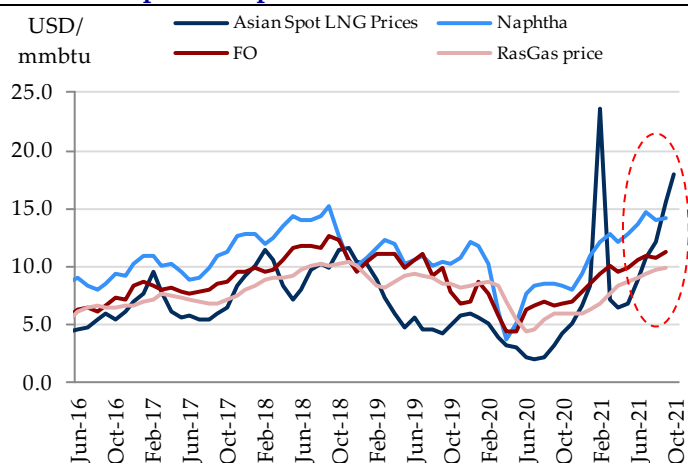
Source: Various News Sources, HSIE Research

Exhibit 3: Spot prices expressed as a slope to Brent



Source: Bloomberg, Various News Sources, HSIE Research

Exhibit 4: Spot LNG prices vis-à-vis alternatives fuels



Source: Bloomberg, Various News Sources, HSIE Research | FO stands for Fuel Oil

Impact of high LNG prices

We believe the rise in spot LNG price would have implications for the short term. However, the demand would be affected differently across sectors.

We expect minimal to zero impact for the fertilizer sector as the input gas cost is a complete pass-through. While for the power sector, we expect the demand for LNG over the short term to be impacted, which can already be seen in LNG consumption turning negative YoY since Jan-21. In the CGD sector, however, only the commercial/industrial demand is exposed to LNG as domestic PNG and CNG get the cheaper domestic gas. We expect some impact on the commercial/industrial segment.

In the CGD space, GUJGA has the highest exposure to industrial demand. We expect a short-term impact from the segment. However, Morbi ceramic manufacturers, its largest customers, have almost no option to shift as they have to choose between piped gas and LPG (propane).

We continue to remain bullish on the CGD space but, given near-term headwinds on spot prices, we prefer IGL over GUJGA. We reiterate a buy rating on IGL with a revised price target of INR 720, owing to (1) ramp-up in CNG volumes post the unlock and (2) the fact that minimal exposure to LNG should help maintain the margins. We reiterate a BUY rating on GUJGA with a revised price target of INR 825, owing to stable volumes and ramp-up in volumes from new geographies.

We, however, expect PLNG to be under pressure in the short to medium term. We, therefore, downgrade PLNG to reduce with a revised price target of INR 240, owing to high spot LNG prices, which will impact spot and service contracts. This should be partially offset by long-term contracts, which will be completely utilised 100%.

We believe the transmission companies should have minimal impact on account of high LNG price as the demand will be met by the rising domestic gas volumes. We reiterate a buy rating on GAIL with a revised TP of INR 205, owing to ramp up in transmission volumes and benefit of rising LNG prices towards the trading segment, partially offset by lower utilization in petchem segment.

Global natural gas/LNG inventory below five-year average

Europe, US, Japan and Korea are major consumers of natural gas and LNG. The countries have underground storage capacities and LNG storage terminals for storage of inventory. The countries work towards increasing their storage levels in the summer months when the LNG prices are lower. The same is used to meet the increased demand in the winter months, when LNG prices spike due to increase in demand, higher shipping rates, and weather conditions.

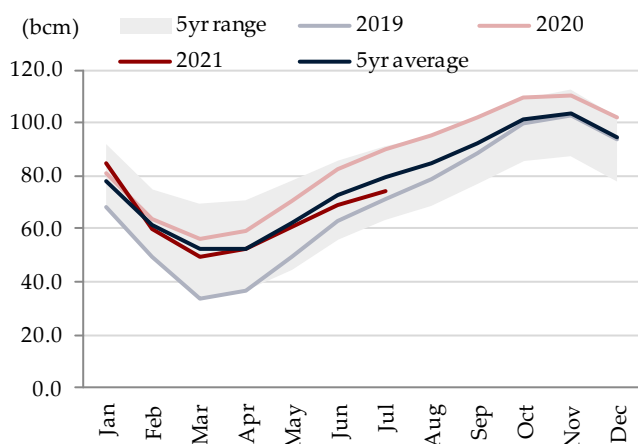
During the start of 2021, in Jan-21, northeast Asia witnessed extreme winters causing increased gas demand and regional liquefaction outages pushing spot LNG prices. Later, in mid-February, the US was impacted by extreme cold temperatures, leading to rising heat and electricity needs while hampering production with well freeze-offs. These conditions led to spot LNG prices rising to USD 23.7/mmbtu in Feb-21.

Currently, in the middle of Q3CY20, all the major consumers have natural gas inventories below their five-year average. The supply constraints continue to push LNG prices higher as the countries work towards increasing their inventories ahead of the upcoming winter season.

Our analysis shows that, in Aug-21, the US inventory is at ~79bcm - 6% below its five-year average - and Europe inventory is at ~61bcm - 26% below its five-year average. In Japan, LNG inventory in May-21 is 4% below the five-year average at 5.6bcm after being positive till last Apr-21. On a YoY basis, inventory levels are down 18%.

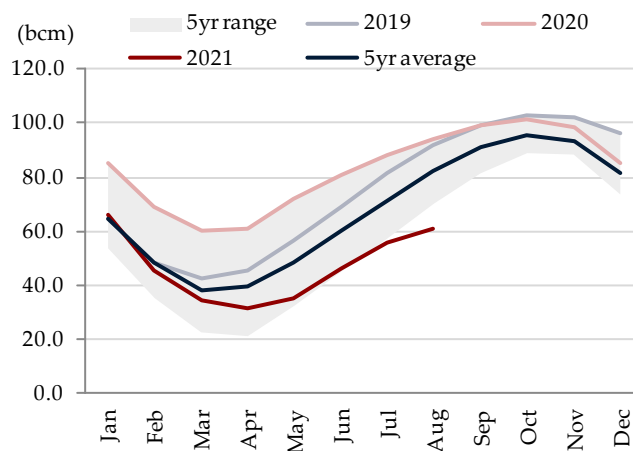
In Korea, LNG inventory in May-21 is 16% below the five-year average for a second consecutive month. The inventory continues to remain at a low level of 2.8bcm down 54% YoY.

Exhibit 5: USA underground storage inventory



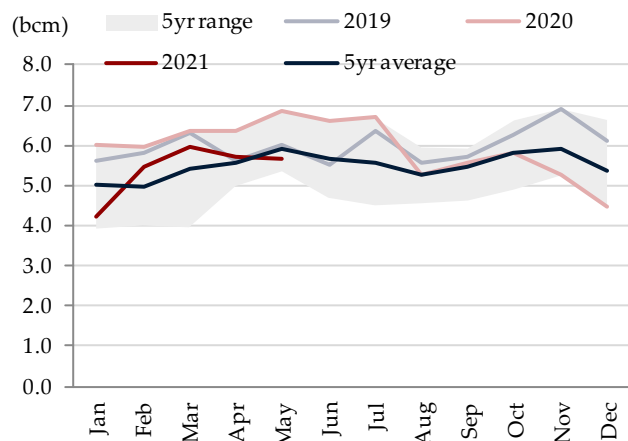
Source: EIA, HSIE Research

Exhibit 6: Europe underground storage inventory



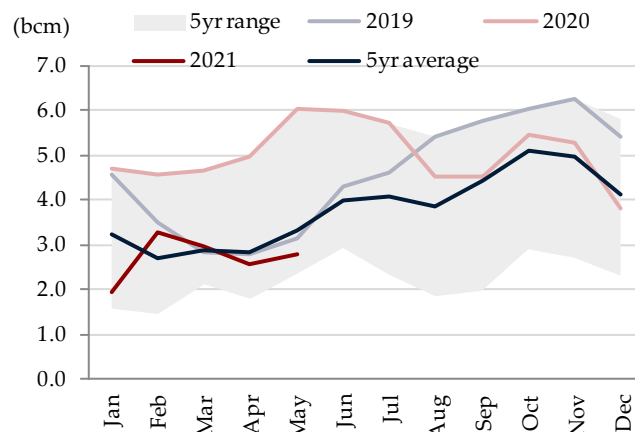
Source: AGSI+ Database, HSIE Research

Exhibit 7: Japan LNG inventory



Source: METI, HSIE Research

Exhibit 8: Korea LNG inventory



Source: MOTIE, HSIE Research

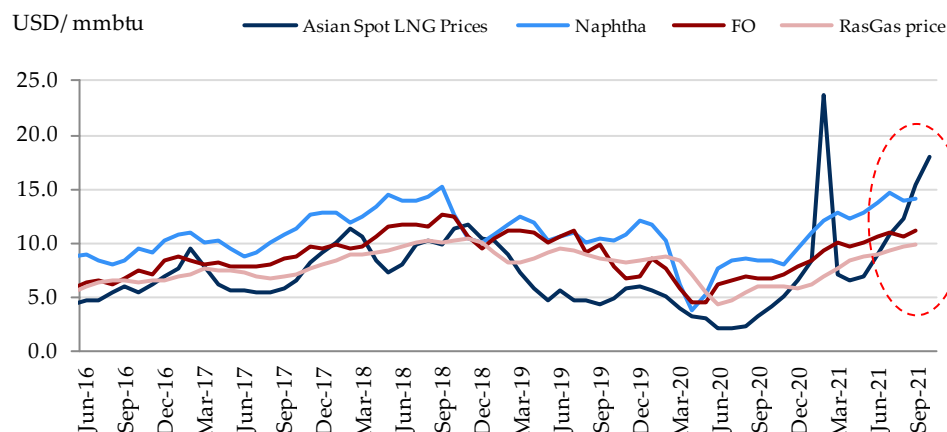
CGD margins to sustain despite rising gas cost

The sector already gets 110% of its previous average six months demand for CNG and D-PNG under the APM pricing mechanism. This leaves out the industrial and commercial PNG demand, for which LNG is purchased at the spot price.

Domestic gas price under APM for Apr-Sept 21 is at USD 1.79/mmbtu on Gross Calorific Value (GCV) basis. The price for H2FY22, however, is expected to increase by >50%, given the recent surge in global gas prices. When we compare CNG and D-PNG to alternative fuels, CNG price continues to remain at a discount of 58-69% over petrol and diesel while D-PNG price enjoys ~42-45% discount over LPG.

The Asian spot LNG for Oct-21 delivery is currently trading at an average of USD 18.0/mmbtu, up 331% YoY, while the latest price for the week ending 10 September 2021 for the Oct-21 delivery was at USD 20.1/mmbtu. The surge in spot prices is on account of continued supply constraints, lower supply from Russia as it works towards increasing its own inventory levels ahead of the winter, lower inventory stocks in Europe vs its 5-year average, and harsher summers resulting in heavy gas requirement for cooling. When compared to alternate fuels such as fuel oil (FO) and naphtha, the spot prices continue to remain at a discount of 13% vs naphtha, while it is at a premium of 14% vs FO, as of Aug-21. Moreover, given the further increase of >40% in spot price between Aug-Oct 21 we expect LNG to trade at a premium.

Given the price benefit of CNG and domestic PNG over petrol, diesel and LPG, we believe that the higher gas cost would be passed on to the end consumer. While in the case of industrial/commercial PNG where GUJGA has the highest exposure, we expect minimal impact. This is given the fact that its largest consumer base from the Morbi region has minimal option to choose; i.e LPG or industrial PNG. Moreover, all the CGD players have further hiked CNG and PNG prices in Aug-21. Therefore, we expect nil to minimal impact on gross margins of GUJGAS, IGL and MGL.

Exhibit 9: Spot LNG prices are trading at a premium vs alternative fuels


Source: Source: Bloomberg, Various News Sources, HSIE Research | FO stands for Fuel Oil

Positive surprise on domestic production growth in FY21, despite COVID-19

R Cluster, Satellite and MJ fields are part of Reliance Industries' (RIL) new development in the KGD6 block. In our earlier report dated 2 August, 2020 'Looking beyond the pandemic', we had estimated that the production from RIL's KGD6 block would resume from CY21. Ahead of our expectation, the company commissioned R Cluster in Dec-20 and Satellite cluster in Apr-21. As of Q1FY22, the combined peak production from the fields is >18mmscmd.

Oil and Natural Gas Corporation's (ONGC) KG DWN 98/2 block, in KG basin off the eastern offshore, has started production in Aug-21.

Domestic gas production set to increase by 61% over FY21-25E

RIL's R Cluster and Satellite fields have already started production. MJ field is slated to get commissioned by CY22. RIL has guided to achieve a peak production level of 30mmscmd by CY23.

Peak production from ONGC's KG DWN92/2 block is expected at 15mmscmd by FY24.

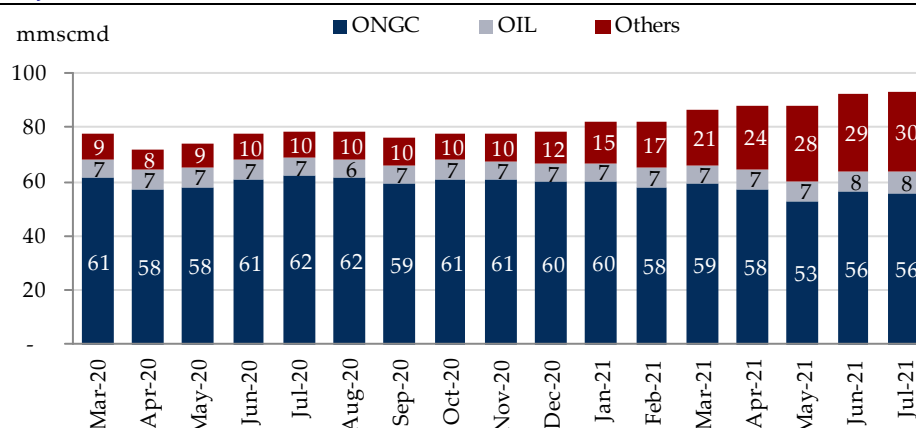
Given earlier-than-anticipated production resumption in FY21, we reiterate our bullish stance on domestic production. We estimate domestic gas production to increase by >45 million metric standard cubic meters per day or mmscmd or 13% CAGR over FY21-25E. This is a substantial increase in domestic gas production, especially from the eastern offshore fields; we believe this gas should flow to west of India, thereby benefiting GAIL (India) Ltd (GAIL).

Exhibit 10: Combined customer-wise break up of new gas from KG D6 round I, II and III

Customer	Volume (mmscmd)
Essar Steel	2.25
Gujarat State Petroleum Corp (GSPC)	1.20
Adani Total Gas Limited	0.54
MGL	0.30
GAIL India Ltd.	1.18
Hindustan Petroleum Corp Ltd (HPCL)	0.58
GSFC/GNFC	0.10
Pipeline Infrastructure Limited	0.35
Reliance O2C Limited	8.00
Torrent Gas Private Limited	0.04
India Gas Solutions Private Limited	1.35
IRM Energy Private Limited	0.20
Enertech Fuel Solutions Private Limited	0.02
Shell Energy India Private Limited	0.68
Indian Oil Corporation Limited	1.00
Total	17.79

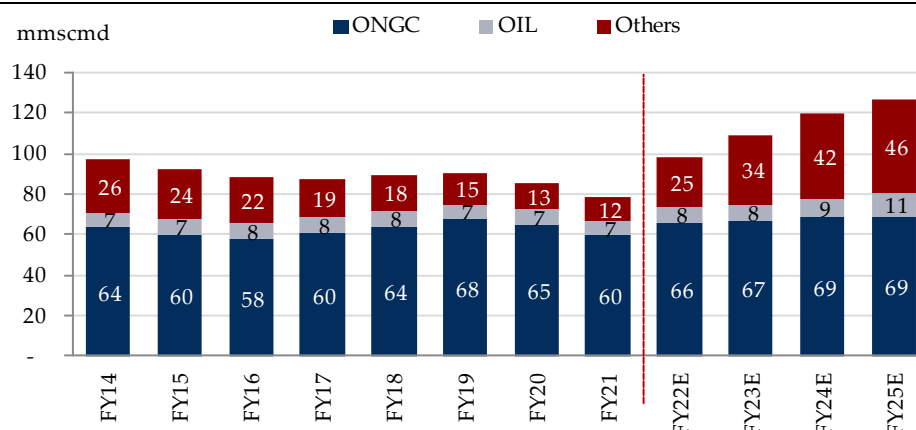
Source: Industry data

Exhibit 11: Domestic production by private players has increased >3x between Mar-20 to Jul-21



Source: Ministry of Petroleum and Natural Gas, HSIE Research | Others include private players and Joint Ventures

Exhibit 12: Domestic gas production to rise by 13% CAGR over FY21-25E by >45mmscmd



Source: Ministry of Petroleum and Natural Gas, HSIE Research | Others include private players and Joint Ventures

Demand remains resilient in FY21

In FY21, the total consumption of gas in India was at 153.6mmscmd flat YoY despite COVID-19. Support came primarily from fertilizer, refinery, and other sectors. The

Fertilizer sector demand at 48.4mmscmd was up 10% YoY. Good monsoons in 2020 supported higher consumption of fertilizer during the Rabi season. The Matix fertilizer plant also received a lifeline in 2021, with the completion of GAIL’s Dhobi-Durgapur pipeline.

The **refinery sector** demand, at 21.7mmscmd, was up 2% YoY. Demand for the sector remained resilient as the refineries ensured >80% utilisation levels and took advantage of the lower crude and gas price.

Power sector demand at 29.9mmscmd was down 1% YoY. The sector took the advantage of slump in spot LNG prices reaching ~USD 2/mmbtu. However, volatility in LNG prices has impacted the overall demand in FY21.

CGD sector demand, at 24.8mmscmd, was down 13% YoY. The sector was battered by lower CNG demand on account of lockdowns. Domestic PNG demand, however, improved as majority of people work from home.

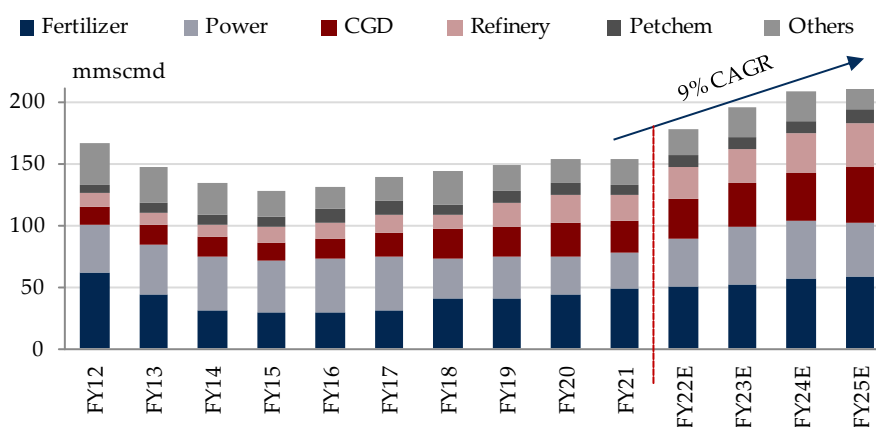
MGL and IGL witnessed 25.1% and 17.3% slump in volumes respectively in FY21. The companies have a major market share from CNG. As a result, their volumes were impacted by lockdowns resulting in restricted travel. GUJGAS, however, witnessed flat volumes in FY21. As company has a majority market share from industrial sector it received support from the same, offset by lower CNG.

The **petchem sector** demand, at 8.5mmscmd, was down 13% YoY. The lower volumes were on account of shutdowns taken in H1FY21 due to lower demand.

Indian gas demand to rise by 42% over FY21-25E

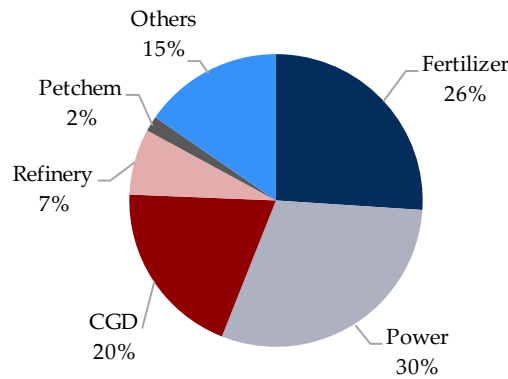
Given the resilience in consumption in FY21, we expect gas demand in India to accelerate over FY21-25E. Growth in demand should be supported by increase in domestic gas supply, improvement in pipeline penetration, and expansion in city gas distribution network. India’s natural gas demand growth should accelerate from a -1% CAGR over FY12-21 to 9% CAGR over FY21-25E. Majority of the incremental gas demand should come from city gas, fertilizer, and refineries sectors.

Exhibit 13: Gas demand to increase by 9% CAGR over FY21-25E



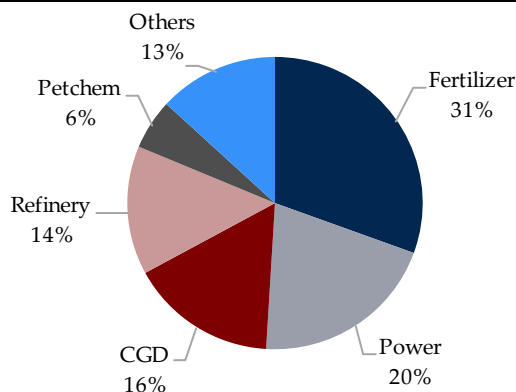
Source: Petroleum Planning & Analysis Cell, HSIE Research

Exhibit 14: Domestic demand mix in FY21 was dominated by the power sector



Source: Petroleum Planning & Analysis Cell, HSIE Research

Exhibit 15: Total gas demand mix in FY21 was dominated by the fertiliser sector

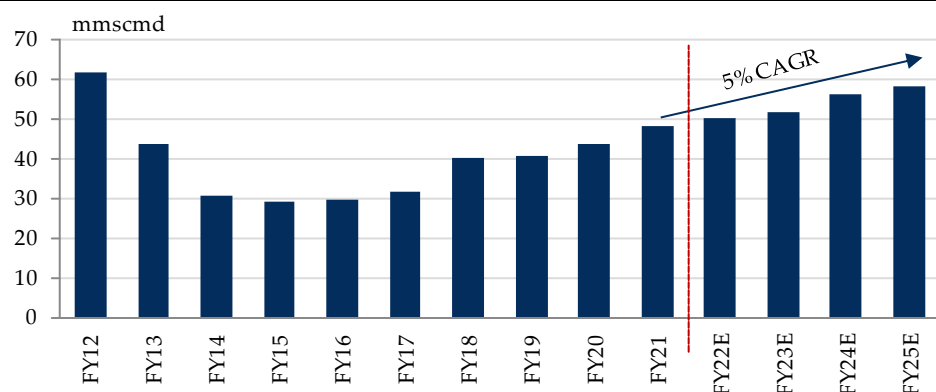


Source: Petroleum Planning & Analysis Cell, HSIE Research

Revival of closed units to drive gas demand in the fertilizer sector:

We estimate gas demand of the fertilizer sector to increase by a 5% CAGR to 58.7mmscmd over FY21-25E. At present, eight public sector fertilizer plants are closed. Of these, five plants, namely Ramagundam, Gorakhpur, Sindri, Barauni and Talcher are being revived. As of Q1FY22, Ramagundam and Gorakhpur plants have started operations. Ramagundam had a consumption of 2.2-2.5mmscmd while Gorakhpur was at 0.1mmscmd (and is expected to reach peak consumption of 2.1-2.2mmscmd by Dec-21). Sindri and Barauni plants are expected to be commissioned this month and reach peak consumption level by mid-2022. The Matix plant has also been commissioned and should start offtake from this month.

Exhibit 16: Consumption by the fertiliser industry should grow by 5% CAGR over FY21-25E



Source: Petroleum Planning & Analysis Cell, HSIE Research

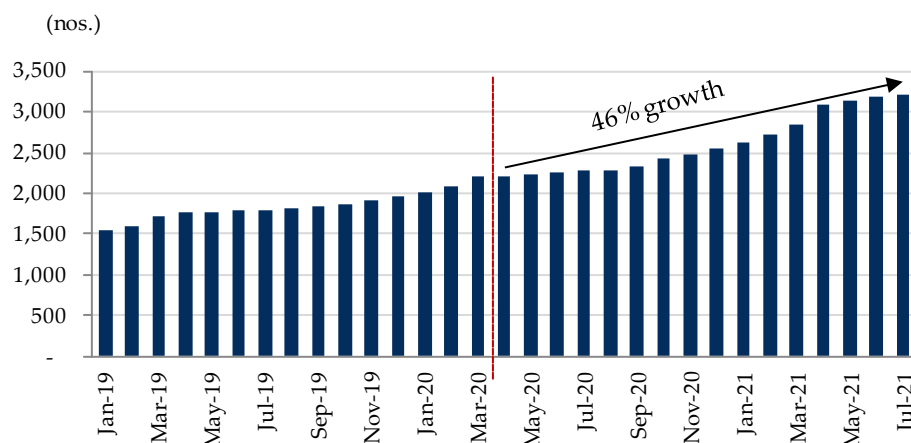
City gas demand to rise by 16% over FY21-25E

The government has recently announced that the 11th round of city gas auctions should begin soon. Moreover, with 80 GAs allocated in the 9th round and 50 more Geographical Areas (GAs) allocated in the 10th round, India should witness a significant investment drive in the next 4-5 years for the development of these city gas areas. Over FY21-25E, we estimate that expansion in new areas, pick-up in industrial activity, and push towards cleaner fuels would drive incremental 79% or about 19.4mmscmd demand from city gas to about 44.2mmscmd.

The compressed natural gas' (CNG) competitive position against liquid fuels continues to remain resilient as the excise duty remains unchanged on petrol at INR 32.9/litre and diesel at INR 31.8/litre. CNG currently enjoys a 55-69% price benefit over petrol and diesel (Exhibit 19), supporting CNG margins. This wide price differential ensures city gas companies' pricing power and should drive their margin expansion.

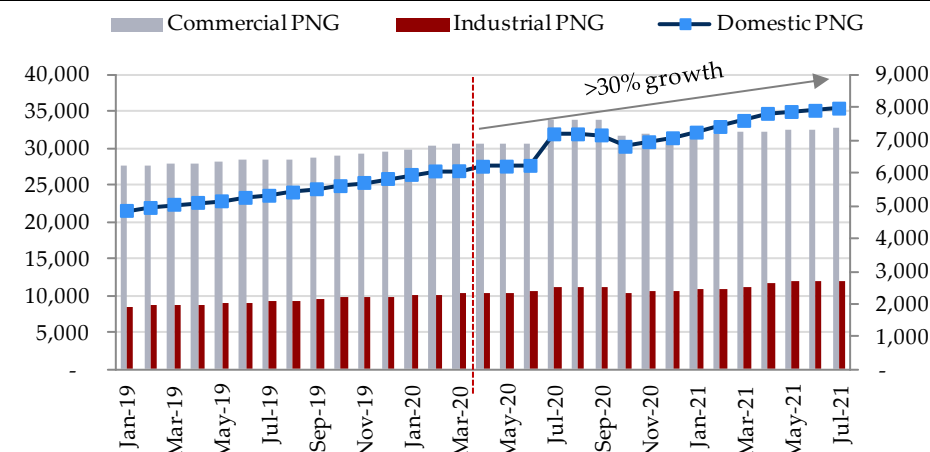
Moreover, despite COVID-19, until date, the City Gas Distribution (CGD) companies were able to add 1,016 CNG stations from the base of 2,207 in Mar-20 (up by 46%) and combined PNG connections (domestic, industrial and commercial) by >30%. Rising Capex on infrastructure connectivity should further improve city gas pipeline penetration, going ahead, sustaining demand growth.

Exhibit 17: CNG stations are at 3,223; have increased over 46% between Mar20-Jul21, despite COVID-19



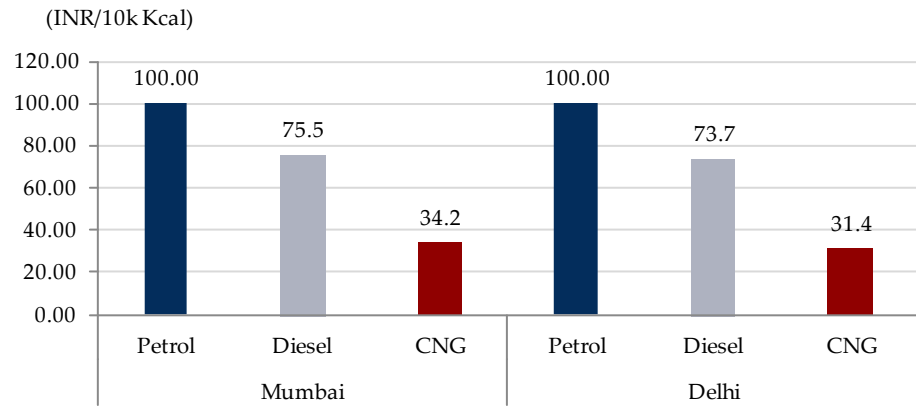
Source: PPAC, HSIE Research

Exhibit 18: Combined connections of domestic, industrial and PNG have increased >30% despite COVID-19



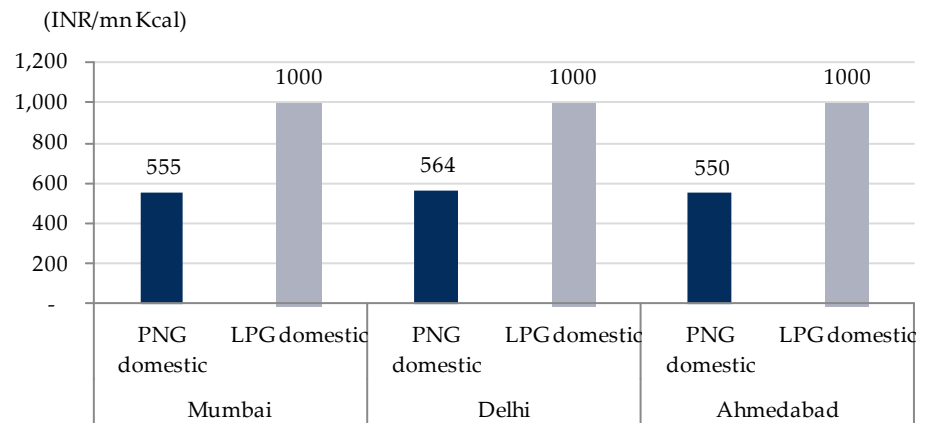
Source: Petroleum and Natural Gas Regulatory Board (PNGRB), HSIE Research

Exhibit 19: CNG price is 55-69% cheaper to petrol and diesel



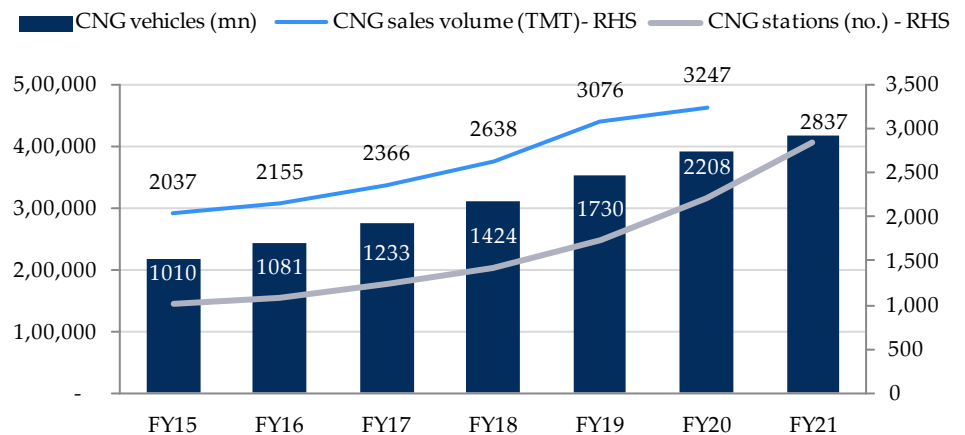
Source: Company, HSIE Research

Exhibit 20: D-PNG is 44-45% cheaper to LPG



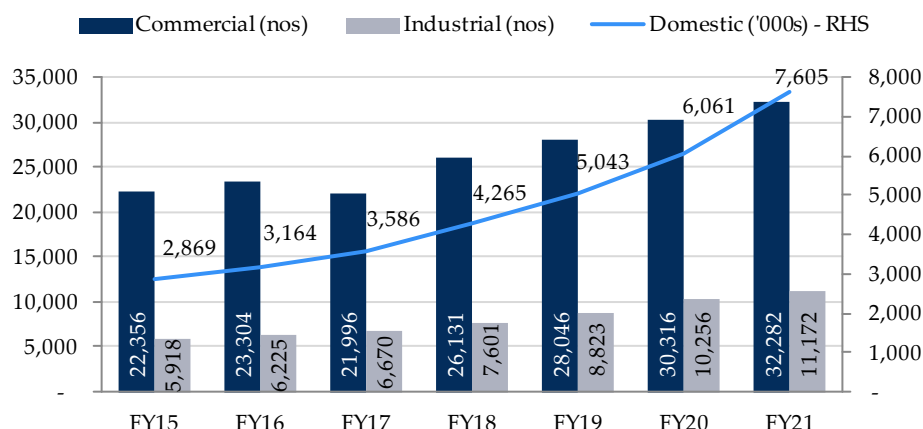
Source: Company, HSIE Research

Exhibit 21: Compressed natural gas continues to grow at a steady pace



Source: MoPNG, PPAC, Industry data, HSIE Research | TMT stands for thousand metric tons

Exhibit 22: Piped natural gas – consumers increased >25% between FY20-21



Source: MoPNG, PPAC, HSIE Research

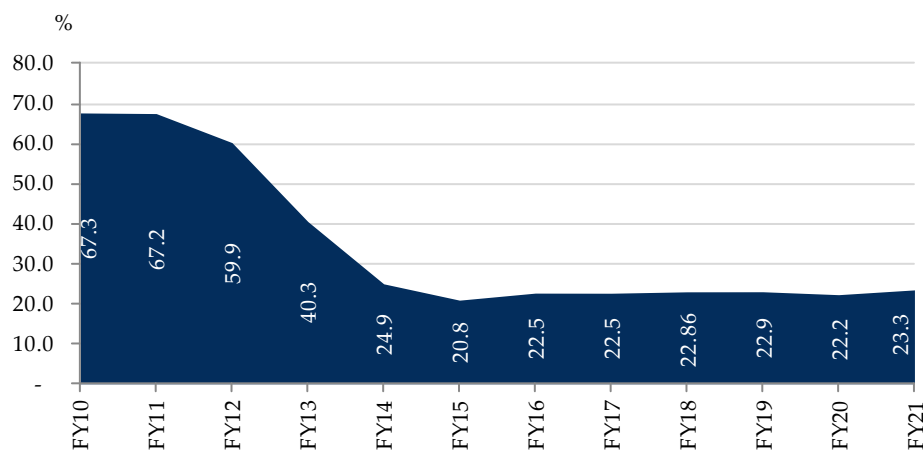
Despite price sensitivity, demand from power sector set to grow

Fertilizer and power sectors are the largest consumers of natural gas, consuming 51% of total gas available (~153.6mmscmd in FY21) in India. The demand for natural gas is growing, but the Indian gas market is a highly price-sensitive market. There is fixed demand for gas from industries like power, fertilizer, and refineries, which grows with increase in connectivity. Further, there also exists an oscillating demand for gas, which is again price sensitive.

Indian gas-based power sector was operating at ~18% Plant Load Factor (PLF) in Jul-21 (demand of 24.8mmscmd), down from the high of 28% (demand of 36.2mmscmd) in Jun-20. The recent slump in utilisation is a consequence of high LNG price, when it crossed USD9-10 per Metric Million British Thermal Unit or mmbtu, which has resulted in a negative impact on consumption.

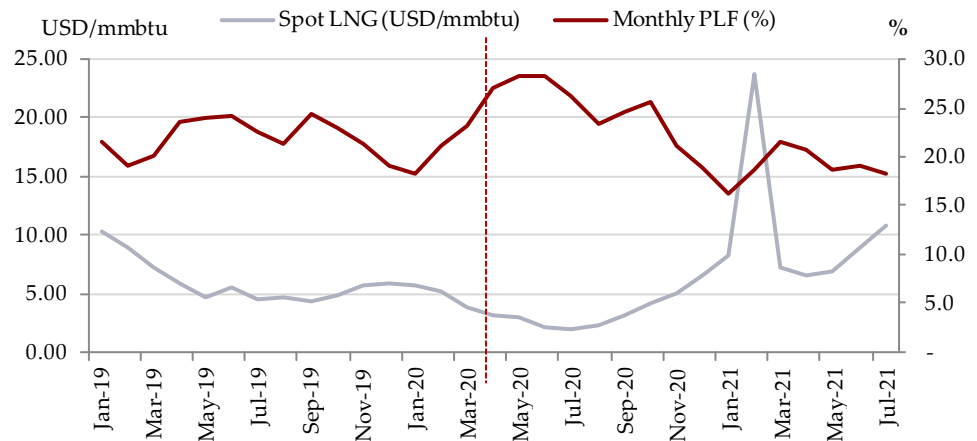
In FY10, driven by availability of cheaper domestic gas from RIL’s KGD6 block, gas-based power plants were operating at a 67% PLF. Given the installed gas-based power capacity of about 25GW, we estimate a latent demand of nearly 91mmscmd at 80% PLF at the right gas price. Driven by increased domestic gas production from the east coast fields and competitive LNG price, we expect PLF for gas-based power plants to rise from 18% in Jul-21 to 36% by FY25. This should drive an incremental total demand of 13mmscmd between FY21-25E.

Exhibit 23: Gas based power plants’ PLF has reduced to 23.3% in FY21 from the peak level of 67.3% in FY10



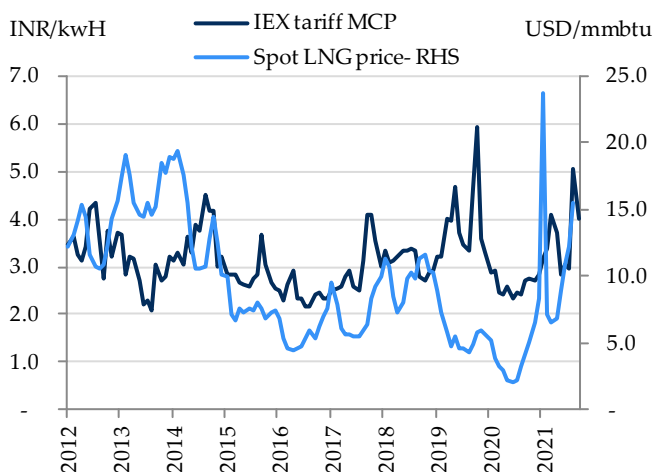
Source: Central Electricity Authority, HSIE Research

Exhibit 24: PLF of gas-based power plants to LNG prices is a negative correlation of 0.60



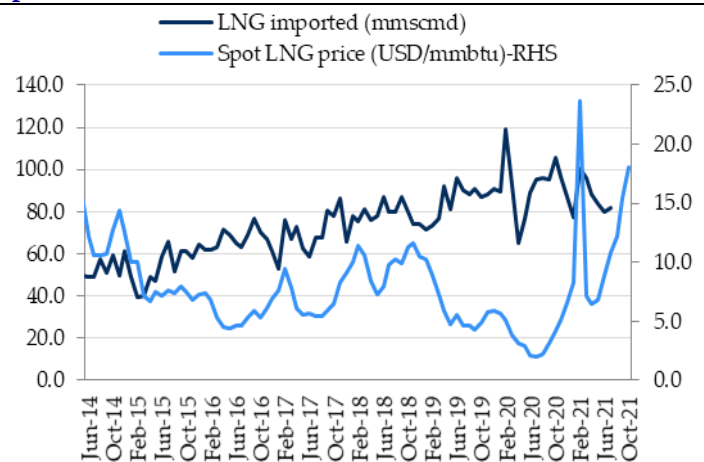
Source: Central Electricity Authority, HSIE Research

Exhibit 25: LNG consumption in power sector is positively correlated with merchant power tariff



Source: Indian Energy Exchange, PPAC, HSIE Research

Exhibit 26: LNG imports have risen on fall in spot LNG price



Source: PPAC, Reuters, HSIE Research

Gas pipeline infrastructure to expand after a long hiatus

India currently has ~20,288kms of gas pipeline (including sub-transmission pipeline & tie in connectivity pipeline), predominately in western and northern India and 15,369 km are under various stages of construction. The existing and upcoming pipelines will the National Gas Grid in the country. In the 2020 budget, the government announced the investment in national gas grid network project with an estimated Capex of INR 92bn, under which ~17,000kms of gas pipelines would connect eastern and southern India to domestic gas sources and also to new LNG terminals. GAIL has been actively engaged in developing this network and working towards development of a national gas grid structure as a backbone for expanding the infrastructure reach across the country. In 2020, GAIL commissioned the Kochi-Kottanad-Mangalore pipeline (KKMPL) project of 450km, which has a capacity of 12mmscmd.

In the upcoming projects, most of the network addition should be achieved by the Jagadishpur-Haldia/Bokaro-Dhamra pipeline (JHBDPL) at an estimated project cost of INR 129bn. The government has already approved a 40% (INR 52bn) capital grant for this project and INR 45bn has already been disbursed by May-21. This pipeline project would support the revival of three fertilizer plants, namely Gorakhpur,

Barauni and Sindri, along the route of these pipeline projects. GAIL is also working to execute the Vijapur–Auraiya–Phulpur pipeline (VAPPL) of 672km to ensure the feed of gas supply to JHBDPL. Also, work is under progress for construction of the remaining 437 km long Kochi- Kootanad-Bangalore-Mangalore (KKBMPL) natural gas pipeline. Indian Oil Corporation Ltd (IOCL) is executing the Ennore-Bengaluru-Nagapattinam-Tuticorin gas pipeline, which is connecting its upcoming LNG terminal at Ennore to industrial hubs in southern India with a total length of 1,421 kms at an investment of around INR 60bn. The north-east gas grid project is being implemented by Indradhanush Gas Grid Ltd (IGGL), under which ~1,656kms of pipeline will be built at an investment of INR 93bn. It will cover eight states of the north-east region. The government will support this project by providing viability gap funding of INR 56bn (60% of the project cost).

Currently, the transmission infrastructure dominates the western and northern parts of the country, but the eastern and southern parts are significantly underserved. In our view, development of these pipeline projects will not only cater to existing demand but also spur strong multiyear demand from industries as well as the city gas segment.

Exhibit 27: Recently completed natural gas pipelines

Promoters	Pipeline Name	Length (kms)	Expected completion
APGDC	Kakinada – Vizag –Srikakulam -KVPL	275	Jun-21
IMC	Kakinada-Vijayawada-Nellore	667	Feb-21
Total		942	

Source: PNGRB, HSIE Research

Exhibit 28: Upcoming natural gas pipelines (including partially completed)

Promoters	Pipeline Name	Authorised length (kms)	Expected completion
GAIL	Jagdishpur – Haldia/Bokaro – Dhamra Pipeline Project (JHBDPL)		
	Phase I: Phulpur to Dhobi pipeline	818	2018
	Phase II: Dhobi to Haldia and Bokaro to Dhamra	1,836	2021
	Phase III: Barauni- Guwahati Pipeline project (BGPL)	729	2021
GIGL	Mehsana – Bhatinda	1,850	Oct-21
GAIL	Chainsa-Jhajjar-Hissar	455	Dec-21
GAIL	Kochi-Kootanad- Bangalore-Mangalore (Ph-II) Pipeline Project (KKBMPL)	1,104	Feb-22
GIGL	Bhatinda - Jammu -Srinagar	740	Feb-22
IOC	Ennore-Thiruvallur-Bangalore-Nagapattinam– Madurai – Tuticorin Natural gas pipeline (ETBNMTPL)	1,431	Feb-22
GAIL	Dadri-Bawana-Nangal	886	Mar-22
APGDC	Kakinada – Vizag –Srikakulam -VSPL	275	Jun-22
HPPL	Kanai Chhata – Shrirampur	317	Jul-22
GAIL	Srikakulam-Angul	744	Jul-22
HEPL	Jaigarh- Mangalore	635	Mar-23
GAIL	Mumbai Nagpur Jharsuguda	1,755	May-23
IGGL	North East Region (NER) Gas Grid	1,656	Nov-23
GITL	Mallavaram - Bhopal - Bhilwara - Vijapur	1,811	Partially commissioned
Total		17,042	

Source: PNGRB, Media articles, HSIE Research

IGL and GAIL are our preferred picks

IGL and GAIL are our preferred picks among the gas utilities. We downgrade GSPL to ADD from BUY. We are downgrading PLNG to REDUCE from BUY.

- GAIL is trading at FY23E P/BV of 1.0x (RoE of 13.7%) and FY23E PER of 7.7x, a 18% discount to its five-year average PER. GSPL has run up by 68% YoY and currently trades at FY23E PER of 8.5x, which is a 5% discount to its five-year average PER (FY23E P/BV of 1.8x with RoE of 24.1%). Its natural gas transmission business trades at a FY23E PER of 15.3x. We expect GAIL and GSPL to continue benefiting with the increase in transmission from the rising gas production off the eastern coast. PLNG is trading at a FY23E P/BV of 2.8x (RoE 19.9%) and FY23E P/E of 14.4x, in line to its five-year average, but facing temporary headwinds due to the sharp increase in LNG prices, which is likely to remain high in the short term.
- On FY23E, Gujarat Gas (GGL) is trading at a 22.9x P/E premium of 16% to five-year average and 5.9x P/B, with an RoE of 29.1%. In comparison, IGL is trading at a FY23E P/BV of 4.6x (21.6% RoE) and P/E of 23.4x premium of 4% to five-year average; however, we expect the stock to rerate, given the superior quality of its cash flow due to a higher share of steadier CNG volumes in the mix. MGL continues to trade at a steep discount to its peer city gas companies, at FY23E PER of 12.1x and PBV of 2.8x (RoE of 24.5%), because of lack of long-term volume growth opportunities. We expect IGL and MGL to outperform GUJGA in the short term, given the possible impact of higher LNG prices on volumes and margins; however, we continue to remain bullish on GUJGA for the long term.

Exhibit 29: Consensus vs HSIE

	Consensus		HDFCsec	
	FY22E EPS	FY23E EPS	FY22E EPS	FY23E EPS
GAIL	18.0	18.9	18.2	20.3
GGL	23.2	27.0	26.1	29.5
GSPL	33.1	41.3	35.4	40.7
IGL	20.6	24.1	18.5	25.0
MGL	83.4	91.9	87.8	97.5
PLNG	19.8	22.2	15.2	16.2

Source: Bloomberg, HSIE Research

Exhibit 30: Peer set comparison

Consolidated	CMP* (INR)	RECO	TP (INR)	Upside (%)	P/E (x)		P/BV (x)		RoE (%)		EV/EBITDA (x)		Dividend yield (%)		FCFF yield (%)	
					FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
GAIL	157	BUY	205	30.6	8.6	7.7	1.1	1.0	14.1	13.7	6.7	5.7	3.2	3.6	3.9	1.3
GGL	674	BUY	825	22.4	25.8	22.9	7.6	5.9	34.0	29.1	16.7	14.5	0.4	0.4	2.6	3.5
GSPL	345	ADD	360	11.9	9.7	8.5	2.3	1.8	27.0	24.1	4.9	4.0	1.5	1.8	5.0	10.9
IGL	586	BUY	720	26.1	31.6	23.4	5.5	4.6	18.9	21.6	23.0	16.6	0.6	0.8	2.9	3.3
MGL	1180	ADD	1280	13.9	13.4	12.1	3.2	2.8	25.1	24.5	8.0	7.2	3.0	3.3	3.6	5.4
PLNG	233	REDUCE	240	3.1	15.3	14.4	2.9	2.8	19.3	19.9	8.8	8.3	4.6	4.9	4.6	6.8

Note: CMP* as on 15th September; Source: BSE, Company, HSIE Research

Change in estimates

- We have raised our FY22/23E EPS estimates for GAIL by 2.3/3.7% respectively, owing to increase in the natural gas (NG) trading margin assumption.
- We have reduced our FY22E EPS estimates for IGL by 2.6% to INR 18.5/share as we have reduced our expectation on total volume taking Q1FY22 as the base, partially offset by the higher EBITDA margin expectation at INR 7.7/scm from INR 7.2/scm. We raise our FY23E EPS estimates by 4.4% to INR 25/share, as we increase EBITDA margin to INR 8.0/scm from INR 7.7/scm and increase the recovery in volume.
- We have raised our FY22E EPS estimates for GGL by 4.7% to INR 26.1/share on higher EBITDA margin expectation at INR 6.4/sh, from INR 6.0/sh, partially offset by lower volume. We have reduced our FY23E EPS estimates by 4.5% to INR 29.5/share, as we lower our volume estimate by 4% to 13mmscmd, partially offset by increase in EBITDA margin to INR 6.5/scm, from INR 6.3/scm.
- We have maintained our FY22E EPS estimates for GSPL at INR 35.4/share and reduced our FY23E EPS estimates by 1% to INR 40.7/share, as we incorporate revised financials of GGL.
- We have raised our EPS estimate for MGL by 26.2% for FY22E to INR 87.8/share and FY23E by 8.9% to INR 97.5/share as we expect ramp-up in volumes post COVID-19 and higher per unit EBITDA margin assumptions by 7.5% for FY22E and 3.4% for FY23E.
- We have reduced our EPS estimate for PLNG by 20.3% in FY22E to INR 15.2/share and 21.9% in FY23E to INR 16.2/share on lower overall total volumes on account of high spot LNG prices.

Exhibit 31: Change in estimates

	FY22E			FY23E		
	Old	New	Variance (%)	Old	New	Variance (%)
GAIL						
Revenue (INR bn)	740	760	2.8	816	896	9.8
EBITDA (INR bn)	107	106	(0.3)	119	121	1.4
EPS (INR/sh)	17.8	18.2	2.3	19.5	20.3	3.7
TP (INR/sh)	195	205	5.1			
Reco	BUY	BUY				
GGL						
Revenue (INR bn)	126	128	1.6	147	146	(0.5)
EBITDA (INR bn)	26	27	4.6	31	31	(0.6)
EPS (INR/sh)	24.9	26.1	4.7	30.9	29.5	(4.5)
TP (INR/sh)	900	825	(8.3)			
Reco	BUY	BUY				
GSPL						
Revenue (INR bn)	153	153	0.4	175	175	(0.2)
EBITDA (INR bn)	44	44	0.9	50	50	(1.1)
EPS (INR/sh)	35.4	35.4	0.1	41.2	40.7	(1.4)
TP (INR/sh)	400	360	(10.0)			
Reco	BUY	ADD				
IGL						
Revenue (INR bn)	64	61	(4.5)	79	79	1.2
EBITDA (INR bn)	17	17	(0.1)	21	23	6.7
EPS (INR/sh)	19.0	18.5	(2.6)	24.0	25.0	4.4
TP (INR/sh)	691	720	4.2			
Reco	BUY	BUY				

	FY22E			FY23E		
	Old	New	Variance (%)	Old	New	Variance (%)
MGL						
Revenue (INR bn)	26	30	15.5	33	35	5.0
EBITDA (INR bn)	11	13	20.5	13	14	8.0
EPS (INR/sh)	69.6	86.6	26.2	89.6	97.5	8.9
TP (INR/sh)	1,255	1,280	2.0			
Reco	ADD	ADD				
PLNG						
Revenue (INR bn)	319	440	37.8	389	466	19.6
EBITDA (INR bn)	45	38	(17.2)	49	39	(18.8)
PAT (INR/sh)	19.1	15.2	(20.3)	20.7	16.2	(21.9)
TP (INR/sh)	270	240	(11.1)			
Reco	BUY	REDUCE				

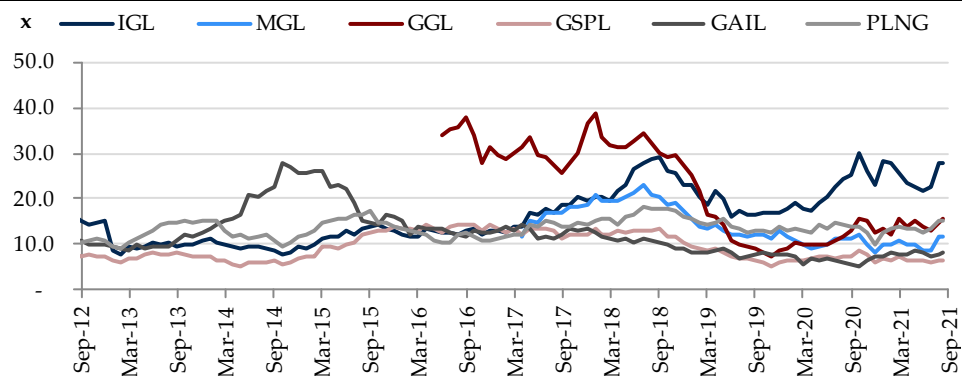
Source: Company, HSIE Research

Exhibit 32: Barring Petronet the rest of gas company stocks have outperformed Year-to-Date (YTD)

Company	Absolute Return (%)			Relative Return vs BSE O&G Index (%)			Relative Return vs Sensex (%)		
	1M	12M	YTD	1M	12M	YTD	1M	12M	YTD
GAIL	5.4	70.7	26.6	(6.3)	36.6	1.1	0.3	21.2	3.9
GGL	(8.7)	121.7	78.3	(19.3)	90.3	54.9	(13.3)	74.9	57.7
GSPL	56.1	68.3	56.8	39.9	29.4	26.7	45.9	14.0	29.6
IGL	32.6	95.3	37.9	17.5	56.3	8.8	23.5	40.9	11.7
MGL	12.1	50.1	10.8	0.0	15.6	(15.1)	6.0	0.2	(12.3)
PLNG	(9.7)	0.0	(12.7)	(21.4)	(34.0)	(38.3)	(15.4)	(49.4)	(35.4)

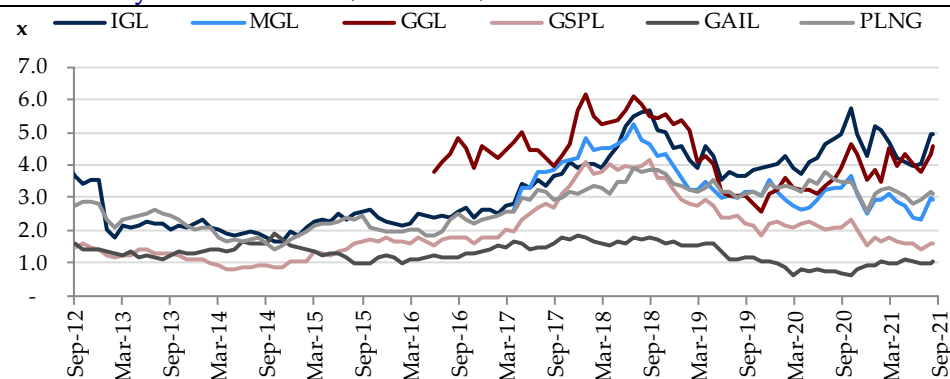
Source: BSE, HSIE Research

Exhibit 33: 1-year forward P/E (Gas sector)



Source: BSE, Company, HSIE Research

Exhibit 34: 1-year forward P/B (Gas sector)



Source: BSE, Company, HSIE Research

GAIL (Consolidated)

INCOME STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	545	762	725	574	760	896
<i>Growth (%)</i>	12.2	39.8	(4.8)	(20.9)	32.5	17.9
Raw Material	408	593	569	437	598	724
Gas Trading	-	-	-	-	-	-
Employee Cost	13	19	16	16	17	18
Other Expenses	45	53	50	48	38	34
EBITDA	78	97	90	72	106	121
<i>EBITDA Margin (%)</i>	14.3	12.7	12.5	12.6	14.0	13.5
<i>EBITDA Growth (%)</i>	18.0	24.3	(6.6)	(19.8)	46.7	13.6
Depreciation	15	17	21	22	24	27
EBIT	63	80	70	51	82	94
Other Income (Including EO Items)	8	12	15	11	12	12
Interest Cost	3	2	3	2	2	1
PBT	68	91	82	60	92	104
Taxes	21	33	9	16	23	26
RPAT	46	58	73	44	69	78
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
APAT	46	58	73	44	69	78
Share of associates	2	8	22	17	12	12
Minority interest	(0)	(0)	(1)	(0)	(0)	(0)
Consolidated Net Profit	48	65	94	61	81	90
Consol PAT Growth (%)	48.6	36.5	44.0	(34.9)	31.5	11.5
<i>EPS (INR/sh)</i>	10.8	14.7	21.2	13.8	18.2	20.3
<i>EPS Growth (%)</i>	48.6	36.5	44.0	(34.9)	31.5	11.5

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	23	23	45	44	44	44
Reserves And Surplus	394	437	448	487	568	658
Net Worth	417	460	493	532	613	703
Minority Interest	0	0	1	1	1	1
Long-term Debt	22	10	39	57	46	36
Short-term Debt	10	10	27	17	14	11
Total Debt	32	21	66	74	59	48
Net Deferred Taxes	50	65	40	41	42	43
Long-term Provisions & Others	38	42	52	58	60	61
Total liabilities	538	588	652	706	774	855
APPLICATION OF FUNDS						
Net Block	305	327	382	412	472	516
CWIP	59	97	117	134	129	190
Investments	101	107	99	131	131	131
LT Loans And Advances	49	17	16	15	16	17
Other Non-current assets	6	25	19	19	19	20
Total Non-current Assets	520	574	633	710	767	874
Inventory	19	25	32	30	31	38
Debtors	34	44	48	35	36	45
Cash And Cash Equivalent	32	14	13	20	44	52
Loans And Advances	10	7	7	7	7	7
Other Current Assets	13	20	17	12	12	12
Total Current Assets	109	110	117	104	130	154
Creditors	39	39	39	45	57	91
Other Current Liabilities & Provisions	52	57	58	64	65	81
Total Current Liabilities	91	96	97	108	123	173
Net Current Assets	18	14	19	(4)	7	(19)
Total Assets	538	588	652	706	774	855

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	68	91	82	60	92	104
Non-operating & EO Items	(7)	(4)	6	6	0	0
Interest Expenses	3	2	3	2	2	1
Depreciation	15	17	21	22	24	27
Working Capital Change	26	(14)	(7)	31	12	33
Tax Paid	(14)	(18)	(34)	(15)	(22)	(25)
OPERATING CASH FLOW (a)	91	72	71	105	108	141
Capex	(37)	(77)	(95)	(68)	(80)	(132)
Free Cash Flow (FCF)	54	(5)	(24)	37	28	9
Investments	1	(7)	8	(32)	-	-
Non-operating Income	8	12	15	11	12	12
Others	4	13	7	1	(1)	(2)
INVESTING CASH FLOW (b)	(24)	(58)	(64)	(88)	(70)	(122)
Debt Issuance/(Repaid)	(25)	(11)	45	8	(15)	(12)
Interest Expenses	(3)	(2)	(3)	(2)	(2)	(1)
FCFE	26	(18)	18	43	12	(4)
Share Capital Issuance	6	-	23	(1)	-	-
Dividend	(31)	(43)	(39)	(15)	(22)	(25)
Others	4	24	(34)	(1)	24	27
FINANCING CASH FLOW (c)	(49)	(32)	(9)	(10)	(15)	(11)
NET CASH FLOW (a+b+c)	18	(18)	(2)	8	24	8
EO Items, Others						
Closing Cash & Equivalents	32	14	13	20	44	52

Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY (%)						
EBITDA Margin	14.3	12.7	12.5	12.6	14.0	13.5
EBIT Margin	11.5	10.5	9.6	8.8	10.8	10.5
APAT Margin	8.8	8.6	13.0	10.7	10.6	10.0
RoE	11.8	14.9	19.8	12.0	14.1	13.7
Core RoCE	10.7	13.1	16.7	9.7	12.5	13.4
RoCE	9.4	11.8	15.6	9.2	11.1	11.2
EFFICIENCY						
Tax Rate %	31.4	36.2	11.2	25.2	25.2	25.2
Asset Turnover (x)	1.6	2.1	1.8	1.2	1.4	1.5
Inventory (days)	12.9	12.0	16.0	19.0	14.7	15.5
Debtor (days)	23.0	20.9	24.3	22.3	17.3	18.2
Other Current Assets (days)	15.3	13.2	12.1	12.0	9.3	8.0
Payables (days)	95.9	82.9	118.3	116.4	118.1	126.8
Other Current Liabilities & Provisions (days)	34.7	27.5	29.3	40.5	31.4	33.0
Cash Conversion Cycle (days)	(79.4)	(64.3)	(95.3)	(103.6)	(108.3)	(118.1)
Net Debt/EBITDA (x)	(0.0)	0.1	0.6	0.7	0.1	(0.0)
Net D/E (x)	(0.0)	0.0	0.1	0.1	0.0	(0.0)
Interest Coverage (x)	21.2	50.3	22.5	28.3	48.0	68.5
PER SHARE DATA						
EPS (INR)	10.8	14.7	21.2	13.8	18.2	20.3
CEPS (INR)	10.8	14.7	21.2	13.8	18.2	20.3
DPS (INR)	5.7	8.0	8.9	3.3	5.0	5.7
BV (INR)	93.9	103.6	111.0	119.8	137.9	158.2
VALUATION						
P/E (x)	14.5	10.7	7.4	11.4	8.6	7.7
P/Cash EPS (x)	14.6	10.8	7.5	11.5	8.8	7.9
P/BV (x)	1.7	1.5	1.4	1.3	1.1	1.0
EV/EBITDA (x)	9.0	7.3	8.3	10.4	6.7	5.7
EV/Revenue (x)	1.3	0.9	1.0	1.3	0.9	0.8
OCF/EV (%)	13.1	10.2	9.5	14.0	15.2	20.3
FCFF /EV (%)	7.7	(0.7)	(3.2)	4.9	3.9	1.3
FCFE/M CAP (%)	3.8	(2.6)	2.6	6.2	1.7	(0.6)
Dividend Yield (%)	3.7	5.1	5.7	2.1	3.2	3.6

Source: Company, HSIE Research

Gujarat Gas (Standalone)

INCOME STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenues	62	78	103	99	128	146
<i>Growth (%)</i>	21.2	25.6	32.8	(4.3)	29.9	14.2
Raw Material	47	60	79	70	91	104
Employee Cost	1	2	2	2	2	2
Other Expenses	5	5	6	6	8	9
EBITDA	9	10	16	21	27	31
<i>EBITDA Margin (%)</i>	14.5	13.2	15.9	21.2	21.5	21.0
<i>EBITDA Growth (%)</i>	15.3	14.3	59.7	27.8	31.7	11.9
Depreciation	3	3	3	3	4	4
EBIT	6	7	13	17	24	26
Other Income (Including EO Items)	0	1	1	1	1	1
Interest	2	2	2	1	1	0
PBT	5	6	12	17	24	27
Tax	2	2	0	4	6	7
RPAT	3	4	12	13	18	20
EO (Loss) / Profit (Net Of Tax)	-	(0)	0	0	-	-
APAT	3	4	12	13	18	20
<i>APAT Growth (%)</i>	19.4	43.5	183.6	7.6	40.7	13.0
AEPS (INR/sh)	4.2	6.1	17.2	18.5	26.1	29.5
<i>AEPS Growth %</i>	19.4	43.5	183.6	7.6	40.7	13.0

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	1	1	1	1	1	1
Reserves And Surplus	17	20	32	43	59	77
Total Equity	19	22	33	45	61	79
Long-term Debt	22	21	18	8	6	4
Short-term Debt	1	1	2	1	1	1
Total Debt	23	22	20	9	7	4
Deferred Tax Liability	11	11	8	8	9	9
Long-term Provision	0	1	2	2	2	3
TOTAL SOURCES OF FUNDS	53	56	62	64	79	94
APPLICATION OF FUNDS						
Net Block	51	53	56	60	61	62
Capital WIP	5	5	6	7	8	9
LT Loans And Advances	3	3	3	4	7	7
Total Non-current Investments	0	0	0	0	0	0
Inventories	1	1	0	1	1	1
Debtors	4	5	5	8	8	10
Cash and Cash Equivalent	1	3	7	3	12	24
Other Current Assets	1	1	2	3	3	4
Total Current Assets	7	10	14	14	24	38
Creditors	3	4	3	4	4	5
Other Current Liabilities & Provisions	11	12	13	16	17	17
Total Current Liabilities	14	15	17	21	21	22
Net Current Assets	(7)	(5)	(2)	(7)	3	16
TOTAL APPLICATION OF FUNDS	53	56	62	64	79	94

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	5	6	12	17	24	27
Non-operating & EO Items	(0)	(1)	(1)	(1)	(1)	(1)
Interest Expenses	2	2	2	1	1	0
Depreciation	3	3	3	3	4	4
Working Capital Change	(0)	1	1	0	(5)	(1)
Tax Paid	(1)	(1)	(3)	(4)	(5)	(7)
OPERATING CASH FLOW (a)	7	9	14	17	18	22
Capex	(4)	(5)	(7)	(8)	(6)	(7)
Free Cash Flow (FCF)	3	4	7	8	12	16
Investments	1	0	(0)	(0)	-	-
Non-operating Income	0	1	1	1	1	1
INVESTING CASH FLOW (b)	(3)	(4)	(6)	(8)	(5)	(6)
Debt Issuance/(Repaid)	(0)	(1)	(2)	(11)	(2)	(2)
Interest Expenses	(2)	(2)	(2)	(1)	(1)	(0)
FCFE	1	1	3	(4)	9	13
Share Capital Issuance	-	0	-	-	-	-
Dividend	(1)	(1)	(1)	(1)	(1)	(2)
FINANCING CASH FLOW (c)	(3)	(4)	(5)	(13)	(4)	(4)
NET CASH FLOW (a+b+c)	1	1	3	(4)	9	12
EO Items, Others	(0)	0	1	0	(0)	(0)
Closing Cash & Equivalents	1	3	7	3	12	24

Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY (%)						
EBITDA Margin	14.5	13.2	15.9	21.2	21.5	21.0
EBIT Margin	10.1	9.5	12.8	17.7	18.5	18.1
APAT Margin	4.7	5.4	11.5	12.9	14.0	13.9
RoE	16.5	20.6	43.3	32.8	34.0	29.1
RoIC	7.9	10.0	23.9	22.6	27.9	28.8
RoCE	8.0	10.2	23.2	21.6	25.8	23.8
EFFICIENCY						
Tax Rate (%)	37.1	29.8	1.9	25.2	25.2	25.2
Fixed Asset Turnover (x)	1.1	1.3	1.5	1.3	1.6	1.7
Inventory (days)	3	3	2	2	2	2
Debtor (days)	22	21	18	29	24	24
Other Current Assets (days)	7	7	7	9	10	10
Payables (days)	24	20	16	23	17	17
Other Current Liabilities & Provisions (days)	64	56	46	61	47	43
Cash Conversion Cycle (days)	(56)	(45)	(36)	(43)	(28)	(24)
Net Debt/EBITDA (x)	2.4	1.9	0.8	0.3	(0.2)	(0.6)
Net D/E (x)	1.2	0.9	0.4	0.1	(0.1)	(0.2)
Interest Coverage (x)	0.3	0.3	0.1	0.1	0.0	0.0
PER SHARE DATA (INR)						
EPS	4.2	6.1	17.2	18.5	26.1	29.5
CEPS	8.2	10.3	21.8	23.5	31.6	35.7
Dividend	0.8	1.0	1.3	2.0	2.6	2.9
Book Value	27.1	31.7	47.8	65.1	88.2	114.2
VALUATION						
P/E (x)	159.3	111.0	39.2	36.4	25.8	22.9
P/Cash EPS (x)	82.4	65.7	30.9	28.7	21.3	18.9
P/BV (x)	24.9	21.2	14.1	10.4	7.6	5.9
EV/EBITDA (x)	54.3	47.2	29.2	22.5	16.7	14.5
EV/Revenue (x)	7.9	6.2	4.6	4.8	3.6	3.0
Dividend Yield (%)	0.1	0.1	0.2	0.3	0.4	0.4
OCF/EV (%)	1.5	1.9	3.0	3.5	3.9	5.0
FCFF/EV (%)	0.6	0.9	1.5	1.8	2.6	3.5
FCFE/M Cap (%)	0.2	0.3	0.7	(0.9)	2.0	2.8

Source: Company, HSIE Research

Gujarat State Petronet LNG (Consolidated)

INCOME STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	73	93	122	115	153	174
<i>Growth (%)</i>	23.0	28.7	31.0	(5.8)	33.0	13.7
Raw Material	45	58	75	66	99	112
Employee Cost	2	2	2	2	3	3
Other Expenses	6	8	13	11	8	10
EBITDA	20	25	32	36	44	50
<i>EBITDA Margin (%)</i>	28.1	27.2	26.3	31.0	28.6	28.5
<i>EBITDA Growth (%)</i>	24.5	24.3	26.9	10.9	22.9	13.0
Depreciation	4	5	5	5	6	7
EBIT	16	21	27	30	38	43
Other Income (Including EO Items)	1	1	1	1	1	1
Interest Cost	2	4	4	2	2	1
PBT	15	18	24	29	37	43
Taxes	5	6	2	7	9	11
RPAT	9	12	23	22	28	32
EO (Loss) / Profit (Net Of Tax)	0	-0	0	0	0	0
APAT	9	12	23	22	28	32
Share of associates	0	0	-0	0	0	0
<i>Minority interest</i>	2	2	5	6	8	9
Consolidated Net Profit (Adjusted)	7	10	17	16	20	23
<i>APAT Growth (%)</i>	33.7	36.3	71.1	(7.1)	24.4	14.8
AEPS (INR/sh)	13.1	17.9	30.6	28.5	35.4	40.7
<i>EPS Growth (%)</i>	33.7	36.3	71.1	(7.1)	24.4	14.8

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	6	6	6	6	6	6
Reserves And Surplus	19	27	43	58	78	101
Net Worth	24	33	49	64	84	107
Minority Interest	9	10	15	21	18	15
Long-term Debt	54	46	24	11	9	7
Short-term Debt	0	0	0	4	4	3
Total Debt	54	46	24	15	12	10
Net Deferred Taxes	16	16	12	12	24	23
Long-term Provisions & Others	1	2	3	3	4	4
Total liabilities	103	107	102	115	141	159
APPLICATION OF FUNDS						
Net Block	82	89	93	95	115	119
CWIP	14	9	8	10	13	14
Investments	6	7	10	15	17	21
LT Loans And Advances	1	1	1	1	1	1
Other Non-current assets	4	3	3	4	2	3
Total Non-current Assets	106	109	115	124	148	158
Inventory	2	2	2	2	2	3
Debtors	5	7	7	9	10	12
Cash And Cash Equivalent	5	5	8	4	9	21
Loans And Advances	1	1	0	0	0	0
Other Current Assets	1	1	2	3	3	3
Total Current Assets	13	15	19	18	24	39
Creditors	3	4	4	5	6	7
Other Current Liabilities & Provisions	14	14	27	22	25	30
Total Current Liabilities	17	18	31	27	31	38
Net Current Assets	(3)	(2)	(13)	(9)	(7)	(1)
Total Assets	103	107	102	115	141	159

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	15	18	24	29	37	43
Non-operating & EO Items	(3)	(3)	(7)	(6)	(9)	(10)
Interest Expenses	2	4	4	2	2	1
Depreciation	4	5	5	5	6	7
Working Capital Change	1	(1)	13	(7)	2	4
Tax Paid	(4)	(5)	(6)	(7)	2	(11)
OPERATING CASH FLOW (a)	15	17	34	16	40	34
Capex	(8)	(7)	(8)	(9)	(30)	(12)
<i>Free Cash Flow (FCF)</i>	7	10	26	6	11	22
Investments	(1)	(1)	(3)	(4)	(2)	(4)
Non-operating Income	1	1	1	1	1	1
Others	0	1	0	(1)	2	(0)
INVESTING CASH FLOW (b)	(8)	(6)	(10)	(13)	(29)	(16)
Debt Issuance/(Repaid)	24	(8)	(22)	(9)	(3)	(3)
Interest Expenses	(2)	(4)	(4)	(2)	(2)	(1)
<i>FCFE</i>	29	(2)	1	(5)	6	18
Share Capital Issuance	(0)	0	0	0	-	-
Dividend	(1)	(1)	(1)	(1)	(3)	(3)
Others	(31)	2	6	6	1	1
FINANCING CASH FLOW (c)	(11)	(11)	(21)	(6)	(6)	(6)
NET CASH FLOW (a+b+c)	(4)	(0)	3	(4)	5	12
EO Items, Others						
Closing Cash & Equivalents	5	5	8	4	9	21

Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY (%)						
EBITDA Margin	28.1	27.2	26.3	31.0	28.6	28.5
EBIT Margin	22.0	22.2	22.1	26.3	24.7	24.6
APAT Margin	10.2	10.8	14.1	13.9	13.0	13.2
RoE	21.3	35.3	42.3	28.5	27.0	24.1
Core RoCE	11.0	14.5	23.2	20.5	20.9	21.3
RoCE	8.7	12.3	19.8	16.3	16.5	15.9
EFFICIENCY						
Tax Rate (%)	35.7	33.4	6.5	25.7	25.2	25.2
Asset Turnover (x)	0.7	0.9	1.1	0.9	1.1	1.1
Inventory (days)	9.1	7.7	5.1	5.8	4.9	5.3
Debtor (days)	25.2	27.4	19.5	28.7	24.4	26.1
Other Current Assets (days)	6.6	6.7	7.0	9.3	7.1	6.4
Payables (days)	6.7	6.2	4.9	7.4	5.8	6.5
Other Current Liabilities & Provisions (days)	67.9	55.5	81.5	69.5	59.1	63.4
Cash Conversion Cycle (days)	(33.8)	(19.9)	(54.8)	(33.2)	(28.5)	(32.1)
Net Debt/EBITDA (x)	2.4	1.6	0.5	0.3	0.1	(0.2)
Net D/E (x)	2.0	1.2	0.3	0.2	0.0	(0.1)
Interest Coverage (x)	6.6	4.9	7.3	13.4	23.5	33.2
PER SHARE DATA (INR)						
EPS	13.1	17.9	30.6	28.5	35.4	40.7
CEPS	21.1	26.2	39.8	38.1	46.2	52.7
DPS	2.1	2.4	2.4	2.4	5.0	6.0
BV	43.0	58.4	86.6	113.3	148.7	189.4
VALUATION						
P/E (x)	26.3	19.3	11.3	12.1	9.7	8.5
P/Cash EPS (x)	16.4	13.2	8.7	9.1	7.5	6.6
P/BV (x)	8.0	5.9	4.0	3.0	2.3	1.8
EV/EBITDA (x)	12.3	9.7	7.0	6.3	4.9	4.0
EV/Revenue (x)	3.5	2.6	1.8	2.0	1.4	1.1
OCF/EV (%)	5.9	7.0	15.1	6.9	18.7	17.0
FCFF /EV (%)	2.8	4.2	11.7	2.8	5.0	10.9
FCFE/M CAP (%)	14.7	(1.0)	0.4	(2.3)	3.3	9.1
Dividend Yield (%)	0.6	0.7	0.7	0.7	1.5	1.7

Source: Company, HSIE Research

Indraprastha Gas (Consolidated)

INCOME STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenues	45	58	65	49	61	79
<i>Growth (%)</i>	18.9	27.1	12.5	(23.8)	22.9	31.0
Raw Material	25	34	37	22	30	42
Employee Cost	1	1	2	1	1	2
Other Expenses	8	10	11	11	13	13
EBITDA	11	13	15	15	17	23
<i>EBITDA Margin (%)</i>	24.8	21.8	23.4	30.0	27.6	28.5
<i>EBITDA Growth (%)</i>	15.9	11.9	20.9	(2.4)	13.1	34.9
Depreciation	2	2	3	3	3	4
EBIT	9	11	13	12	13	19
Other Income (Including EO Items)	1	1	1	1	2	3
Interest	0	0	0	0	0	0
PBT	10	12	14	13	16	21
Tax	4	4	3	2	4	5
RPAT	6	8	11	10	12	16
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
APAT	6	8	11	10	12	16
Share from associates	1	1	2	1	1	1
Consolidated APAT	7	8	12	12	13	18
<i>Consolidated APAT Growth (%)</i>	19.0	16.7	48.3	(6.1)	10.7	35.1
AEPS (INR/sh)	10.3	12.0	17.8	16.8	18.5	25.0
<i>AEPS Growth (%)</i>	19.0	16.7	48.3	(6.1)	10.7	35.1

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	1	1	1	1	1	1
Reserves And Surplus	35	42	52	62	73	87
Total Equity	36	43	54	63	74	88
Long-term Debt	-	-	-	-	-	-
Short-term Debt	-	-	-	-	-	-
Total Debt	-	-	-	-	-	-
Deferred Tax Liability	3	3	3	2	2	3
Long-term Provision and others	0	0	1	1	1	1
TOTAL SOURCES OF FUNDS	39	47	57	67	78	93
APPLICATION OF FUNDS						
Net Block	24	29	36	43	48	55
Capital WIP	4	5	8	8	4	4
LT Loans And Advances	1	1	1	1	(1)	(1)
Total Non-current Investments	4	5	6	23	23	23
Total Non-current assets	33	39	50	75	74	81
Inventories	1	1	1	0	1	1
Debtors	2	2	2	3	3	4
Cash and Cash Equivalents	14	19	22	11	24	36
Other Current Assets	1	1	1	1	2	3
Total Current Assets	18	22	25	15	30	43
Creditors	3	5	2	4	6	8
Other Current Liabilities & Provisions	8	10	16	19	21	23
Total Current Liabilities	12	15	18	24	27	31
Net Current Assets	6	7	7	(8)	3	12
TOTAL APPLICATION OF FUNDS	39	47	57	67	78	93

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	10	12	14	13	16	21
Non-operating & EO Items	(0)	(0)	0	0	(1)	(1)
Interest Expenses	0	0	0	0	0	0
Depreciation	2	2	3	3	3	4
Working Capital Change	2	3	3	5	1	3
Tax Paid	(3)	(4)	(3)	(3)	(4)	(4)
OPERATING CASH FLOW (a)	11	13	16	18	15	23
Capex	(5)	(7)	(12)	(11)	(4)	(11)
Free Cash Flow (FCF)	5	6	4	7	11	12
Investments	(1)	(1)	(1)	(17)	-	-
Non-operating Income	1	1	1	1	2	3
Others	(0)	(0)	0	0	1	(0)
INVESTING CASH FLOW (b)	(5)	(7)	(12)	(27)	(0)	(8)
Debt Issuance/(Repaid)	-	-	-	-	-	-
Interest Expenses	(0)	(0)	(0)	(0)	(0)	(0)
FCFE	5	6	4	7	11	12
Share Capital Issuance	-	-	-	-	-	-
Dividend	(2)	(2)	(2)	(3)	(2)	(3)
Others	1	0	1	1	0	0
FINANCING CASH FLOW (c)	(1)	(2)	(1)	(2)	(2)	(3)
NET CASH FLOW (a+b+c)	4	4	3	(10)	12	12
EO Items, Others						
Closing Cash & Equivalents	14	19	22	11	24	36

Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY (%)						
EBITDA Margin	24.8	21.8	23.4	30.0	27.6	28.5
EBIT Margin	20.8	18.3	19.5	24.1	22.2	23.6
APAT Margin	15.9	14.6	19.3	23.7	21.4	22.0
RoE	21.7	21.2	25.8	20.1	18.9	21.6
RoIC	33.5	34.7	45.3	28.9	22.8	28.7
RoCE	21.8	21.2	26.0	20.2	19.0	21.7
EFFICIENCY						
Tax Rate (%)	36.5	36.1	21.9	19.2	24.5	24.5
Fixed Asset Turnover (x)	1.7	1.8	1.6	1.0	1.0	1.2
Inventory (days)	4.2	3.2	2.9	3.4	3.4	3.4
Debtors (days)	18.2	14.0	9.6	19.3	19.3	19.3
Other Current Assets (days)	4.5	4.9	5.4	6.6	14.7	12.8
Payables (days)	49.6	52.5	22.3	68.5	68.5	68.5
Other Current Liabilities & Provisions (days)	67.4	66.0	88.4	142.8	125.8	105.9
Cash Conversion Cycle (days)	(90.1)	(96.3)	(92.8)	(182.2)	(157.0)	(139.0)
Net Debt/EBITDA (x)	(1.3)	(1.5)	(1.4)	(0.8)	(1.4)	(1.6)
Net D/E (x)	(0.4)	(0.4)	(0.4)	(0.2)	(0.3)	(0.4)
Interest Coverage (x)	110.1	515.1	156.1	105.2	118.9	165.1
PER SHARE DATA (INR)						
EPS	10.3	12.0	17.8	16.8	18.5	25.0
CEPS	12.9	14.9	21.4	20.9	23.2	30.6
Dividend	2.3	2.8	2.8	3.6	3.3	4.6
Book Value	52.1	61.7	76.5	90.5	105.7	126.1
VALUATION						
P/E (x)	56.8	48.7	32.8	35.0	31.6	23.4
P/Cash EPS (x)	45.4	39.3	27.3	28.0	25.2	19.1
P/BV (x)	11.2	9.5	7.7	6.5	5.5	4.6
EV/EBITDA (x)	35.2	31.1	25.6	26.9	23.0	16.6
EV/Revenue (x)	8.7	6.8	6.0	8.1	6.4	4.7
Dividend Yield (%)	0.4	0.5	0.5	0.6	0.6	0.8
OCF/EV (%)	2.7	3.4	4.2	4.5	3.9	6.1
FCFF/EV (%)	1.3	1.5	1.0	1.7	2.9	3.3
FCFE/M Cap (%)	1.3	1.4	1.0	1.6	2.7	3.0

Source: Company, HSIE Research

Mahanagar Gas (Standalone)

INCOME STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenues	22	28	30	25	30	35
<i>Growth (%)</i>	9.8	25.0	6.5	(15.1)	17.8	16.3
Raw Material	10	14	14	7	12	15
Employee Cost	1	1	1	1	1	1
Other Expenses	4	4	5	4	4	5
EBITDA	8	9	11	13	13	14
<i>EBITDA Margin (%)</i>	34.9	31.7	35.4	51.7	42.7	39.7
<i>EBITDA Growth %</i>	21.1	13.5	18.9	23.9	(2.8)	8.2
Depreciation	1	1	2	2	2	2
EBIT	7	8	9	11	11	12
Other Income (Including EO Items)	1	1	1	1	1	1
Interest	0	0	0	0	-	-
PBT	7	8	10	12	12	13
Tax	2	3	2	2	3	3
RPAT	5	5	8	10	9	10
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
APAT	5	5	8	10	9	10
<i>APAT Growth (%)</i>	21.4	14.3	45.2	24.8	(12.4)	11.0
AEPS (INR/sh)	48.4	55.3	80.3	100.3	87.8	97.5
<i>AEPS Growth (%)</i>	21.4	14.3	45.2	24.8	(12.4)	11.0

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	1	1	1	1	1	1
Reserves And Surplus	20	23	29	31	36	41
Total Equity	21	24	30	32	37	42
Long-term Debt	0	-	-	-	-	-
Short-term Debt	-	-	-	-	-	-
Total Debt	0	-	-	-	-	-
Deferred Tax Liability	2	2	2	2	2	2
Long-term Provision	0	0	1	1	1	1
TOTAL SOURCES OF FUNDS	23	26	32	35	39	45
APPLICATION OF FUNDS						
Net Block	15	18	20	22	26	30
Capital WIP	4	4	5	6	6	6
LT Loans And Advances	1	1	1	1	1	1
Total Non-current Investments	-	-	-	-	-	-
Inventories	0	0	0	0	0	0
Debtors	1	1	1	1	2	2
Cash and Cash Equivalents	8	10	14	15	16	17
Other Current Assets	1	1	1	1	1	1
Total Current Assets	10	12	15	18	18	20
Creditors	1	2	1	2	2	2
Other Current Liabilities & Provisions	6	7	8	10	10	11
Total Current Liabilities	7	8	9	11	12	14
Net Current Assets	3	4	6	6	6	7
TOTAL APPLICATION OF FUNDS	23	26	32	35	39	45

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	7	8	10	12	12	13
Non-operating & EO Items	(1)	(1)	(1)	(1)	(1)	(1)
Interest Expenses	0	0	0	0	-	-
Depreciation	1	1	2	2	2	2
Working Capital Change	1	1	2	1	0	1
Tax Paid	(2)	(3)	(2)	(2)	(3)	(3)
OPERATING CASH FLOW (a)	6	7	10	12	10	12
Capex	(3)	(4)	(6)	(4)	(7)	(7)
Free Cash Flow (FCF)	3	3	4	8	4	5
Investments	0	(0)	1	(0)	(0)	(0)
Non-operating Income	1	1	1	1	1	1
Others	-	-	-	-	-	-
INVESTING CASH FLOW (b)	(2)	(3)	(4)	(3)	(6)	(6)
Debt Issuance/(Repaid)	0	0	2	(4)	-	-
Interest Expenses	(0)	(0)	(0)	(0)	-	-
FCFE	3	4	7	4	4	5
Share Capital Issuance	-	-	-	-	(0)	-
Dividend	(2)	(3)	(4)	(3)	(4)	(5)
FINANCING CASH FLOW (c)	(2)	(2)	(2)	(7)	(4)	(5)
NET CASH FLOW (a+b+c)	2	2	4	2	0	2
EO Items, Others						-
Closing Cash & Equivalents	8	10	14	15	16	17

Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY (%)						
EBITDA Margin	34.9	31.7	35.4	51.7	42.7	39.7
EBIT Margin	30.0	27.2	30.0	44.8	36.2	34.7
APAT Margin	21.4	19.6	26.7	39.2	29.2	27.9
RoE	24.3	24.3	29.7	32.0	25.1	24.5
RoIC	30.4	31.2	41.1	49.1	29.5	28.0
RoCE	22.3	22.3	27.5	29.9	23.3	22.9
EFFICIENCY						
Tax Rate (%)	34.2	34.7	19.3	17.8	25.2	25.2
Fixed Asset Turnover (x)	1.4	1.4	1.2	0.9	0.9	0.9
Inventory (days)	4	3	2	3	4	5
Debtors (days)	15	13	8	18	18	18
Other Current Assets (days)	13	13	8	10	10	10
Payables (days)	18	20	16	23	25	23
Other Current Liab & Provns (days)	100	87	100	138	122	121
Cash Conversion Cycle (days)	(86)	(78)	(97)	(129)	(114)	(111)
Net Debt/EBITDA (x)	(1.0)	(1.1)	(1.3)	(1.2)	(1.2)	(1.3)
Net D/E (x)	(0.4)	(0.4)	(0.5)	(0.5)	(0.4)	(0.4)
Interest Coverage (x)	0.0	0.0	0.0	0.0	-	-
PER SHARE DATA (INR)						
EPS	48.4	55.3	80.3	100.3	87.8	97.5
CEPS	59.6	68.0	96.7	117.8	107.4	115.0
Dividend	19.0	23.6	35.0	23.0	35.1	39.0
Book Value	212.1	242.9	298.9	327.2	372.9	423.6
VALUATION						
P/E (x)	24.4	21.3	14.7	11.8	13.4	12.1
P/Cash EPS (x)	19.8	17.3	12.2	10.0	11.0	10.3
P/BV (x)	5.6	4.9	3.9	3.6	3.2	2.8
EV/EBITDA (x)	13.9	12.1	9.8	7.8	8.0	7.2
EV/Revenue (x)	4.9	3.8	3.5	4.0	3.4	2.9
Dividend Yield (%)	1.6	2.0	3.0	1.9	3.0	3.3
OCF/EV (%)	5.7	6.6	9.7	11.8	10.1	12.0
FCFE/EV (%)	3.1	3.2	4.2	8.2	3.6	5.4
FCFE/M Cap (%)	2.9	3.2	5.6	3.4	3.1	4.6

Source: Company, HSIE Research

Petronet LNG (Standalone)

INCOME STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenues	306	384	355	260	440	466
<i>Growth (%)</i>	24.3	25.5	(7.7)	(26.6)	69.2	5.8
Raw Material	267	344	305	207	392	414
Employee Cost	1	1	1	1	2	2
Other Expenses	5	6	8	5	9	10
EBITDA	33	33	40	47	38	39
<i>EBITDA Margin (%)</i>	10.8	8.6	11.3	18.1	8.5	8.5
<i>EBITDA Growth (%)</i>	27.8	(0.6)	21.1	17.8	(20.2)	5.1
Depreciation	4	4	8	8	8	8
EBIT	29	29	32	39	30	31
Other Income (Including EO Items)	3	5	3	4	4	5
Interest	2	1	4	3	3	3
PBT	31	32	31	40	30	32
Tax	10	11	4	10	8	8
RPAT	21	22	27	29	23	24
EO (Loss) / Profit (Net Of Tax)			(1)			
APAT	21	22	28	29	23	24
<i>APAT Growth (%)</i>	21.8	3.7	27.7	7.2	(22.7)	6.4
AEPS (INR/sh)	13.9	14.4	18.3	19.7	15.2	16.2
<i>AEPS Growth (%)</i>	21.8	3.7	27.7	7.2	(22.7)	6.4

Source: Company, HSIE Research

BALANCE SHEET

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS						
Share Capital	15	15	15	15	15	15
Reserves And Surplus	82	86	95	101	105	109
Total Equity	97	101	110	116	120	124
Long-term Debt	15	7	37	34	34	34
Short-term Debt	7	6	0	0	0	0
Total Debt	22	14	37	34	34	34
Deferred Tax Liability	10	13	9	9	7	7
Long-term Provision	13	11	10	10	9	9
TOTAL SOURCES OF FUNDS	142	139	166	169	170	174
APPLICATION OF FUNDS						
Net Block	80	77	112	103	102	102
Capital WIP	2	3	0	0	2	2
LT Loans And Advances	1	9	2	1	1	1
Total Non-current Investments	2	2	2	3	3	3
Inventories	5	6	5	3	6	6
Debtors	17	14	16	19	30	32
Cash and Cash Equivalent	48	38	46	57	53	56
Other Current Assets	1	2	3	2	2	2
Total Current Assets	70	60	70	82	91	96
Creditors	16	13	12	10	18	19
Other Current Liabilities & Provisions	(1)	(1)	9	10	12	12
Total Current Liabilities	14	12	21	20	29	30
Net Current Assets	56	47	49	62	62	66
TOTAL APPLICATION OF FUNDS	142	139	166	169	170	174

Source: Company, HSIE Research

CASH FLOW STATEMENT

(INR bn)	FY18	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	31	32	31	40	30	32
Non-operating & EO Items	(3)	(5)	(2)	(4)	(4)	(5)
Interest Expenses	2	1	4	3	3	3
Depreciation	4	4	8	8	8	8
Working Capital Change	4	(2)	6	(1)	(5)	(1)
Tax Paid	(7)	(8)	(9)	(10)	(10)	(8)
OPERATING CASH FLOW (a)	30	23	38	36	23	31
Capex	(2)	(2)	(40)	1	(8)	(9)
Free Cash Flow (FCF)	29	22	(1)	36	15	22
Investments	0	0	(0)	(1)	-	-
Non-operating Income	3	5	3	4	4	5
Others	1	(7)	7	1	(0)	(0)
INVESTING CASH FLOW (b)	2	(5)	(30)	5	(4)	(4)
Debt Issuance/(Repaid)	(8)	(8)	24	(3)	(0)	0
Interest Expenses	(2)	(1)	(4)	(3)	(3)	(3)
FCFE	19	13	18	30	11	19
Share Capital Issuance	8	-	-	-	-	-
Dividend	(9)	(18)	(23)	(21)	(19)	(20)
Others	(4)	(2)	3	(2)	(0)	(0)
FINANCING CASH FLOW (c)	(15)	(29)	0	(29)	(23)	(24)
NET CASH FLOW (a+b+c)	17	(10)	8	11	(4)	3
EO Items, Others						
Closing Cash & Equivalents	48	38	46	57	53	56

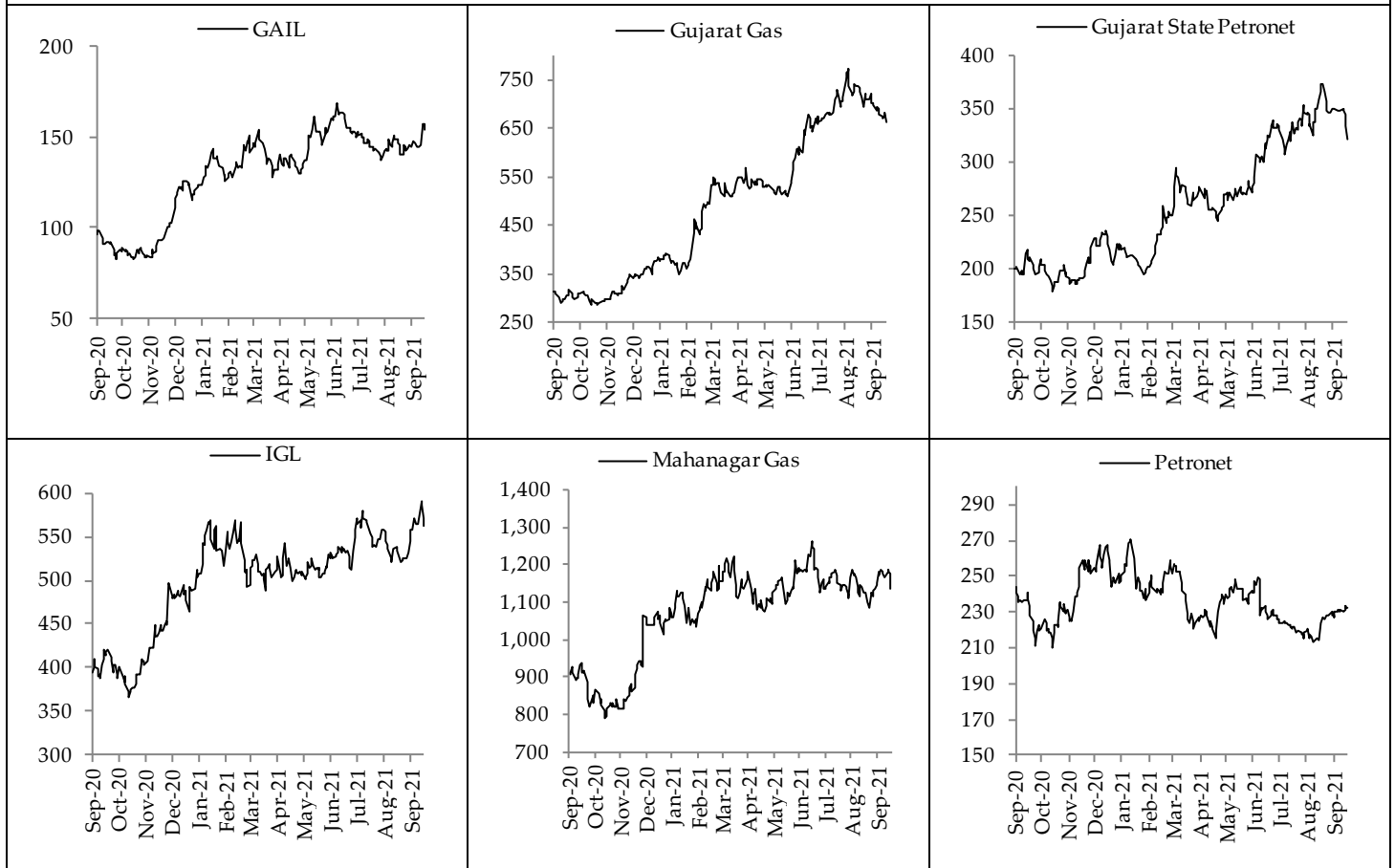
Source: Company, HSIE Research

KEY RATIOS

	FY18	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY (%)						
EBITDA Margin	10.8	8.6	11.3	18.1	8.5	8.5
EBIT Margin	9.5	7.5	9.1	15.0	6.7	6.7
APAT Margin	6.8	5.6	7.8	11.3	5.2	5.2
RoE	23.3	21.8	26.2	26.1	19.3	19.9
RoIC	20.8	20.2	25.8	25.7	19.9	20.4
RoCE	16.0	15.8	20.4	19.1	14.9	15.6
EFFICIENCY						
Tax Rate (%)	32.0	33.3	13.3	25.7	25.2	25.2
Fixed Asset Turnover (x)	3.8	4.2	3.2	2.0	3.3	3.4
Inventory (days)	6	5	5	5	5	5
Debtor (days)	20	13	16	26	25	25
Other Current Assets (days)	0.8	2.1	3.6	3.1	1.8	1.6
Payables (days)	19	12	12	15	15	15
Other Current Liabilities & Provisions (days)	(2)	(1)	10	13	10	9
Cash Conversion Cycle (days)	9	9	3	6	7	8
Net Debt/EBITDA (x)	(0.8)	(0.7)	(0.2)	(0.5)	(0.5)	(0.6)
Net D/E (x)	(0.3)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Interest Coverage (x)	0.1	0.0	0.1	0.1	0.1	0.1
PER SHARE DATA (INR)						
EPS	13.9	14.4	18.3	19.7	15.2	16.2
CEPS	16.6	17.1	23.5	24.9	20.5	21.7
Dividend	5.0	10.0	12.5	11.5	10.6	11.3
Book Value	64.8	67.1	73.0	77.7	80.1	82.6
VALUATION						
P/E (x)	16.8	16.2	12.7	11.8	15.3	14.4
P/Cash EPS (x)	14.0	13.6	9.9	9.4	11.4	10.7
P/BV (x)	3.6	3.5	3.2	3.0	2.9	2.8
EV/EBITDA (x)	9.8	9.9	8.5	6.9	8.8	8.3
EV/Revenue (x)	1.1	0.8	1.0	1.3	0.7	0.7
Dividend Yield (%)	2.1	4.3	5.4	4.9	4.6	4.9
OCF/EV (%)	9.4	7.2	11.2	10.9	7.0	9.4
FCF/EV (%)	8.8	6.6	(0.4)	11.1	4.6	6.8
FCFE/M Cap (%)	5.4	3.6	5.2	8.6	3.3	5.4

Source: Company, HSIE Research

1 Yr Price movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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