Stock Update

OIL & Natural Gas Corporation Ltd.

March 14, 2022

RETAILRESEARCH

HDFC securities
Click. Invest. Grow.
20 YEARS

OIL & Natural Gas Corporation Ltd.

HDFC securities Click. Invest. Grow. 20 YEARS

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Exploration & Production	Rs. 175.70	Buy in the Rs. 173-178 band & add more on dips to Rs. 159-164 band	Rs. 196	Rs. 206	2 quarters

HDFC Scrip Code	OILNAT
BSE Code	500312
NSE Code	ONGC
Bloomberg	ONGC IN
CMP March 11, 2022	175.7
Equity Capital (Rs Cr)	12580
Face Value (Rs)	10
Equity Share O/S (Cr)	1258
Market Cap (Rs Cr)	221036
Book Value (Rs)	189.3
Avg. 52 Wk Volumes	29821178
52 Week High	194.6
52 Week Low	97.5

Share holding Pattern % (Dec, 2021)	
Promoters	60.4
Institutions	26.1
Non Institutions	13.5
Total	100.0

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst
Abdul Karim
Abdul.karim@hdfcsec.com

Our Take:

Oil & Natural Gas Corporation Ltd. (ONGC) is the India's largest oil and gas producer with a share of nearly 73% in India's total production of crude oil and ~79% of natural gas (including share of joint ventures). It is also a significant producer of value-added products such as liquefied petroleum gas (LPG), superior kerosene oil (SKO), naphtha and C2/C3 (diatomic carbon/tricarbon). The company has developed significant onshore and offshore production facilities, subsea and land pipelines, gas processing, drilling and work-over rigs, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India. ONGC drilled 100 exploratory wells in FY21 vs. 500 in FY20. ONGC has declared total 3 discoveries (2 in onland and 1 in offshore) during FY22 in its operated acreages.

ONGC has the largest proven reserves in India discovered over the past six decades. Since its inception, the company has added 51.17 Million Metric Tonne Oil Equivalent (MMTOE) reserves (2P) on standalone basis and 60.94 MMTOE on group basis in FY21. Thus, the company was able to maintain the Reserve Replacement Ratio (RRR) of 1.19 in FY21 vs. 1.19 in FY20, which has remained above unity for the 15th consecutive year thereby reflecting ONGC's strong exploratory capability and healthy long-term revenue visibility. Besides, ONGC Videsh Ltd, the overseas investment arm of ONGC, has declared a 2019 gas discovery in deep sea block in Brazil as commercially viable and has now entered the development stage that will bring it to production.

The company's current production for KG-98/2 cluster is close to around 0.6 MMSCMD from two wells. An additional output of 1.75 MMSCMD gas is expected soon and it could lead to production growth.

Energy and oil demand has picked up significantly after the massive drop in 2020. Oil demand could grow sharply in the next few years as economies are recovering from the pandemic. Thus, OPEC expects global oil demand is likely to rise by 1.7 million barrels per day in 2023 to 101.6 million bpd, adding to robust growth already predicted for 2022 and 2023, and pushing demand back above the pre-pandemic 2019 rate. Recently, oil prices made a 14 year high of ~US$ 123/bbl amid the growing geopolitical tensions between Russia and Ukraine and now trading at close to ~US$ 109/bbl. Recent sharp recovery in oil prices and potential upward revision in domestic gas prices could help to improve earnings as well as profitability of ONGC in near to medium term.

We had initiated coverage report on 06 Oct, 2020, and stock update report on 24 Sept, 2021, on ONGC Ltd. The stock has achieved its targets before expiry of the calls. Given the healthy growth outlook and expectation of strong set of numbers in Q4FY22, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

ONGC enjoys a dominant market position in the domestic crude oil and natural gas production business with large proven reserves, globally competitive cost structure, and stable performance of its subsidiary ONGC Videsh Ltd. (OVL). Any value unlocking from subsidiaries and other investments & lower holding company discount on investments can be positive for the stock. The company also has excellent financial flexibility arising from its moderate gearing, large liquid investments, its significant sovereign ownership and strategic importance.

However, volatility in oil prices and domestic gas prices and high dividend payout could impact its cash accruals going forward. ONGC is among the cheapest global upstream companies offering attractive dividend yield. Every $1/barrel increase in crude oil prices could add Rs.4.5-5 per shares to the fair value and every $0.5/mmbtu of gas increase could add to Rs. 8.5-9 per share. The company is likely to report production of 21mmt/24.3bcm of oil/gas for FY23E and 24mmt/32bcm of oil/gas for FY24E, respectively.

Investors could buy in the Rs 173-178 band and add more on dips in the Rs. 159-164 (6.75x FY24E EPS plus current value of listed investments after 35% haircut). Base case fair value of the stock is Rs 196 (8.5x FY24E EPS plus current value of listed investments after 35% haircut) and the bull case fair value of the stock is Rs 206 (9x FY24E EPS plus current value of listed investments after 35% haircut) over the next 2 quarters. At the CMP of Rs 175.7 the stock trades at 5.1x FY24E EPS and 3.2x FY24EV/EBITDA.

Financial Summary

Particulars (Rs Cr)	Standalone					Consolidated				
	Q3FY22	Q3FY21	YoY-%	Q2FY22	QoQ-%	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	28473	17024	67.3	24354	16.9	4,24,961	3,60,572	4,25,295	4,55,831	4,79,079
EBITDA	14851	6508	128.2	12528	18.5	61,128	56,602	77,889	88,864	94,642
Depreciation	4338	4427	-2.0	3943	10.0	35,658	32,674	28,315	29,315	30,847
Other Income	1492	1219	22.4	3147	-52.6	49	10,242	9,537	9,836	9,639
Interest Cost	582	598	-2.8	579	0.5	7,489	5,079	5,448	4,824	4,838
Tax	2659	1443	84.3	-7195	-137.0	7,506	8,766	13,872	16,960	18,014
APAT	8764	1258	596.6	18348	-52.2	17,980	20,711	40,862	48,725	51,764
Diluted EPS (Rs)	7.0	1.0	597.0	14.6	-52.2	14.3	16.5	29.7	33.3	35.5
RoE-%						8.5	9.7	17.4	18.4	17.3
P/E (x)						12.3	10.7	5.9	5.3	5.0
EV/EBITDA (x)						5.4	6.0	4.0	3.5	3.2

(Source: Company, HDFC sec)

Q3FY22 Result Update

- ONGC's Q3FY22 numbers were above expectations. However, production declined in the quarter. The production of crude oil and gas has declined during current year mainly due to restrictive conditions created by cyclone Tauktae & Covid, delay in mobilization of MOPU Sagar Samrat to WO-16 Cluster project, modification work at Hazira and reservoir issues in S1 Vashistha fields in Eastern Offshore.
- ONGC standalone revenue rose 67% YoY to Rs 28,473 crore. EBITDA stood at Rs 14851 crore in Q3FY22 vs. Rs 6508 crore in Q3FY21. Net profit stood at Rs 8764 crore in Q3FY22 and Rs 1258 crore in Q3FY21.
- The company produced nearly 3.2% YoY less crude oil at 5.451 million tons in the quarter while natural gas output was 4.2% YoY lower at 5.564 billion cubic meters. On the oil production, ONGC produced 4.68 million tons from fields it operates and another 0.536 million tons from those in joint ventures with other partners. Its own production was down 2.6% YoY and joint venture output fell 3.2% YoY.
- ONGC's own gas production was down 4.5% YoY at 5.372 billion cubic meters in Q3FY22 while production from joint venture fields was flat YoY to 0.192 billion cubic meters. Overall the value added product output was down 5.7% YoY at 763 Kilo Tons.

Key Updates

Robust infrastructure and proven technical capabilities

ONGC has maintained its dominant position over the past and continues to maintain its position even after the introduction of New Exploration and Licensing Policy (NELP) and thereafter Hydrocarbon Exploration and Licensing Policy (HELP), which increased private participation in the oil and gas sector of the country. The company has the largest proven reserves in India discovered over the past six decades since its inception. The large reserves base provides the company an abundant and stable long-term source of hydrocarbons for crude oil and natural gas production. It has declared total 10 discoveries (3 in on-land, 7 in offshore) in FY21 in its operated acreages. Out of these, 6 are prospects (1 in on-land, 5 in offshore) and 4 are pools (2 in on-land, 2 in offshore). ONGC has declared total 3 discoveries (2 in onland and 1 in offshore) during FY22 in its operated acreages.

With its long track record of operations, ONGC has been able to develop a robust infrastructure providing it an advantage over newer players in the industry who entered the industry through NELP and HELP. The company has developed significant onshore and offshore production facilities, subsea and land pipelines, gas processing, drilling and work-over rigs, storage facilities and other infrastructure located throughout the principal oil and gas-producing regions of India. ONGC drilled 100 exploratory wells in FY21 vs. 500 exploratory wells drilled in FY20.

Besides, OVL has been acquiring participating interests in overseas oil and gas assets over the years, and has been participating either directly or through wholly-owned subsidiaries/JVs in 35 projects in 15 countries, of which 14 are producing properties. However, the top three investments (Mozambique, Russia and Brazil) drives the bulk of its investments. OVL's total O+OEG production stood at 13.04 MMTOE in FY21 against 14.98 MMTOE in FY20.

Aggressive domestic as well as overseas expansion plans

ONGC incurs significant capex every year on exploration, development, and purchase of capital assets and its average Capex (standalone) per annum has been in the range of Rs 27,000 to Rs 30,000 crore with about 23-25% expenditure on development drilling, 23-25% expenditure on exploration drilling, 38-40% expenditure on capital projects and balance 10- 12% on surveys, R&D, integration and JVs. The same trend is expected to continue in the ensuing years. On standalone basis, the company continues to maintain stable capex program. Capex for FY21 was Rs 26,859 crore while planned outlay for FY22 stands at Rs 29,800 crore.

ONGC's consolidated capex could be high, at around Rs 50,000-55,000 crore annually in FY22-FY23. ONGC guided to incur domestic upstream capex of Rs 29000-32000 crore in FY22 and FY23 per year, driven by a faster pace of development and exploratory drilling, and completion of the KG-DWN-98/2 project on India's eastern coast. OVL's capex of around Rs 5000 crore annually over the next few years, mainly for a Mozambique liquefied natural gas project and OVL has large Capex plans to fulfil its mission of 60 MMTOE by 2030. HPCL's expansion plans account for the rest.

ONGC will invest up to Rs 6,000 crore in petrochemicals arm ONGC Petro additions Ltd (OPaL) to meet its equity requirements. ONGC wanted to induct a strategic partner in OPaL, but due to lack of interest from investors, the plans were shelved.

Besides, total installed capacity in renewables space has exceeded 325 MW and ONGC has signed a pact with Solar Energy Corp. of India (SECI) for undertaking renewable energy projects. ONGC has been pursuing a green energy agenda through various alternatives and renewable sources of energy. It has set a target of producing a minimum of 10 GW of renewable power by 2040 while focusing on the core E&P business.

ONGC will be aggressive in exploration, betting outside conventional basins by making alliances with international majors. For ONGC renewables makes business sense and it will look at inorganic growth, but fossil fuels will also grow. It plans to have a consultant do an ESG study and will have an upgraded plan soon.

ONGC seeks minimum USD 4 for CBM gas, USD 3.5 for gas in northeast

ONGC is seeking a minimum price of USD 3.5-4 for the natural gas it plans to produce from coal seams in Jharkhand and a field in Tripura. ONGC has issued separate tenders seeking buyers of 0.02 million standard cubic meters per day of coal-bed methane (CBM) it plans to produce from the North Karanpura CBM block in Jharkhand and 0.1 mmscmd from Khubal field in Tripura. For the CBM gas, it asked buyers to quote a percentage equal to or higher than 8 per cent of Dated Brent Price.

ONGC, signs feedstock and marketing MoU with Saudi Aramco

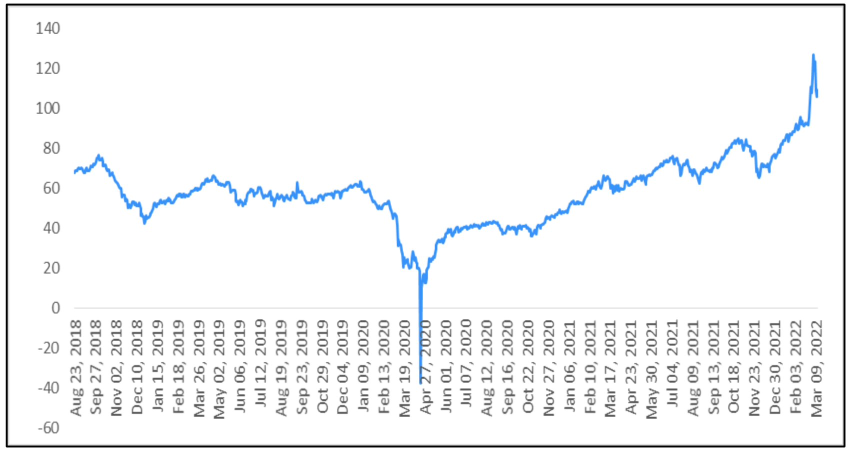
ONGC has inked a Memorandum of Understanding (MoU) with world's largest oil company Saudi Aramco to explore a strategic alliance on a broad range of energy prospects. The two energy companies will look into long-term supply contracts for the sale and purchase of crude, refined petroleum and petrochemical products to create secure and competitive energy sources for the Indian market. Both the entities also hope to utilize their affiliates in this strategic alliance, namely; Mangalore Refinery and Petrochemicals Ltd. (MRPL), ONGC Petro-additions Ltd. (OPaL) and ONGC Mangalore Petrochemicals Ltd. (OMPL) of ONGC and Aramco Trading Company (ATC) of Saudi Aramco. They also look forward to exploring low carbon energy demand and supply as part of this strategic alliance.

Rise in Crude Oil prices and Natural Gas prices to improve its realization

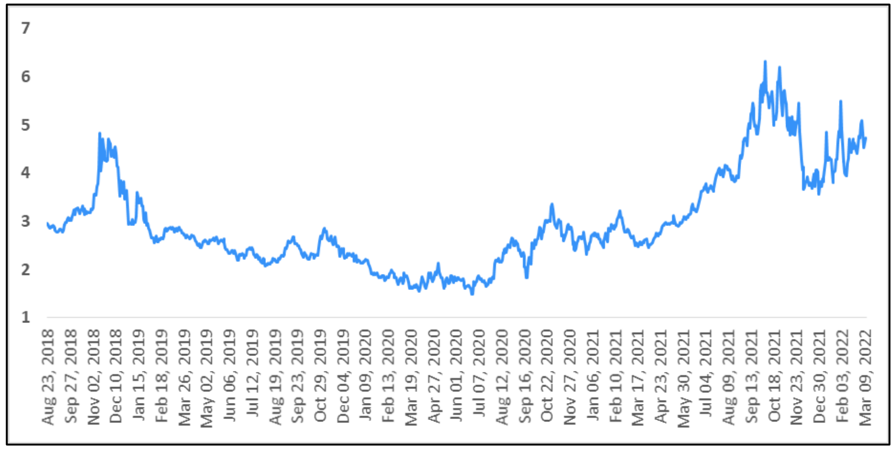
Crude Oil prices have climbed on supply disruptions stemming from Russia's ongoing invasion of Ukraine and the possibility of a ban on Russian oil and natural gas. Crude Oil (WTI) climbed sharply by 66.6% YoY, 17.4% MoM to US$ 109.3/bbl. Higher crude oil prices lead to higher realization for ONGC and help shore up its profitability. Apart from this, Natural gas has rallied sharply in the last few months and momentum could be continue in the near to medium term. Natural Gas price is at US$ 4.7/mbtu, which is up by 81.7% YoY, 19.9% MoM. The annual demand is expected to hit pre-pandemic levels in 2022, according to the International Energy Agency (IEA). The government, using rates prevalent in gas-surplus nations, fixes the price of natural gas produced by ONGC & OIL from fields given to them on nomination basis, every six months (Oct 01 & Apr 01). Domestic natural gas price was revised from US$1.8/mmbtu to US$2.9/mmbtu on a GCV basis from October 1. Sustained higher crude oil prices and gas realisations can result in better profitability. If prices sustain at higher levels, there is further upside potential to earnings.

Oil & Gas Price:

Crude Oil WTI Fut-US$/bbl



Natural Gas Price-US$/mbtu

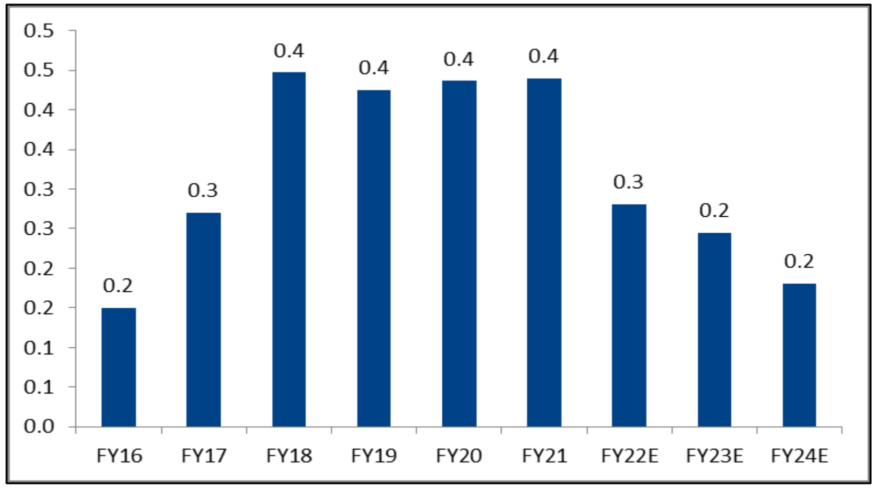


(Source: Investing.com, HDFC sec)

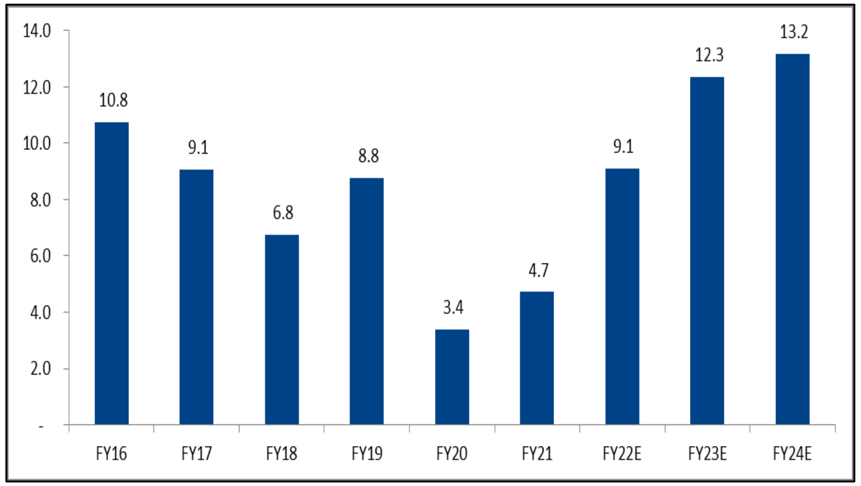
Sound financial profile

- ONGC's financial profile remained comfortable in FY21 and the company enjoys high financial flexibility that allows it to raise debt and access capital markets at competitive rates to fund its capex and working capital requirements.
- Interest coverage ratio also increased from 2.5x in FY20 to 3.4x in FY21, owing to decrease in interest expenses and higher EBITDA.
- The company has made strong dividend payout of 25.6% in FY21, with dividend yield at 2.3%. The company has approved interim dividend of 110%, i.e. Rs 5.50 on each equity share and second interim dividend of Rs 1.75 on each equity share of Rs 5 (F.V) for FY22.
- The liquidity position of the company is expected to remain strong owing to healthy cash accruals aided by control over receivables. It has sizeable cash and cash equivalents (Rs 12,610 crore as on March 31, 2021). Apart from this, the large value of its investments in IOC and GAIL, coupled with availability of free cash reserves also provide liquidity comfort.
- ONGC decided to opt for a lower tax regime under Section 115-BBA of Income Tax Act, with effect from FY21. The company recognized a provision for tax expenses and reassessed deferred tax liabilities. This has resulted in decrease in deferred tax by Rs. 8,541core and current tax by Rs. 1,304 crore.
- On a consolidated basis, overall gearing unchanged as on March 31, 2021 to 0.4x owing to higher borrowings viz. term loans, and finance lease. ONGC has comfortable debt metrics and has ability to raise both debt and equity capital from the capital markets.

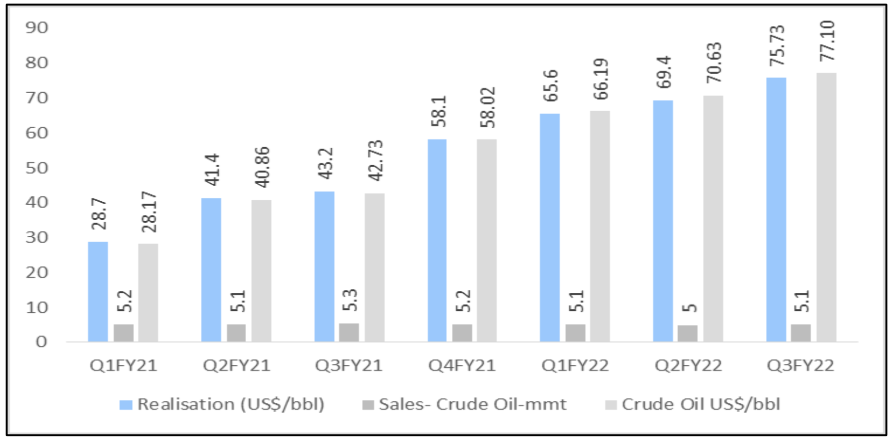
Debt to Equity(x)



Interest Coverage Ratio (x)



Realisation(US$/bbl), Sales (mmt), and Crude Oil(US$/bbl)



What could go wrong?

- Economic slowdown, volatility in oil and gas prices and regulatory changes in Oil and Gas industry could impact its growth story in the future. The changing macro-economic scenario can have an impact on the growth plans of the company.
- Oil & gas industry is a capital-intensive industry, which requires significant time and funds to develop a sound infrastructure. E&P business has long gestation period with high uncertainty with respect to estimation of reserves. The success of E&P activities depends on quality of the available data engineering, geographies, geologies and geopolitical interpretation. Adverse outcome or failure on E&P project could bring cost burden and impact its profitability.
- Given the volatility in Crude oil and petroleum product prices, inventory gains/losses in each quarter can be large affecting the estimates. Any decrease in the price of the crude oil may hamper the profitability of the company. Prices of crude oil depend on various factors including policies by major producers of crude oil, global as well as regional demand variations, geopolitical situations and market sentiment.
- ONGC's revenue is derived from the sale of crude oil and ONGC faces crude price volatility related risk. Prices of crude oil depends on various factors including policies by OPEC, global as well as regional demand variations, geopolitical situations and market sentiments. Crude price (Brent) has fallen sharply since March 2020 touching USD 19/bbl in April 2020, however, crude prices have recovered to the high level of around $123/bbl and now trading at $109/bbl. Any decrease in the price of the crude oil could impact the profitability of the company. For ONGC, every $1/a barrel change in prices of crude oil, natural gas, and other products has an impact of close to Rs 6,000 crore on its revenue.
- ONGC's delayed Krishna Godavari basin KG-D5 project is likely to hit peak oil and natural gas output in 2023-24 and will help the firm to reverse the downward slide in its overall production. ONGC was originally to start gas production from the Cluster-II fields in block

KG-DWN-98/2 (KG-D5) in June 2019 and the first oil was to flow in March 2020. But these targets were quietly shifted to end-2021 due to contracting issues and supply chains being hit by the Covid pandemic.

- With respect to natural gas pricing (APM Mechanism), subsidy sharing, and dividend payments, any adverse policy and decisions from GoI's could impact ONGC's profitability, cash flows and liquidity position.
- ONGC Videsh Ltd (OVL) claims from Sudan a total of US$ 560 million in unpaid oil dues and cost of pipeline built by OVL for the African nation. OVL had a 25% stake in Block 2A&4 in Sudan. The amount due to OVL on account of over lifting of crude oil and delayed installments. Sudan could terminate the deal in the future, as arbitration proceeding suggested.
- For the international investments undertaken, profitability is also susceptible to significant geo-political risks, as some of the overseas blocks are in countries that have political instability. OVL's investment in its Mozambique assets may require sharp write down. Similarly OVL's stake in Russian oilfields could now face sanctions.
- Lower production growth over last 5 years has been an overhang on the operational performance of the company.
- Currency movement can impact realization as it is dollar denominated.

ONGC Valuation

ONGC Valuation			EPS (Rs/sh)	Base Case		Bull Case		Add on Dip		Basis
				Target P/E	Value (Rs/sh)	Target P/E	Value (Rs/sh)	Target P/E	Value (Rs/sh)	
ONGC standalone EPS (Rs/sh)			16.8	8.5	143	9	151	6.75	113	x Mar 24E EPS
OVL EPS (Rs/sh)			3.1	8.5	27	9	28	6.75	21.1	x Mar 24E EPS
Total			**112.1**		**169**		**179**		**134**	
Traded investments	**Shares (Cr)**	**CMP**	**Value (Rs Cr)**							
MRPL	125.4	43.8	3,571		2.8		2.8		2.8	35% Discount to CMP
IOCL	133.7	123.7	10,747		8.5		8.5		8.5	35% Discount to CMP
GAIL	21.8	152.5	2,158		1.7		1.7		1.7	35% Discount to CMP
Petronet	18.8	209.6	2,554		2.0		2.0		2.0	35% Discount to CMP
HPCL	77.9	294.3	14,899		11.8		11.8		11.8	35% Discount to CMP
Value of investments			**33,930**		**27.0**		**27.0**		**27.0**	
Core value					**196**		**206**		**161**	

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)			EV/EBITDA(x)		
		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
OIL India	25,581	**36,109**	**39,304**	**40,925**	**10,120**	**12,012**	**12,312**	**6,331**	**5,935**	**6,139**	29.6	23.5	21.3	4.1	4.3	4.1	3.1	2.5	2.4
ONGC	221,036	425,295	455,831	479,079	77,889	88,864	94,642	40,862	48,725	51,764	17.4	18.4	17.3	5.9	5.3	5	4	3.5	3.2

OIL & Natural Gas Corporation Ltd.

Financials (Consolidated)

Income Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	**424961**	**360572**	**425295**	**455831**	**479079**
Growth (%)	-6.3	-15.2	18.0	7.2	5.1
Operating Expenses	363833	303971	347407	366967	384437
EBITDA	**61128**	**56602**	**77889**	**88864**	**94642**
Growth (%)	**-27.3**	**-7.4**	**37.6**	**14.1**	**6.5**
EBITDA Margin (%)	**14.4**	**15.7**	**18.3**	**19.5**	**19.8**
Depreciation	35658	32674	28315	29315	30847
EBIT	**25470.1**	**23927.5**	**49573.8**	**59549.7**	**63795.4**
Other Income	49	10242	9537	9836	9639
Interest expenses	7489	5079	5448	4824	4838
PBT	**18029.3**	**29090.3**	**53663.2**	**64561.5**	**68597.3**
Tax	7506	8766	13872	16960	18014
RPAT	**10523**	**20324**	**39791**	**47601**	**50584**
APAT	**17980**	**20711**	**40862**	**48725**	**51764**
Growth (%)	**-48.5**	**15.2**	**97.3**	**19.2**	**6.2**
EPS	**14.3**	**16.5**	**29.7**	**33.3**	**35.5**

Balance Sheet

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	6290	6290	6290	6290	6290
Reserves	198814	214691	242186	275565	310971
Shareholders' Funds	**205105**	**220981**	**248476**	**281856**	**317261**
Long Term Debt	72932	79162	60603	57482	49532
Net Deferred Taxes	46042	45400	71843	87838	93293
Long Term Provisions & Others	42461	52841	50199	45179	40661
Minority Interest	18406	21616	22697	23831	25023
Total Source of Funds	**384945**	**420000**	**453817**	**496186**	**525771**
APPLICATION OF FUNDS					
Net Block & Goodwill	267652	267618	297653	328601	348283
CWIP	45836	62921	62881	72067	78416
Other Non-Current Assets	113446	116978	119742	120645	121588
Total Non Current Assets	**426934**	**447517**	**480276**	**521313**	**548288**
Current Investments	0	0	0	0	0
Inventories	33051	44573	52216	55195	57769
Trade Receivables	11548	18579	21764	23006	24079
Cash & Equivalents	14985	12610	9654	19159	22453
Other Current Assets	23500	19985	13196	15203	18440
Total Current Assets	**83084**	**95747**	**96830**	**112563**	**122741**
Short-Term Borrowings	31506	30658	18807	30691	30336
Trade Payables	22961	27449	32156	33990	35575
Other Current Liab & Provisions	70606	65158	72326	73009	79347
Total Current Liabilities	**125073**	**123265**	**123288**	**137689**	**145258**
Net Current Assets	-41989	-27518	-26459	-25127	-22517
Total Application of Funds	**384945**	**420000**	**453817**	**496186**	**525771**

Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	18,029	29,090	53,663	64,562	68,597
Non-operating & EO items	7,408	-9,855	-8,467	-8,712	-8,459
Interest Expenses	7,489	5,079	5,448	4,824	4,838
Depreciation	35,658	32,674	28,315	29,315	30,847
Working Capital Change	19,151	-15,999	7,836	-3,711	1,039
Tax Paid	-8,186	-9,408	-13,872	-16,960	-18,014
OPERATING CASH FLOW (a)	**79,550**	**31,582**	**72,923**	**69,317**	**78,847**
Capex	-63,787	-49,726	-32,366	-53,453	-51,423
Free Cash Flow	15,763	-18,144	40,557	15,864	27,424
Investments	16,650	-3,194	-1,092	-1,114	-1,136
Non-operating income	-5,165	9,905	8,365	10,047	9,833
INVESTING CASH FLOW (b)	**-52,303**	**-43,016**	**-25,093**	**-44,520**	**-42,727**
Debt Issuance / (Repaid)	2,937	5,382	-30,411	8,764	-8,304
Interest Expenses	-7,489	-5,079	-5,448	-4,824	-4,838
FCFE	11,211	-17,841	4,699	19,803	14,282
Share Capital Issuance	0	0	0	0	0
Dividend	-7,359	-5,299	-13,366	-15,346	-16,358
Others	-10,254	14,054	-1,561	-3,885	-3,326
FINANCING CASH FLOW (c)	**-22,166**	**9,059**	**-50,786**	**-15,292**	**-32,826**
NET CASH FLOW (a+b+c)	**5,082**	**-2,375**	**-2,956**	**9,505**	**3,294**

Key Ratios

Particulars	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin (%)	14.4	15.7	18.3	19.5	19.8
EBIT Margin (%)	6.0	6.6	11.7	13.1	13.3
APAT Margin (%)	4.2	5.7	9.6	10.7	10.8
RoE(%)	8.5	9.7	17.4	18.4	17.3
RoCE(%)	7.5	7.7	13.6	15.0	14.4
Solvency Ratio (x)					
Net Debt/EBITDA	1.5	1.7	0.9	0.8	0.6
Net D/E	0.4	0.4	0.3	0.2	0.2
PER SHARE DATA (Rs)					
EPS	14.3	16.5	29.7	33.3	35.5
CEPS	42.6	42.4	52.2	56.6	60.0
Dividend	5.9	4.2	10.6	12.2	13.0
BVPS	163.0	175.7	193.8	214.1	235.6
Turnover Ratios (days)					
Debtor days	9.9	18.8	18.7	18.4	18.3
Inventory days	28.4	45.1	44.8	44.2	44.0
Creditors days	19.7	27.8	27.6	27.2	27.1
VALUATION (x)					
P/E	12.3	10.7	5.9	5.3	5.0
P/BV	1.1	1.0	0.9	0.8	0.7
EV/EBITDA	5.4	6.0	4.0	3.5	3.2
EV / Revenues	0.8	0.9	0.7	0.7	0.6
Dividend Yield (%)	3.3	2.4	6.0	6.9	7.4
Dividend Payout (%)	40.9	25.6	35.8	36.6	36.7

(Source: Company, HDFC sec)

One Year Price Chart

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

I**, Abdul Karim, (MBA),** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or her relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – **No**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.