

Good performance in tough times

Given GAIL's dominant position in India's gas pipeline network and the high share of volume in the upcoming eastern corridor gas pipeline, its gas transmission business is likely to be in a sweet spot. Maintain BUY.

HIGHLIGHTS OF THE QUARTER

- NG transmission:** Revenue was up 23.3% YoY to Rs 14.64bn on the back of 20% jump in transmission tariff to Rs 1,493/tscm and 2.8% increase in transmission volumes to 109mmscmd. EBIT was up 8.3% YoY to Rs 7.73bn as opex increased by 45% to Rs 446/tscm. **In the near term, transmission volumes will increase as the Kochi-Mangalore pipeline gets commissioned in 1HFY20. Completion of JHBDPL will boost volumes post 2HFY22.**
- NG marketing:** Robust Q4 performance. EBIT was up 3.71x YoY to Rs 5.88bn mainly on account of higher trading margins at Rs 664/tscm versus Rs 197 in 4QFY18. In FY19, GAIL earned an average trading margin of Rs 810/tscm. **Though the FY19 margins seem unsustainable, we expect trading margins of Rs 650/tscm over FY20/21. GAIL will take advantage of the benign SPOT LNG prices and strong demand for RLNG from industrial customers to garner healthy trading margins. It has already swapped 76 (~87%) out of 87 cargoes from US for CY19.**

- LPG & LHC:** EBIT was at Rs 4.16bn, down 36.7% YoY owing to 10% lower realisations coupled with 16.5% YoY increase in gas cost (RM) and 3.3%YoY rise in opex. As gas cost has fallen ~11% in 1QFY20, we could see an improvement in gross margins in the ensuing quarter.
- Petchem:** This segment reported a loss of Rs 200mn before interest and tax versus profit of Rs 366mn in 4QFY18 and Rs 297mn in 3QFY19 owing to fall in realizations (5.9/12.9% YoY/QoQ).
- Near term outlook:** We expect positive news flows related to the inclusion of natural gas under GST and upward revision in HVJ pipeline tariff.

STANCE

(1) Rising supply of NG and (2) A multitude of LNG liquefaction terminals coming on-stream towards the fag end of CY19 will boost RLNG exports from US and also keep Henry Hub (HH) prices subdued in the near term, enabling GAIL to swap more cargoes. Thus, the US LNG is not a stress point. Our SOTP target is Rs 408 (7.5x Mar-20E EV/e to the more stable Gas and LPG transmission businesses, 5.0x EV/e to the more volatile gas marketing business, 6.5x EV/e for the cyclical petchem and LPG/LHC businesses, Rs 75 for investments and Rs 23/sh for CWIP).

Financial Summary (Standalone)

Year Ending March (Rs bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY18	FY19E	FY20E	FY21E
Revenues	187.63	154.31	21.6	197.89	(5.2)	536.62	751.26	792.05	895.56
EBITDA	16.84	16.95	(0.7)	26.73	(37.0)	76.34	95.55	102.57	110.37
APAT	13.51	10.02	34.8	16.81	(19.6)	46.00	62.46	62.32	66.86
AEPS (Rs)	5.99	4.44	34.8	7.46	(19.6)	20.4	27.7	27.6	29.6
P/E (x)						17.2	12.6	12.7	11.8
EV/EBITDA (x)						8.8	7.2	7.0	6.5
RoE (%)						11.7	14.8	13.5	13.3

Source: Company, HDFC sec Inst Research

INDUSTRY	OIL & GAS
CMP (as on 28 May 2019)	Rs 350
Target Price	Rs 408
Nifty	11,929
Sensex	39,750

KEY STOCK DATA

Bloomberg	GAIL IN
No. of Shares (mn)	2,255
MCap (Rs bn) / (\$ mn)	789/11,305
6m avg traded value (Rs mn)	1,507

STOCK PERFORMANCE (%)

52 Week high / low	Rs 399/295		
	3M	6M	12M
Absolute (%)	2.1	3.0	3.8
Relative (%)	(8.7)	(8.3)	(9.2)

SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	53.49	52.64
FIs & Local MFs	14.01	14.65
FPIs	20.80	20.86
Public & Others	11.70	11.85
Pledged Shares	0.00	0.00

Source : BSE

Nilesh Ghuge

nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Divya Singhal

divya.singhal@hdfcsec.com
+91-22-6639-3038

Quarterly Financials Snapshot

(Rs. bn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY19	FY18	YoY (%)
Net Sales	187.63	154.31	21.6	197.89	(5.2)	751.26	536.62	40.0
Raw material and Traded Goods	151.86	121.50	25.0	156.02	(2.7)	588.64	404.37	45.6
Employee Expenses	3.99	3.53	13.2	3.92	1.9	17.78	13.01	36.6
Other Operating Expenses	14.94	12.33	21.1	11.22	33.1	49.29	42.89	14.9
EBITDA	16.84	16.95	(0.7)	26.73	(37.0)	95.55	76.34	25.2
Depreciation	4.57	3.61	26.8	3.63	25.9	15.50	14.15	9.5
EBIT	12.27	13.34	(8.1)	23.10	(46.9)	80.05	62.19	28.7
Other Income	5.40	3.03	77.9	2.20	145.2	12.18	10.15	20.1
Interest	0.26	0.33	(20.9)	0.23	16.2	1.39	2.75	(49.6)
PBT	17.40	16.04	8.4	25.07	(30.6)	90.85	69.58	30.6
Provision for tax	6.18	5.83	5.9	8.26	(25.2)	30.59	23.40	30.7
RPAT	11.22	10.21	9.9	16.81	(33.2)	60.26	46.18	30.5
APAT	13.51	10.02	34.8	16.81	(19.6)	62.46	46.00	35.8
REPS (Rs)	4.98	4.53	9.9	7.46	(33.2)	26.72	20.48	30.5
Adjusted EPS (Rs)	5.99	4.44	34.8	7.46	(19.6)	27.70	20.40	35.8

Source: Company, HDFC sec Inst Research

Margin Analysis

	4QFY19	4QFY18	YoY (bps)	3QFY19	QoQ (bps)	FY19	FY18	YoY (bps)
Raw material as % of Net Sales	80.9	78.7	220	78.8	210	78.4	75.4	300
Employee Expenses as % of Net Sales	2.1	2.3	(16)	2.0	15	2.4	2.4	(6)
Other Operating Expenses as % of Net Sales	8.0	8.0	(3)	5.7	229	6.6	8.0	(143)
EBITDA Margin (%)	9.0	11.0	(201)	13.5	(453)	12.7	14.2	(151)
Net Profit Margin (%)	7.2	6.5	70	8.5	(130)	8.3	8.6	(26)
Tax Rate (%)	35.5	36.4	(87)	33.0	255	33.7	33.6	5

Source: Company, HDFC sec Inst Research

Annual interest cost has gone down by 49.6% YoY as GAIL repaid borrowings to the extent of ~Rs.1.06bn in FY19. Now, debt stands at Rs. 8.71bn

Investment impairment loss of Rs 3.26bn reported in Q4 has been added back to arrive at the APAT figure

GAIL announced total dividend of Rs 8.0/sh in FY19 (payout 30%) and proposed a bonus issue in the ratio of 1:1

In FY19, the company incurred a capex of Rs 83bn. They plan to spend Rs 70bn in FY20 on further expansion

The management expects a tariff revision of its HVJ pipeline in 1HFY20. We have not factored-in any increase in the tariff of the pipeline. However, a 20% increase in tariff will increase our EBITDA by 7.2/7.4% for FY20/21 and target price by 6.8% to Rs 436/sh

With 10% fall in RasGas prices towards fag end of 4Q will improve the performance from the segment in current quarter.

Gas Supply and Purchase Agreements (GSPA) with six fertiliser plants and six CGD network will ensure a healthy utilisation of the upcoming JHBDPL

Quarterly Operational Performance

	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY19	FY18	YoY (%)
NG transmission								
Volumes (mmscmd)	109.15	106.13	2.8	107.70	1.3	107.45	105.21	2.1
Tariff (Rs/000 scm)	1,493	1,244	20.0	1,482	0.7	1,473	1,294	13.8
LPG transmission								
Volumes (000 MT)	1,023	982	4.2	1,036	(1.3)	3,975	3,721	6.8
Tariff (Rs/kg)	2	2	12.0	1	16.3	2	2	3.5
NG marketing								
Volumes (mmscmd)	98.42	89.24	10.3	96.00	2.5	96.95	84.99	14.1
Trading margin (Rs/000 scm)	664	197	237.4	764	(13.1)	808	407	98.3
Petchem								
Sales volumes (000 tonnes)	213	191	11.5	173	23.1	735	673	9.2
Utilisation (%)	91	79	16.0	81	12.8	84	75	12.8
Realisation (Rs/kg)	81	86	(5.9)	92	(12.7)	92	88	4.3
LPG & LHC								
Sales volumes (000 tonnes)	335	324	3.4	335	-	1,322	1,276	3.6
Realisation (Rs/kg)	33	37	(10.1)	45	(25.8)	38	34	13.0
Realisation (USD/MT)	475	580	(18.2)	626	(24.1)	548	527	4.0

Source: Company, HDFC sec Inst Research

Segmental Financial Performance

	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY19	FY18	YoY (%)
NG transmission								
Revenue (Rs bn)	14.64	11.88	23.3	14.72	(0.5)	57.79	49.74	16.2
EBITDA (Rs bn)	10.28	8.94	15.0	10.72	(4.1)	40.89	36.33	12.6
EBIT (Rs bn)	7.73	7.13	8.3	8.84	(12.5)	32.54	29.21	11.4
EBITDA margin (%)	70.21	75.26		72.82		70.76	73.04	
EBIT margin (%)	52.79	60.07		60.03		56.31	58.71	
LPG transmission								
Revenue (Rs bn)	1.77	1.51	16.7	1.54	14.8	6.24	5.65	10.5
EBITDA (Rs bn)	1.09	0.82	32.9	0.91	19.8	3.59	3.26	10.1
EBIT (Rs bn)	0.94	0.68	39.1	0.77	22.7	3.01	2.73	10.6
EBITDA margin (%)	61.66	54.13		59.11		57.52	57.72	
EBIT margin (%)	53.20	44.62		49.79		48.29	48.27	

Source: Company, HDFC sec Inst Research

Petchem plant's utilisation is expected to increase from 75% in FY19 to 100% in FY20

The company will enjoy operating leverage with increase in pipeline utilisation. We have assumed only 3.9% CAGR growth in NG transmission tariff over FY19-21E

The Kochi-Mangalore pipeline commissioning (6% share in the total transmission revenue of ~Rs 4.12bn) is expected to be completed by 2QFY20, at a lag to its earlier target of 4QFY18

	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY19	FY18	YoY (%)
NG marketing								
Revenue (Rs bn)	154.54	121.28	27.4	161.97	(4.6)	612.05	410.96	48.9
EBITDA (Rs bn)	5.88	1.58	272.2	6.75	(12.9)	28.59	12.55	127.8
EBIT (Rs bn)	5.88	1.58	271.2	6.75	(13.0)	28.59	12.56	127.6
EBITDA margin (%)	3.80	1.30		4.17		4.67	3.05	
EBIT margin (%)	3.80	1.31		4.17		4.67	3.06	
Petchem								
Revenue (Rs bn)	17.19	16.39	4.9	15.99	7.5	67.04	58.55	14.5
EBITDA (Rs bn)	0.89	1.36	(34.6)	1.38	(35.5)	8.15	6.89	18.3
EBIT (Rs bn)	(0.20)	0.37	(154.6)	0.30	(167.3)	3.85	2.67	44.3
EBITDA margin (%)	5.18	8.30		8.63		12.16	11.77	
EBIT margin (%)	(1.16)	2.23		1.86		5.74	4.55	
LPG & LHC								
Revenue (Rs bn)	11.22	12.07	(7.0)	15.12	(25.8)	50.83	43.30	17.4
EBITDA (Rs bn)	4.52	6.80	(33.5)	8.49	(46.8)	26.30	23.72	10.9
EBIT (Rs bn)	4.16	6.57	(36.7)	8.33	(50.1)	25.47	23.04	10.5
EBITDA margin (%)	40.29	56.34		56.15		51.74	54.78	
EBIT margin (%)	37.1	54.4		55.1		50.1	53.2	

Source: Company, HDFC sec Inst Research

Assumptions

	FY16	FY17	FY18	FY19E	FY20E	FY21E
No of days	366	365	365	365	366	365
Exchange rate (Rs/USD)	65	67	64	70	68	68
Regasification charges at Dahej (Rs/mmbtu)	41	43	45	48	50	52
Gas - Transmission (mmscmd)	92	100	105	107	116	129
Gas - Trading (mmscmd)	74	81	85	97	106	119
Third Party Volumes (mmscmd)	19	20	20	11	10	10
LPG Transmission (MT)	2,819,000	3,363,000	3,721,000	3,975,000	4,107,500	4,128,038
Petchem Sales (MT)	334,000	578,000	673,000	735,000	890,000	890,000
LPG Sales (MT)	856,000	858,000	989,000	934,000	946,466	951,198
Other Liquid HC (MT)	231,000	237,000	287,000	388,000	401,718	403,727
LPG + Liquid HC (MT) - R	1,087,000	1,095,000	1,276,000	1,322,000	1,348,184	1,354,925
Petchem Production (MT)	341,000	600,000	666,000	751,000	890,000	890,000
Inventory change	7,000	22,000	(7,000)	16,000	-	-
Crude oil price (USD/bbl)	48	50	57	70	70	70

Source: Company, HDFC sec Inst Research

We expect positive news flows related to the inclusion of natural gas under GST and upward revision in HVJ pipeline tariff

Given GAIL's dominant position in India's gas pipeline network and the high share of volume in the upcoming eastern corridor gas pipeline, its gas transmission business is likely to be in a sweet spot

Change In Estimates

Rs bn	FY20E			FY21E		
	Old	New	%Ch	Old	New	%Ch
Net Revenue	786.82	792.05	0.7	892.73	895.56	0.3
EBITDA	104.20	102.57	(1.6)	112.69	110.37	(2.1)
APAT	64.05	62.32	(2.7)	69.06	66.86	(3.2)
Reported EPS	28.40	27.63	(2.7)	30.62	29.65	(3.2)
AEPS (Rs/share)	28.40	27.63	(2.7)	30.62	29.65	(3.2)

Source: Company, HDFC sec Inst Research

SOTP Valuation (Based on Mar-21E)

Particulars	(Rs bn)	Multiple	EV (Rs bn)	Value/sh	Basis
Gas Transmission	51.01	7.5	382.56	169.6	x Mar-21EV/ EBITDA
LPG Transmission	4.63	7.5	34.74	15.4	x Mar-21EV/ EBITDA
Gas Marketing	27.49	5.0	137.45	61.0	x Mar-21EV/ EBITDA
Petrochemicals	6.65	6.5	43.23	19.2	x Mar-21EV/ EBITDA
LPG & Other Hydrocarbons	26.87	6.5	174.66	77.5	x Mar-21EV/ EBITDA
Standalone wt avg		7.0			
Less : Net Debt	(73.27)		(73.27)	(32.5)	As on Mar-20
Standalone Value				310	
Investments					
ONGC	52.74	0.70	36.92	16.4	30% disc. to CMP
Petronet LNG	46.69	0.70	32.68	14.5	30% disc. to CMP
IGL	52.29	0.70	36.60	16.2	30% disc. to CMP
MGL	28.35	0.70	19.84	8.8	30% disc. to CMP
Gujarat Industries Power Co.Ltd	0.04	0.70	0.03	0.0	30% disc. to CMP
China Gas Holding Company	31.54	0.70	22.08	9.8	30% disc. to CMP
Other investments	41.39	0.50	20.70	9.2	50% disc. to BV
Value of Investments	253.03		168.85	75	
Value of CWIP	105.37	0.50	52.68	23.4	50% disc. to BV
Value per share				408	

Source: Bloomberg, HDFC Sec Inst Research

Peer Set Comparison

	MCap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	Upside %	EPS (Rs/sh)				P/E (x)				P/BV (x)				ROE (%)			
						FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E
Reliance Industries	8,406	1,326	BUY	1,535	15.8	53.0	55.5	66.8	69.1	25.0	23.9	19.9	19.2	19.5	18.4	15.5	15.0	11.1	9.8	10.0	9.5
ONGC	2,189	174	BUY	190	9.0	15.9	18.7	21.1	21.4	11.0	9.3	8.2	8.1	1.1	1.1	1.0	1.0	10.5	11.9	12.8	12.3
Indian Oil Corp	1,497	163	BUY	190	16.5	22.8	18.4	18.9	21.1	7.1	8.9	8.6	7.7	1.4	1.4	1.3	1.2	19.9	15.4	15.3	15.8
BPCL	793	403	NEU	409	1.5	41.6	36.3	33.8	34.3	9.7	11.1	11.9	11.7	2.3	2.2	2.0	1.8	25.6	20.1	17.3	16.0
GAIL	789	350	BUY	408	16.7	20.4	27.7	27.6	29.6	17.2	12.6	12.7	11.8	2.0	1.8	1.6	1.5	11.7	14.8	13.5	13.3
HPCL	485	318	BUY	346	8.8	41.7	39.6	32.7	35.1	7.6	8.0	9.7	9.1	2.0	1.7	1.5	1.4	28.7	23.1	16.7	16.1
Petronet LNG	366	244	BUY	345	41.4	13.9	14.4	16.6	20.3	17.6	17.0	14.7	12.0	3.8	3.6	3.5	3.2	23.3	21.8	24.1	27.7
Indraprastha Gas	231	330	BUY	385	16.5	9.6	11.2	12.7	14.2	34.4	29.4	26.0	23.3	6.6	5.6	4.9	4.3	20.9	20.6	20.1	19.7
Oil India	200	184	BUY	234	27.0	24.6	33.4	32.2	32.6	7.5	5.5	5.7	5.7	0.7	0.7	0.6	0.6	9.4	13.0	11.8	10.7
GSPL	110	195	BUY	209	7.4	11.9	14.1	14.4	14.7	16.5	13.8	13.6	13.3	2.2	1.9	1.7	1.6	14.0	14.7	13.4	12.5
Mahanagar Gas	87	881	BUY	1,113	26.3	48.4	55.3	56.7	58.6	18.2	15.9	15.5	15.0	4.2	3.6	3.2	2.8	24.3	24.3	21.9	20.0
Asian Oil Field Services*	3	77	NA	164	113.2	5.4	8.3	12.3	16.4	14.2	9.3	6.3	4.7	2.2	1.8	1.4	1.1	23.7	20.1	23.9	25.0

Source: Company, HDFC sec Inst Research, * Fair Price

Standalone Income Statement

Y/E March (Rs bn)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues	481.24	536.62	751.26	792.05	895.56
Growth %	(6.7)	11.5	40.0	5.4	13.1
Raw Material	31.94	36.78	42.02	57.04	57.66
Gas Trading	332.00	367.59	546.62	573.70	665.60
Employee Cost	12.58	13.01	17.78	16.12	16.76
Other Expenses	41.09	42.89	49.29	42.64	45.16
Operating Profits	63.65	76.34	95.55	102.57	110.37
Operating Profit Margin (%)	13.2	14.2	12.7	12.9	12.3
EBITDA	63.65	76.34	95.55	102.57	110.37
EBITDA Margin (%)	13.2	14.2	12.7	12.9	12.3
EBITDA Growth (%)	59.3	19.9	25.2	7.3	7.6
Depreciation	13.97	14.15	15.50	15.45	16.20
EBIT	49.68	62.19	80.05	87.11	94.17
Other Income (Including EO Items)	9.22	10.15	12.18	9.50	9.88
Interest Cost	4.79	2.75	1.39	2.90	3.50
PBT	54.11	69.58	90.85	93.71	100.54
Taxes	19.08	23.40	30.59	31.39	33.68
RPAT	35.03	46.18	60.26	62.32	66.86
EO (Loss) / Profit (Net Of Tax)	(5.28)	0.19	(2.20)	-	-
APAT	40.31	46.00	62.46	62.32	66.86
APAT Growth %	77.3	14.1	35.8	(0.2)	7.3
AEPS	17.9	20.4	27.7	27.6	29.6
EPS Growth %	77.3	14.1	35.8	(0.2)	7.3

Source: Company, HDFC sec Inst Research

Standalone Balance Sheet

Y/E March (Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	16.91	22.55	22.55	22.55	22.55
Reserves And Surplus	364.58	380.73	418.38	458.23	500.99
Net Worth	381.49	403.28	440.93	480.78	523.54
Long-term Debt	30.05	9.76	8.71	38.71	46.71
Short-term Debt	-	-	-	-	-
Total Debt	30.05	9.76	8.71	38.71	46.71
Net Deferred Taxes	37.23	46.31	59.48	60.67	66.73
Long-term Provisions & Others	20.85	22.45	41.33	41.71	43.56
Total liabilities	469.62	481.81	550.44	621.86	680.54
APPLICATION OF FUNDS					
Net Block	285.06	287.90	310.86	365.42	407.29
CWIP	38.03	55.14	92.02	101.06	105.37
Investments	93.77	99.53	95.28	108.98	115.48
LT Loans And Advances	6.19	5.58	6.68	6.88	7.08
Other Non-current assets	27.96	25.43	25.72	26.50	27.29
Total Non-current Assets	451.02	473.58	530.57	608.84	662.52
Inventory	16.98	19.20	23.22	24.48	27.68
Debtors	38.28	40.52	50.74	53.50	60.49
Cash And Cash Equivalent	13.42	25.29	12.15	2.99	5.59
Loans And Advances	7.53	6.92	8.28	9.47	9.04
Other Current Assets	26.14	15.32	18.82	19.46	20.04
Total Current Assets	102.35	107.24	113.22	109.91	122.83
Creditors	27.16	38.82	39.61	42.44	48.67
Other Current Liabilities & Provns	56.59	60.20	53.73	54.44	56.14
Total Current Liabilities	83.75	99.02	93.34	96.88	104.81
Net Current Assets	18.60	8.23	19.87	13.02	18.02
Total Assets	469.62	481.81	550.44	621.86	680.54

Source: Company, HDFC sec Inst Research

Standalone Cash Flow Statement

Y/E March (Rs bn)	FY17	FY18	FY19P	FY20E	FY21E
Reported PBT	54.11	69.58	90.85	93.71	100.54
Non-operating & EO Items	(17.10)	(9.87)	(15.45)	(9.50)	(9.88)
Interest Expenses	4.79	2.75	1.39	2.90	3.50
Depreciation	13.97	14.15	15.50	15.45	16.20
Working Capital Change	(7.12)	20.54	(24.75)	(3.16)	(2.35)
Tax Paid	(22.56)	(14.32)	(17.42)	(30.20)	(27.62)
OPERATING CASH FLOW (a)	26.08	82.84	50.12	69.21	80.40
Capex	(18.19)	(34.09)	(75.35)	(79.05)	(62.38)
<i>Free Cash Flow (FCF)</i>	<i>7.89</i>	<i>48.74</i>	<i>(25.23)</i>	<i>(9.84)</i>	<i>18.02</i>
Investments	(7.92)	(5.76)	4.25	(13.70)	(6.50)
Non-operating Income	17.10	9.87	15.45	9.50	9.88
Others	13.38	2.53	(0.29)	(0.77)	(0.79)
INVESTING CASH FLOW (b)	4.37	(27.45)	(55.95)	(84.02)	(59.79)
Debt Issuance/(Repaid)	(27.33)	(20.28)	(1.06)	30.00	8.00
Interest Expenses	(4.79)	(2.75)	(1.39)	(2.90)	(3.50)
<i>FCFE</i>	<i>(27.76)</i>	<i>(50.49)</i>	<i>(58.39)</i>	<i>(56.92)</i>	<i>(55.30)</i>
Share Capital Issuance	4.23	5.64	-	-	-
Dividend	(18.51)	(15.55)	(21.73)	(22.47)	(24.11)
Others	11.43	(10.56)	16.86	1.03	1.60
FINANCING CASH FLOW (c)	(34.97)	(43.51)	(7.32)	5.66	(18.01)
NET CASH FLOW (a+b+c)	(4.52)	11.87	(13.15)	(9.15)	2.60
EO Items, Others	-	-	-	-	-
Closing Cash & Equivalents	13.42	25.29	12.15	2.99	5.59

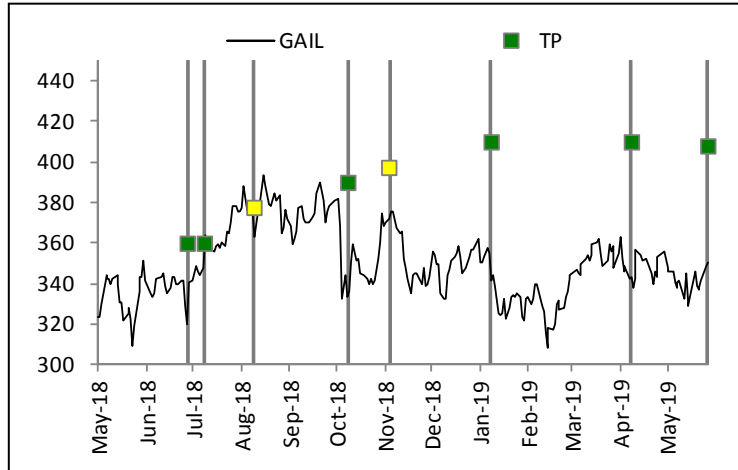
Source: Company, HDFC sec Inst Research

Standalone Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
PROFITABILITY %					
EBITDA Margin	13.2	14.2	12.7	12.9	12.3
EBIT Margin	10.3	11.6	10.7	11.0	10.5
APAT Margin	8.4	8.6	8.3	7.9	7.5
RoE	11.0	11.7	14.8	13.5	13.3
Core RoCE	10.1	13.4	16.6	15.5	14.8
RoCE	9.3	10.1	12.3	11.0	10.6
EFFICIENCY					
Tax Rate %	35.3	33.6	33.7	33.5	33.5
Asset Turnover (x)	1.0	1.1	1.5	1.4	1.4
Inventory (days)	13	13	11	11	11
Debtor (days)	29	28	25	25	25
Other Current Assets (days)	20	10	9	9	8
Payables (days)	24	31	22	22	23
Other Current Liab & Provns (days)	43	41	26	25	23
Cash Conversion Cycle (days)	(5)	(21)	(3)	(3)	(1)
Net Debt/EBITDA (x)	(1.2)	(1.5)	(1.0)	(0.7)	(0.7)
Net D/E	(0.2)	(0.3)	(0.2)	(0.2)	(0.1)
Interest Coverage	10.4	22.6	57.8	30.0	26.9
PER SHARE DATA					
EPS (Rs)	17.9	20.4	27.7	27.6	29.6
CEPS (Rs)	24.07	26.67	34.57	34.49	36.84
DPS (Rs)	6.8	5.7	8.0	8.3	8.9
BV (Rs)	169.2	178.8	195.5	213.2	232.2
VALUATION					
P/E (x)	19.6	17.2	12.6	12.7	11.8
P/Cash EPS (x)	14.5	13.1	10.1	10.1	9.5
P/BV (x)	2.1	2.0	1.8	1.6	1.5
EV/EBITDA (x)	11.2	8.8	7.2	7.0	6.5
EV/Revenue (x)	1.5	1.3	0.9	0.9	0.8
OCF/EV (%)	3.7	12.3	7.3	9.7	11.2
FCFF /EV (%)	1.1	7.2	(3.7)	(1.4)	2.5
FCFE/M CAP (%)	(3.5)	(6.4)	(7.4)	(7.2)	(7.0)
Dividend Yield (%)	2.3	2.0	2.8	2.8	3.1

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
29-Jun-18	319	BUY	360
9-Jul-18	344	BUY	360
13-Aug-18	362	NEU	377
9-Oct-18	342	BUY	390
5-Nov-18	371	NEU	397
9-Jan-19	355	BUY	410
9-Apr-19	344	BUY	410
29-May-19	350	BUY	408

Rating Definitions

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

INSTITUTIONAL RESEARCH

Disclosure:

We, **Nilesh Ghuge, MMS & Divya Singhal, CA** 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 his/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 his 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 individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

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 the 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-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193

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

HDFC securities
Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board : +91-22-6171 7330 www.hdfcsec.com