Pick of the Week

Mahanagar Gas Ltd.

Sept 23, 2024

Mahanagar Gas Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
City Gas Distribution	Rs 1904.65	Buy in Rs 1885-1925 band and add on dips in Rs 1700- 1735 band	Rs 2080	Rs 2245	2-3 quarters

HDFC Scrip Code	MAHGAS
BSE Code	539957
NSE Code	MGL
Bloomberg	MAHGL IN
CMP Sept 20, 2024	1904.65
Equity Capital (Rs Cr)	98.8
Face Value (Rs)	10.0
Equity Share O/S (Cr)	9.9
Market Cap (Rs Cr)	18814.2
Book Value (Rs)	521.0
Avg. 52 Wk Volumes	684,866
52 Week High	1942.0
52 Week Low	979.05

Share holding Pattern % (June, 2024)	
Promoters	32.5
Institutions	48.2
Non Institutions	19.3
Total	100

* Refer at the end for explanation on Risk Ratings

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Our Take:

Mahanagar Gas Limited, (MGL) one of the India's leading Natural Gas Distribution Companies enjoys a dominant position in Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) distribution in Greater Mumbai (GA1), its expansion areas (GA2) and Raigad (GA3). At present, GAIL is the only promoter in the company, holding 32.5% stake in the company. By the provisions of the PNGRB Act, the company enjoys infrastructure exclusivity in GA3 for a 25-year period, i.e., till 2040. Despite the expiry of MGL's marketing exclusivity in both GA1 and GA2 a few years ago and infrastructure exclusivity in May 2020 for GA1, we expect it to continue to enjoy a dominant market share because of its established infrastructure network.

MGL achieved its highest-ever capex spent of ~Rs 250 crore in Q1FY25 and Rs 870 crore in FY24 vs. Rs 686 crore in FY23. Internal budget approval for capex is in the range of Rs 900-1,000 crore for FY25E (for MGL ~Rs 800 crore and UEPL ~Rs 200 crore) and capex for FY26 and FY27 is expected to be around Rs 1,000 crore p.a. MGL is undertaking capex to expand its network in Raigad (GA3) as well as the existing GAs. MGL continues to expand its CGD infrastructure and has connected more than 2.5 million households. MGL has put in place large plans to augment its gas distribution network in the existing Mumbai region and expand its network in the surrounding regions of Mumbai.

MGL's domestic PNG customers stood at 2.53 mn, total pipeline length stood at 7,054 km, it added two CNG stations to 348 CNG stations in Q1FY25 and added 104 Industrial & commercial customers, that stood at 4,845 as of June 30, 2024. In Raigad GA, household connections stand at 80,854, 47 CNG stations were operational and total pipeline length stands at 424 km. Expanding its infrastructure across the geographies could help to fill the demand at its GAs.

The growth of the CNG segment largely depends on further conversion of auto-rickshaws and taxis to CNG and its cost advantage over alternative fuels. The domestic PNG segment will continue to benefit from the cessation of LPG subsidy by the government. The conversion of vehicles in Mumbai and its adjoining areas improved in Q1FY25, stood at ~20,000. However, the industrial and commercial PNG segment could continue to face intense competition from alternative liquid fuels and lithium-ion batteries. Focus on expanding its gas network in its existing and new GAs, favourable economics vs alternate fuels, expectation of new demand from CNG-2 Wheeler, and the acquisition of UEPL could support ~10% CAGR volume growth over FY24-26E with estimated volumes of 4.1/4.4mmscmd for FY25/26E.

On March 26, 2024, we had issued Stock Update report (Link) on Mahanagar Gas Ltd and recommended to buy in the Rs 1326-1354 band and add further on dips to Rs 1194-1218 band for base case target of Rs 1485 and bull case target of Rs 1577. The stock achieved its both targets before expiry of the call. Given healthy growth outlook, and expectation of strong set of numbers in Q2FY25, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

MGL has established its presence in the Greater Mumbai (GA1) with its growth primarily driven by the CNG business, which contributes 70-75% of its revenues at present. Apart from GA1, MGL continues to enjoy network/infrastructure exclusivity in all its GAs. In addition, there are significant entry barriers for third-party marketers or new entrants, arising mainly from concerns regarding gas availability at competitive prices. PNGRB's notice highlights the end of infrastructure exclusivity in MGL's Mumbai GA which would allow competition to set up infrastructure. However, we do not expect any material impact on MGL operations it would be extremely difficult for any competitor to access significantly cheaper natural gas and set up a new CNG station network at similar costs and locations.

With easing LNG prices and pricing power of the company, margins are likely to normalise going forward. Its valuations are compelling, given superior return ratios among the city gas distribution players. Going forward, we expect its growth momentum to sustain backed by its cost competitiveness and experienced management.

We believe the base case fair value of the stock is Rs 2080 (15.75x FY26E EPS) and the bull case fair value of the stock is Rs 2245 (17x FY26E EPS) over the next two to three quarters. Investors can buy in the band of Rs 1885-1925 and add further on dips in the Rs 1700-1735 band (13x FY26E EPS). At the LTP of Rs 1904.65, the stock is trading at 14.4x FY26E EPS.

Financial Summary:

Particulars (Rs Cr)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Total Operating Income	1666	1538	8.3	1613	3.3	3560	6299	6245	6190	6962
EBITDA	437	521	-16.2	395	10.6	924	1184	1843	1786	1928
Depreciation	83	62	34.3	88	-5.1	196	231	274	316	365
Other Income	36	39	-8.5	44	-19.2	86	112	175	182	190
Interest Cost	3	3	27.5	6	-42.9	8	9	0	0	0
Tax	97	127	-23.7	94	3.8	209	265	407	423	449
APAT	289	368	-21.6	252	14.5	597	790	1338	1229	1304
Diluted EPS (Rs)						60.4	80.0	135.4	124.4	132.0
RoE-%						17.5	20.4	28.8	22.3	20.8
P/E (x)						31.5	23.8	14.1	15.3	14.4
EV/EBITDA (x)						18.7	14.6	9.4	9.7	8.7

(Source: Company, HDFC sec)

Q1FY25 Result Update

- MGL's numbers were above expectations in Q1FY25. Net revenue grew by 8.3% YoY to Rs 1666 crore led by highest-ever quarterly standalone volume of 3.86mmscmd.
- EBITDA degrew by 16.2% YoY, stood at Rs 437 crore in Q1FY25, and EBITDA margin stood at 26.2% in Q1FY25 vs. 33.9% in Q1FY24. Opex stood at Rs 6/scm, up +8% YoY, likely due to an increase in variable cost, given an increase in volume in the quarter.
- Net Profit decreased to Rs 289 crore vs Rs 368 crore in Q1FY24. PAT margin stood at 17.3% in Q1FY25 vs. 24% in Q1FY24. Revenue/EBITDA and PAT grew 3.3%/10.6% and 14.4% QoQ, respectively.
- The company's CNG sales volume grew on QoQ, up 4% to 252.3 million standard cubic meters. In PNG category, sales volume decreased by 2.48% QoQ, stood at 98.83 million standard cubic meters.
- Total gas sales were at 3.859 million standard cubic meters per day in Q1FY25, vs. 3.779 million standard cubic meters per day in Q4FY24, up 2.1% on QoQ.

Key Updates

MGL's expansion plan and sales strategy to boost volume growth going forward

MGL has continued to expand and strengthen its network in existing licensing areas. The company operates 348 CNG stations as on June 30, 2024 and added 104 new industrial/commercial PNG customers to 4,845 in Q1FY25. The company connected 35,544 domestic households to ~2.53 million and laid 85.51 kilometers of steel and PE pipelines, totaling over 7,054 kilometers. In Raigad, the company connected 80,854 domestic households established 47 operational CNG stations, and laid 8 kilometers of pipeline in Raigad, totaling 424 kilometers.

The expansion of National Gas Grid has encouraged the use of natural gas as a fuel throughout the country and this is helping in the transition towards gas-based economy. The company achieved its highest-ever capex spent of Rs 870 crore in FY24 vs. Rs 686 crore in FY23 and Rs 632 crore in FY22. Capex was ~ Rs 250 crore in Q1FY25. Capex for the CBG plant is expected to be around Rs 550 crore to Rs 600 crore. Internal budget approval for capex is in the range of Rs 900-1,000 crore for FY25E (for MGL ~Rs 800 crore and UEPL ~Rs 200 crore) and capex for FY26 and FY27 is expected to be around Rs 1,000 crore p.a. For Unison Enviro Private Limited (UEPL), the company added 1 CNG station in Q1FY25, totaling 57 stations and connected 341 domestic households, with cumulative connections at 27,339.

MGL plans to accelerate growth by expanding its existing network, adding over 180 km of steel pipeline, PE pipeline network by 1000 km and 200 CNG filling stations in operational areas over the next five years and plans to expand pipeline infrastructure steel ~25 kms, PE ~200 kms and CNG station ~60 in MGL and ~30 in UEPL, PNG Domestic Connection of more than 3 Lakhs and ~60 Industrial connection and ~300 Commercial Connections. MGL is looking to add 75 stations in FY25 on a base of ~400 stations (incl. 25 stations for UEPL). Raigad expansion could also improve blended margins as this GA attains peak volume over the next three years.

The company has signed up PNG sales contracts for an aggregate volume of 1,50,000 SCMD; with part of it already flowing and the remaining to flow in the coming quarters. MGL's PNG pricing strategy aims to offer large industrial customers a discount if they consume higher volume. This entails a 10% discount for 3 years for any new industrial customer in GA3 and any new large industrial customer in GA2.

MGL announced the incorporation of 'Mahanagar LNG Private Ltd', its joint venture with Baidyanath LNG Private Limited, the first company to set up LNG retailing outlets in India. Besides, Nawgati, a Fuel Aggregator startup, has entered into a MoU with Mahanagar Gas Limited (MGL) to revolutionize CNG filling services in Mumbai. This collaboration aims to bring enhanced convenience, accessibility, and efficiency to commercial vehicle owners in the city.

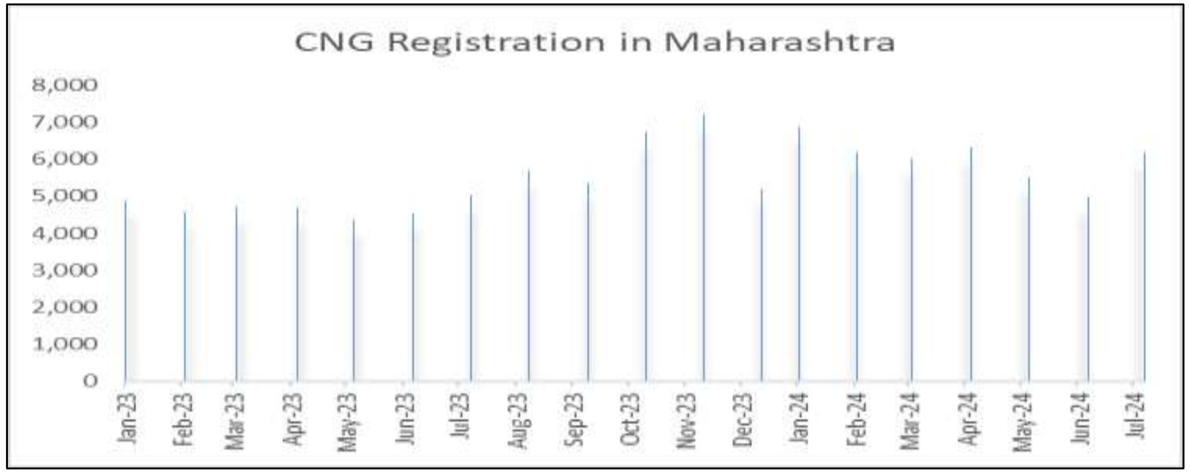
MGL, and the Brihanmumbai Municipal Corporation (BMC) signed a MoU to establish a compressed biogas plant in the megapolis in 2023. The plant, with an investment of approximately Rs 500 crore, will have a capacity of processing 1,000 tonnes per day of deeply segregated food and vegetable waste supplied by the civic body. Once completed, the plant will serve as a biomass waste treatment facility, an organic fertilizer production plant, and a green fuel production unit.

Besides, company has also marked its presence in the emerging electric vehicle space and to this end commissioned one EV charging facility at the CNG station at CGS, Sion that has begun charging both commercial and passenger electric cars. Continuing with the improvements in its operating capabilities, the company is also expanding its customer base.

Picking up of CNG vehicle registrations

Total OEM CNG vehicle registration in MGL's existing GAs came to 7,075 (+24% MoM, +37% YoY) in July 2024. The CNG adoption rate increased to 36% (+202 bps MoM, +511 bps YoY). MGL also witnessed 121 CNG two-wheelers being registered post the launch of the first-ever CNG bike by Bajaj in July.

The recent Vahan data shows an improvement in new CNG vehicle registrations in MGL's GA1 region for FY24 that stood at 67873 outpacing and 23014 for YTD. MGL expects continued growth in the CNG segment due to increasing vehicle additions even as ~20,800 CNG vehicles were added during the quarter, with a breakdown of: - 14,200 private cars and taxis. - 5,000 three-wheelers. - 1,200-1,300 small commercial vehicles. The launch of CNG two-wheelers by Bajaj and upcoming models by TVF is expected to create new customer segments and enhance volume growth.

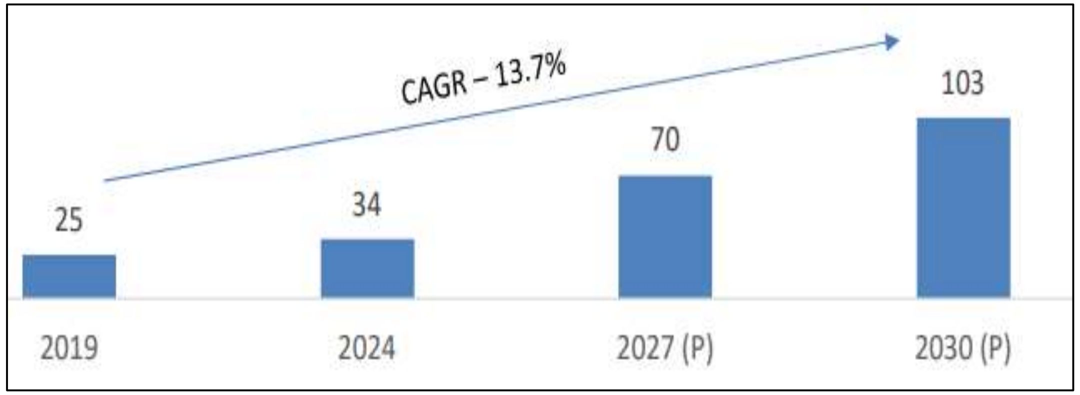


(Source: Vahan Portal and HDFC Sec)

CGD sector to grow at a faster pace

- The Government of India (GoI) has been actively promoting a shift toward cleaner energy sources, including natural gas. CGD projects have become an important segment in the natural gas business in India. The GoI aims to increase the share of natural gas in India's primary energy mix from 6% at present to around 15% by 2030.
- The government has planned to invest $67 billion in the natural gas sector over the next six years. India to have 17.5K CNG stations. The government expects DPNG connections by 2030, from existing ~7K stations and 1.29 Cr DPNG connections. Consumption to increase from 185 to 500 MMSCMD by 2030.
- Over 2-3 years, CGD industry could consolidate as new GAs reach scale and smaller players exit in favour of larger and more serious players.
- CNG enjoys an edge in CV/LCV segment with high payload, running long distances; EVs are unlikely to threaten this. EVs have less overlap with CNG consumer base. Low-end PV segment has low EV penetration; on road cost of EV is 1.4-1.5x that of CNG PV (excluding battery replacement cost).
- CGD has been given highest priority in allocation while bidding for HPHT gas, which will ensure low reliance on higher priced RLNG.
- ~30% shortage of APM gas vs. priority allocation likely to be met through higher supply from HPHT gas via auction and gas exchange.
- In the long run, CGD players are expected to thrive, given the GoI's impetus on a gas-based economy, the favourable regulatory regime, the competitiveness of natural gas over alternative fuels, as well as the emphasis on environmentally-cleaner fuels.

CGD Size (Figures in MMSCMD) and growth (%)



Expanding into EV segment

Mahanagar LNG Private Limited (MLPL) is a Joint Venture of MGL with the Baidyanth Group, incorporated on December 26, 2023. LNG as a fuel has lower emissions which comes with the commercial benefits vis-àvis alternate fuels. MLPL intends to set up 6 stations in the current financial year across the various logistics and manufacturing hubs of Maharashtra with a focus on the long-haul trucking space. This venture intends to focus on the decarbonization of the Indian road logistics sector.

MGL has forayed into the electric vehicle mobility segment with an equity investment in 3ev Industries Pvt. Ltd. 3ev is in the business of manufacturing of L5 category 3-wheeler cargo and passenger EVs. Total investment commitment is Rs 96 crore for equity holding of 30.97%. As on date Rs 50 crore has been invested. Through this investment, MGL is looking to be a part of the EV growth story that is playing out in India and globally.

Attractive fuel economics in CNG and PNG space, supported by lower price and better mileage factors

India’s per capita energy consumption is one third of the global average indicating potentially higher energy demand in the long term and Environmentally clean fuels, such as natural gas, are expected to play a dominant role in India's economic growth in the coming years than other fuels like petrol and diesel etc.

Comparison of Alternative Fuel Costs

Particulars	INR / kg or INR / L
CNG	73.50 (1)
Diesel	92.15 (1)
Petrol	104.21 (1)

20%1 Differential (2)

51% Differential (3)

Commercial PNG Favorably Priced vs. Alternate Fuels

Particulars	UoM	
DPNG (1)	INR/SCM	47.00
Commercial LPG (4)	INR/Kg	90.71
PNG	INR/MMBTU	1816
Commercial LPG	INR/MMBTU	2036

10 % differential

Particulars	UoM	
DPNG (1)	INR/SCM	47.00
Commercial LPG (5)	INR/Kg	89.92
PNG	INR/MMBTU	1832
Commercial LPG	INR/MMBTU	2018

10 % differential

***Price as on March 31, 2024**

Gas is cheapest source, based on prices prevailing in Mumbai as on March 31, 2024, CNG is available at Rs 73.5 vs. Diesel at Rs 92.15 and Petrol is at Rs 104.21 per ltr, Mileage of CNG LCV gives at 10 km/ kg, Diesel LCV 10 km/ ltr. Petrol car gives a mileage of 18 to 20 kilometers per liter, CNG gives at least 5 to 6 kilometers extra or even more when it comes to smaller size car like Wagon R or something like that will give average of 26 kilometers per kg of gas. CNG is more than 50% cheaper than petrol and ~20% cheaper than Diesel prices in Mumbai.

In future whenever the rationalisation of fares happens, more conversion into CNG vehicle could happen.

Sound financial profile with zero debt and robust return ratio

- MGL reported total operating income grew at a CAGR of ~17% over the last seven years, on a consolidated basis, and revenue is likely to be flat for FY25E and grow 12.5% for FY26E.
- EBITDA and PAT margin stood at 29.5% and 21.4% in FY24, respectively. We expect EBITDA margin at 27.5-29% and PAT margin at 18.5-20% over the FY25E to FY26E.
- Better profitability could help to report healthy returns going forward, we expect RoE at 22.3%/20.8% for FY25E/FY26E, respectively.
- Along with improvement in the overall gearing, its debt coverage indicators have also improved. Free cash flow is likely to remain positive despite high capex requirements for setting of new gas filling station across the new geographical areas.
- The company paid dividend of Rs 30 in FY24, dividend yield stood at 1.6%. We expect dividend payment of Rs 49.8/ Rs 52.8 per share to shareholders for FY25E/FY26E, respectively.

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 plan of the company.

- Any unexpected change in the regulations regarding priority in allocation of natural gas for PNG-Domestic and CNG segments and/or end-product pricing can adversely impact the CGD sector.
- In November 2020, PNGRB has formulated new guidelines for determining CGD network tariff and allowing third-party access to the existing CGD players' infrastructure network to supply natural gas after the marketing exclusivity period expires.
- MGL's major share of volumes comes from Mumbai and its adjoining areas. Longer monsoon period in Mumbai and adjoining areas limits the effective time for execution of projects.
- MGL had not shown any interest in 9th and 10th round of bidding for new geographical areas, and only focusing to expand its GA3 region. However, other competitive players like BPCL to invest Rs 10,000 crore in six new city gas networks and Indian Oil Corporation (IOC), will invest over Rs 7,000 crore in setting up city gas distribution networks in the cities for which it has secured a licence in the latest bidding round. Adani Total Gas Ltd to invest Rs 20,000 crore in CGD sector in the next eight years.
- MGL has exposure with current spot contracts accounting for around 15%, the exposure to spot volumes exposes the company to volatility in profits.
- MGL's new acquired company, UEPL has rights to 3 GAs, comprising of Ratnagiri, Chitradurga & Devangere, and Latur & Osmanabad, districts. Primarily, these GAs comes under rural ambit, low industrialisation and low population density, and it could take time for further expansion.
- The various government subsidies and reduction in the battery cost in the future may attract EV as an option in the mid to long term.
- A sustained fall in crude oil prices can reduce the attractiveness of CNG vis-à-vis petrol and diesel.

Operating Metrics

Y/E Mar	Unit	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Sales volume- Total	**mmscmd**	**2.7**	**2.9**	**3.0**	**2.2**	**3.0**	**3.4**	**3.6**	**3.4**	**3.6**	**3.7**	3.8	3.9
CNG	mmscmd	2.0	2.2	2.1	1.4	2.1	2.5	2.6	2.5	2.6	2.6	2.7	2.8
PNG	mmscmd	0.7	0.8	0.8	0.8	0.9	0.9	1.0	0.9	1.0	1.0	1.1	1.1
Domestic PNG	mmscmd	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5
Industrial+Commercial	mmscmd	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.6	0.5

(Source: Company, HDFC sec)

Peer Comparison

Company	Mkt Cap (Rs, Cr)	Revenue			EBITDA			PAT			RoE-%			P/E (x)		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
MGL	18814	6245	6190	6962	1843	1786	1928	1338	1229	1304	28.8	22.3	20.8	14.1	15.3	14.4
IGL	37723	14000	15060	16600	2360	2450	2620	1640	1750	1840	22.6	19.3	17.9	19.0	19.0	17.9
GGL*	42281	15700	17700	19800	1900	2300	3000	1100	1500	2000	15	18.4	21.4	38.4	28.2	21.2

*Standalone

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	3560	6299	6245	6190	6962
Growth (%)	65.4	76.9	-0.9	-0.9	12.5
Operating Expenses	2636	5115	4402	4405	5033
EBITDA	**924**	**1184**	**1843**	**1786**	**1928**
Growth (%)	**-1.0**	**28.1**	**55.6**	**-3.1**	**8.0**
EBITDA Margin (%)	**26.0**	**18.8**	**29.5**	**28.8**	**27.7**
Depreciation	196	231	274	316	365
EBIT	**728**	**953**	**1569**	**1470**	**1563**
Other Income	86	112	175	182	190
Interest expenses	8	9	0	0	0
PBT	**806**	**1056**	**1744**	**1652**	**1753**
Tax	209	265	407	423	449
RPAT	**597**	**790**	**1338**	**1229**	**1304**
APAT	**597**	**790**	**1338**	**1229**	**1304**
Growth (%)	-3.7	32.3	69.3	-8.1	6.1
EPS	60.4	80.0	135.4	124.4	132.0

Balance Sheet

As at March (Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	99	99	99	99	99
Reserves	3499	4035	5044	5781	6564
Shareholders' Funds	**3597**	**4134**	**5143**	**5880**	**6663**
Long Term Debt	0	0	0	0	0
Net Deferred Taxes	201	209	244	233	247
Long Term Provisions & Others	109	128	169	172	175
Minority Interest	**0**	**0**	**0**	**0**	**0**
Total Source of Funds	**3907**	**4471**	**5556**	**6285**	**7085**
APPLICATION OF FUNDS					
Net Block & Goodwill	2614	3026	3543	4027	4542
CWIP	616	709	774	875	895
Other Non-Current Assets	159	292	1048	1053	1058
Total Non Current Assets	**3389**	**4026**	**5365**	**5955**	**6494**
Inventories	27	34	40	39	45
Trade Receivables	184	294	281	278	313
Cash & Equivalents	1553	1538	1417	1511	1963
Other Current Assets	80	141	123	122	137
Total Current Assets	**1845**	**2006**	**1861**	**1950**	**2458**
Short-Term Borrowings	0	0	0	0	0
Trade Payables	272	322	334	324	374
Other Current Liab & Provs-	1055	1239	1336	1295	1493
Total Current Liabilities	**1327**	**1561**	**1670**	**1619**	**1867**
Net Current Assets	518	445	191	330	590
Total Application of Funds	**3907**	**4471**	**5556**	**6285**	**7085**

(Source: Company, HDFC sec)

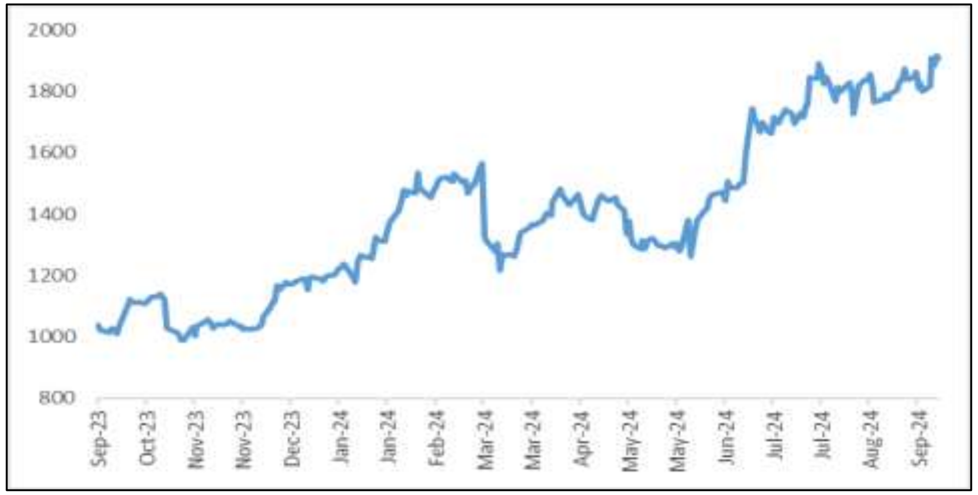
Cash Flow Statement

(Rs Cr)	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	806	1056	1744	1652	1753
Non-operating & EO items	-86	-112	-175	-182	-190
Interest Expenses	8	9	0	0	0
Depreciation	196	231	274	316	365
Working Capital Change	106	-67	1	-48	190
Tax Paid	-186	-258	-371	-434	-435
OPERATING CASH FLOW (a)	**845**	**860**	**1472**	**1303**	**1684**
Capex	-696	-736	-857	-901	-900
Free Cash Flow	149	124	615	402	784
Investments	-3	-1	-611	-1	-1
Non-operating income	86	112	175	182	190
INVESTING CASH FLOW (b)	**-614**	**-625**	**-1293**	**-719**	**-711**
Debt Issuance / (Repaid)	89	15	-3	1	1
Interest Expenses	-8	-9	0	0	0
FCFE	231	130	612	404	785
Share Capital Issuance	0	0	0	0	0
Dividend	-296	-257	-296	-492	-522
FINANCING CASH FLOW (c)	**-214**	**-251**	**-300**	**-490**	**-520**
NET CASH FLOW (a+b+c)	**17**	**-16**	**-120**	**93**	**452**

Key Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E
Profitability Ratio (%)					
EBITDA Margin	26.0	18.8	29.5	28.8	27.7
EBIT Margin	20.4	15.1	25.1	23.7	22.5
APAT Margin	16.8	12.5	21.4	19.9	18.7
RoE	17.5	20.4	28.8	22.3	20.8
RoCE	16.3	19.0	26.7	20.8	19.5
Solvency Ratio (x)					
Net Debt/EBITDA	-1.7	-1.3	-0.8	-0.8	-1.0
Net D/E	-0.4	-0.4	-0.3	-0.3	-0.3
Per Share Data (Rs)					
EPS	60.4	80.0	135.4	124.4	132.0
CEPS	80.3	103.4	163.1	156.4	169.0
BV	364.2	418.5	520.7	595.3	674.5
Dividend	25.0	26.0	30.0	49.8	52.8
Turnover Ratios (days)					
Debtor days	18.9	17.0	16.4	16.4	16.4
Inventory days	2.8	2.0	2.3	2.3	2.3
Creditors days	27.9	18.7	19.5	19.1	19.6
Valuation (x)					
P/E	31.5	23.8	14.1	15.3	14.4
P/BV	5.2	4.6	3.7	3.2	2.8
EV/EBITDA	18.7	14.6	9.4	9.7	8.7
EV / Revenues	4.8	2.7	2.8	2.8	2.4
Dividend Yield (%)	1.3	1.4	1.6	2.6	2.8
Dividend Payout(%)	41.4	32.5	22.2	40.0	40.0

One Year Price chart



(Source: Company, HDFC sec)

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.

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Disclosure:

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