

# Healthy earnings; KG-98/2 ramp-up expected soon

Oil & Gas ▶ Result Update ▶ August 6, 2024

**TARGET PRICE (Rs): 360**

**ONGC posted a 10% beat on Q1FY25E SA EBITDA, logging at Rs169.7bn led by lower than expected opex/levies. RPAT at Rs89.4bn saw a similar beat. Total crude production fell 1.4% YoY to 5.2mmt (inline), whereas gas output declined 4.1% YoY to 5.0bcm (1% above est.). The mgmt reiterated ramp-up in KG-98/2 peak oil and gas output by Q4FY25. DGH is working on modalities wrt premium APM gas pricing for new wells and interventions (12% of oil price), with likely positive development before year-end. We increase FY25-26E SA earnings 3% each on lower opex and raise Sep-25E TP by ~13% to Rs360/sh on roll-over to Sep-26E, besides building in lower costs and higher value of listed investments. We retain BUY, on better volume outlook, attractive valuations, and potential gas pricing triggers. Our TP implies target P/E of 8x Sep-26E consol. EPS.**

### ONGC: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,555,173	1,384,021	1,449,999	1,452,070	1,451,697
EBITDA	732,166	668,150	685,350	682,596	680,573
Adj. PAT	458,704	405,260	394,886	392,578	393,866
Adj. EPS (Rs)	36.5	32.2	31.4	31.2	31.3
EBITDA margin (%)	47.1	48.3	47.3	47.0	46.9
EBITDA growth (%)	34.5	(8.7)	2.6	(0.4)	(0.3)
Adj. EPS growth (%)	(0.5)	1.1	(2.6)	(0.6)	0.3
RoE (%)	19.8	14.3	12.4	11.5	10.8
RoIC (%)	43.1	29.9	24.9	23.9	23.2
P/E (x)	8.4	9.5	9.8	9.8	9.8
EV/EBITDA (x)	5.2	5.8	5.4	5.1	4.7
P/B (x)	1.5	1.3	1.2	1.1	1.0
FCFF yield (%)	11.1	7.1	7.9	8.8	9.3

Source: Company, Emkay Research

### Result Highlights

ONGC's SA revenue slightly beat our estimates, by 1%, led by higher crude sales at JV blocks (due to KG-98/2), higher naphtha sales (higher sales volumes), and lower profit petroleum; nominated block (NB) oil and JV gas were lower than anticipated. Q1 net oil realization was US\$83.1/bbl, whereas gas realization was steady. Total production cost was 8% below our estimate, as other expenses were 10% lower at Rs53.1bn. Survey costs were lower at Rs7.6bn vs. our estimate of Rs12bn. Dry well write-offs were higher at Rs8.8bn vs. our estimate of Rs5bn. DD&A rose 4% QoQ to Rs59.0bn, higher than our estimate by 13%. Interest was also 13% higher, and up 14% QoQ to Rs11.8bn. Other Income was higher at Rs20.6bn vs our estimate of Rs17.2bn (up 28% YoY). ONGC has made 5 discoveries in FY25 till date. OVL's Q1FY25 consol EBITDA fell 26% QoQ to Rs17.6bn, as crude realization fell 30%, whereas production saw a 4% decline. OPAI reported net loss of Rs9.83bn in Q1FY25 vs Rs7.01bn QoQ and Rs9.08bn YoY. Consol EPS in Q1FY25 stood at Rs7.9/sh vs Rs8.0/sh QoQ and Rs11.6/sh YoY. SA capex, as per PPAC, stood at Rs79.9bn in Q1FY25.

### Management KTAs

Current oil output from KG-98/2 is >12kbpd, with the Q3/Q4FY25 Company target at 30/45kbpd. Gas output from 98/2 is 1.6mmscmd, and peak output would be reached by end Mar-25. Windfall tax is not applicable on crude from KG basin. FY25 SA oil production target is 20.6mmt and 1.71mmt for the JV, totaling 22.3mmt; for gas, this is 20.95/0.65/21.6bcm, and FY25-27 CAGR is ~12%. Mozambique elections would end by Oct-24; thereafter till Jan-25, Mozambique would see development. OVL's revenue is sufficient with FY25 production target of 11mmtoe, with Q1 inline at 2.25mmtoe. DGH is working on premium gas pricing modalities, and ONGC expects a positive outcome before year-end. SA FY25/26 capex guidance is Rs320-330bn each, while OVL's FY25 capex would be Rs56bn, which can rise to Rs85-90bn in FY26 due to Mozambique.

### Valuation

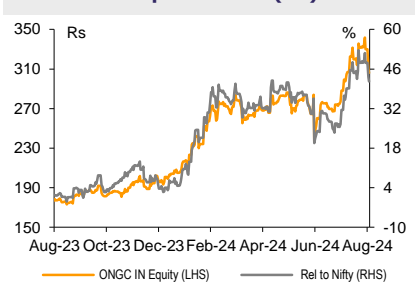
We value ONGC on DCF-based SOTP, comprising of SA, KG 98/2, and OPAI. Investments are valued at our TP/CMP, with 30% holdco discount. Key risks: Adverse oil-gas prices, policy issues, local tensions, cost overruns, outages, and dry holes.

Target Price – 12M	Sep-25
<b>Change in TP (%)</b>	<b>12.5</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	17.6
CMP (06-Aug-24) (Rs)	306.1

Stock Data	Ticker
52-week High (Rs)	345
52-week Low (Rs)	172
Shares outstanding (mn)	12,580.3
Market-cap (Rs bn)	3,851
Market-cap (USD mn)	45,866
Net-debt, FY25E (Rs mn)	-154,242
ADTV-3M (mn shares)	24
ADTV-3M (Rs mn)	6,923.6
ADTV-3M (USD mn)	82.5
Free float (%)	31.0
Nifty-50	23,993
INR/USD	84.0
<b>Shareholding, Jun-24</b>	
Promoters (%)	58.9
FPIs/MFs (%)	8.6/18.8

Price Performance				
(%)	1M	3M	12M	
Absolute	6.2	8.5	76.6	
Rel. to Nifty	7.7	1.5	43.6	

### 1-Year share price trend (Rs)



### Sabri Hazarika

sabri.hazarika@emkayglobal.com  
+91 22 6612 1282

### Harsh Maru

harsh.maru@emkayglobal.com  
+91 22 6612 1336

### Arya Patel

arya.patel@emkayglobal.com  
+91 22 6612 1285

## Exhibit 1: Actuals vs. Estimates (Q1FY25)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	352,664	349,060	342,883	1%	3%	
Adjusted EBITDA	169,747	154,097	168,799*	10%	1%	Lower survey cost, other expenses and levies
EBITDAM	48.1%	44.1%	49.2%	399bps	-110bps	
Adjusted Net Profit	89,381	81,398	90,897	10%	-2%	

Source: Company, Emkay Research; \*Non-comparable as the Street assumes survey and dry wells below EBITDA

## Exhibit 2: Quarterly Summary – ONGC (Standalone)

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ	FY23	FY24	YoY
Revenue	338,143	351,630	347,881	346,367	352,664	4%	2%	1,555,173	1,384,021	-11%
COGS+OPEX	69,097	60,122	81,065	81,926	68,770	0%	-16%	264,669	292,210	10%
Statutory Levies	74,513	107,911	95,175	90,376	97,720	31%	8%	452,842	367,975	-19%
Survey+Dry Wells	10,158	12,422	18,299	15,159	16,427	62%	8%	89,352	56,037	-37%
<b>EBITDA</b>	<b>184,375</b>	<b>171,176</b>	<b>153,342</b>	<b>158,907</b>	<b>169,747</b>	<b>-8%</b>	<b>7%</b>	<b>748,311</b>	<b>667,800</b>	<b>-11%</b>
DD&A	49,971	47,153	51,018	56,755	58,973	18%	4%	168,196	204,897	22%
EBIT	134,403	124,023	102,324	102,153	110,774	-18%	8%	580,115	462,903	-20%
Finance Charges	10,077	10,160	10,227	10,349	11,822	17%	14%	26,996	40,813	51%
Other Income	16,119	20,857	34,007	36,800	20,609	28%	-44%	76,266	107,782	41%
Exceptional Items	0	0	0	0	0			(115,071)	0	
PBT	140,445	134,720	126,103	128,604	119,561	-15%	-7%	514,313	529,872	3%
Total Tax	35,177	32,556	27,186	29,910	30,180	-14%	1%	118,269	124,830	
<b>PAT</b>	<b>105,268</b>	<b>102,163</b>	<b>98,917</b>	<b>98,694</b>	<b>89,381</b>	<b>-15%</b>	<b>-9%</b>	<b>396,044</b>	<b>405,042</b>	<b>2%</b>
Adjusted PAT	105,268	102,163	98,917	98,694	89,381	-15%	-9%	477,264	405,042	-15%
Adjusted EPS (Rs)	8.4	8.1	7.9	7.8	7.1	-15%	-9%	37.9	32.2	-15%
Crude Production (mmt)	5.3	5.2	5.2	5.4	5.2	-1%	-2%	21.5	21.1	-2%
Gas Production (bcm)	5.2	5.2	5.1	5.1	5.0	-4%	-2%	21.4	20.6	-3%
VAP Production (mmt)	0.6	0.7	0.6	0.6	0.6	0%	0%	2.6	2.5	-3%
NB Gross Oil Realisation (US\$/bbl)	76.4	84.8	81.1	80.8	83.1	9%	3%	92.1	80.8	-12%
NB Net Oil Realisation (US\$/bbl)	76.4	84.8	81.1	80.8	83.1	9%	3%	92.1	80.8	-12%
NB Gas Realisation (Rs/scm)	20.5	20.0	20.2	20.2	20.4	-1%	1%	21.7	20.2	-7%

Source: Company, Emkay Research; Note: Adjusted PAT may not fully match the annual tables due to a different adjustment method in the Emkay detailed annual model

## Exhibit 3: Quarterly Summary – OVL (Consolidated)

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ	FY23	FY24	YoY
Revenue	27,310	30,910	26,420	35,360	27,820	2%	-21%	111,350	120,000	8%
COGS+OPEX	12,800	12,110	9,210	9,910	8,740	-32%	-12%	47,770	44,030	-8%
Statutory Levies	4,180	3,860	4,410	1,650	1,510	-64%	-8%	22,860	14,100	-38%
<b>EBITDA</b>	<b>10,330</b>	<b>14,940</b>	<b>12,800</b>	<b>23,800</b>	<b>17,570</b>	<b>70%</b>	<b>-26%</b>	<b>40,720</b>	<b>61,870</b>	<b>52%</b>
DD&A	4,230	4,470	3,430	2,300	3,670	-13%	60%	20,750	14,430	-30%
EBIT	6,100	10,470	9,370	21,500	13,900	128%	-35%	19,970	47,440	138%
Finance Charges	4,780	7,020	6,380	6,940	8,230	72%	19%	18,540	25,120	35%
Other Income	2,890	2,200	2,720	1,940	2,330	-19%	20%	8,870	9,750	10%
Exceptional Items	-	-	-	-	-			-	-	
PBT	4,210	5,650	5,710	16,500	8,000	90%	-52%	10,300	32,070	211%
Total Tax	2,970	3,470	4,010	-1,060	3,410	15%	-422%	4,640	9,390	102%
<b>Core PAT (ex-impairment)</b>	<b>1,240</b>	<b>2,180</b>	<b>1,700</b>	<b>17,560</b>	<b>4,590</b>	<b>270%</b>	<b>-74%</b>	<b>5,660</b>	<b>22,680</b>	<b>301%</b>
<b>ONGC EPS Contri. (Rs)</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>1.4</b>	<b>0.4</b>	<b>269%</b>	<b>-74%</b>	<b>0.5</b>	<b>1.8</b>	<b>283%</b>
Crude Production (mmt)	1.8	1.8	1.8	1.8	1.8	-1%	1%	6.3	7.2	13%
Gas Production (bcm)	0.8	0.8	0.9	0.8	0.7	-13%	-14%	3.8	3.3	-13%
Crude Realisation (US\$/bbl)	20.0	23.4	19.9	29.0	20.4	2%	-30%	25.5	23.0	-10%
Gas Realisation (US\$/mmbtu)	1.9	2.1	1.4	1.3	2.1	12%	70%	1.8	1.6	-10%

Source: Company, Emkay Research; Note: Adjusted PAT may not fully match the annual tables due to a different adjustment method in the Emkay detailed annual model

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 08/08/2024 09:52 AM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

## Concall Highlights

### KG-DWN-98/2

- Expects KG-98/2 oil output to reach a good position by Q3FY25, and gas in subsequent coming quarters. Current production is 12kbpd+oil and ~1.6mmscmd gas (this includes 1.2mmscmd of U field output, which is part of Cluster 2). The company will drill one oil well in August, and more going ahead; it expects Q3FY25 oil production to reach 30kbpd.
- 19 oil wells and 7 gas wells have been opened and will hit peak production of 45kbpd/6mmscmd (later clarified by the company as ~10mmscmd, including all fields) by Mar-25 end (H2). Four gas wells are ready. The KG area has 3 more fields – G1, VA-S1, and HP-HT, at 0.2-0.3mmscmd of gas production each, with east coast as a whole at 2.4mmscmd gas output. Once oil output opened, the U field was classified separately (0.4mmscmd core 98/2).
- The ramp up has been slower due to adverse weather, but the company hopes to make up for this ahead. All infra and equipment are in place, and the company is confident of its ramp up and meeting targets this year onward itself. Sales and production should be the same in 98/2 for oil as well as for gas; the company does not anticipate a big difference in the latter provided there is no technical flaring, etc.
- It has invested Rs300bn so far in the asset. IRRs should be good and the company is on track to see returns in this field. KG Basin crude oil has a premium over Brent and the company does not anticipate any windfall tax on this; it has not made any payment so far. 98/2 is expensed in the P&L, as revenue is being booked.

### Production Outlook

- Q1FY25 is generally a weak period and production is lower as the Western Offshore (WO) is hit by monsoons, rough seas, and rains; but this should get addressed as the monsoon would fade 15-Sep onward. New wells from the East coast are expected (98/2, etc) going ahead.
- FY25 SA oil production target is 20.6mmt, while that for the JV is 1.71mmt, thus totaling to 22.3mmt; for gas, this is 20.95/0.65/21.6bcm, with FY26-27 growth expected at ~12%, with FY27 oil at 21.87/1.21/23.08bcm and gas at 25.5/0.41/25.91bcm. FY26 total gas would be 23.45bcm.
- For ONGC, regular production decline exists, but the company would see better production this year YoY from new projects. It is also taking well interventions. Other redevelopment efforts include Daman Upside (in Tapti offshore awarded in May-24, with completion by Feb-26), Mumbai High North Phase 4 (to take 3 years), Santhal, Subhasan, Kalol, and polymer flooding at the Becharaji field (Mehsana) – which are all 2-3-year projects. Some tendering would be done for DSF and offshore fields by Sep-26. Mukta fields, etc are additional developments planned, and ONGC is working on conceptualization.
- Potential for the new discoveries made in FY25 YTD will take some time, as assessment is being done, followed by development plans with need of 2 years for delineation. The flow rate is decent and encouraging. Pool discoveries are new areas from the same site and these are commercially viable. For Hatta field exploitation, ONGC has tied up with IOCL and would evacuate gas as SS LNG. It is also commercially viable.

### Others

- OVL saw fall in costs, as royalty paid on the CPO-5 block (Colombia) was earlier in cash but is now in kind, so topline and costs are both down, though reported production is unchanged. Output has risen to 37kbpd with OVL share being 27kbpd. Mozambique elections would end by October, and thereafter till Jan-25, the company expects the region to see development. OVL's revenue is sufficient, with FY25 production target of 11mmtoe, with Q1 inline at 2.25mmtoe. Mozambique is also currently seeing *force majeure* costs hitting the P&L, but once development starts, this would be capitalized. CPO and Sudan also have upsides, with SPOC output up from 6.6kbpd to 13kbpd YoY.
- The company is awaiting GoI clearance for OPaL restructuring which it hopes to receive soon. OPaL was EBITDA positive at Rs290mn in Q1, while net loss was Rs9.83bn. FY24 EBITDA loss was Rs4.79bn and net loss was Rs34.56bn. Utilization was 92% in FY24 and 89% in Q1FY25.

- FY25 and FY26 capex guidance is US\$4bn each at the SA level, i.e. Rs320-330bn, and expects a similar amount for future years. The Green segment, etc should however add up to this. OVL capex in FY25 would be Rs56bn, while that for FY26 can rise to Rs85-90bn due to Mozambique.
- ONGC had submitted details on premium gas pricing from new APM wells and expects to see development here by year-end. It was already notified, and the mechanism to measure this is being worked out by the DGH. The mgmt would attempt to push any retrospective impact from the date of notification on this. Oil pricing (premium to Brent, etc) is based on the demand-supply scenario.
- The company is focused on green projects, but with returns. It targets 10GW of green energy by CY30, with 70% solar and 30% onshore wind. Green H<sub>2</sub> (1mmtpa of green ammonia targeted), CBG, offshore wind, PSP, and CCUS are other areas with Rs1trn of investments planned, including flare reduction and better energy efficiency.
- Statutory levies increased YoY in Q1FY25, while opex was up 1%. Exploration write-offs were in WO, HELP blocks, etc, while WO registered seismic costs. RoU depreciation went up due to hiring of rigs and workover. Consolidated earnings were impacted by lower profit in HPCL and MRPL, in Q1.

**Exhibit 4: Change in assumptions**

	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Brent (US\$/bbl)	85.0	85.0	0%	85.0	85.0	0%	85.0
US\$/INR	83.0	83.0	0%	83.0	83.0	0%	83.0
Net Oil Realization (US\$/bbl)	84.7	84.8	0%	85.2	85.2	0%	85.5
Gas Realization (Rs/scm)	21.4	21.4	0%	22.1	22.1	0%	22.9
Crude Oil Production (mmt)	20.9	20.9	0%	20.6	20.6	0%	20.4
Natural Gas Production (bcm)	20.0	20.0	0%	19.6	19.6	0%	19.2

Source: Company, Emkay Research

**Exhibit 5: Change in estimates**

(Rs bn)	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	1,449	1,450	0%	1,453	1,452	0%	1,452
EBITDA	668	685	3%	665	683	3%	681
EBITDA margin	46.1%	47.3%	120bps	45.8%	47.0%	120bps	46.9%
PAT	382	395	3%	380	393	3%	394
EPS (Rs)	30.3	31.4	3%	30.2	31.2	3%	31.3

Source: Company, Emkay Research

**Exhibit 6: SOTP-based valuation – Sep-25E**

Components (Rs mn)	Basis	Sep-25E Eq. Val	Value/sh (Rs)	Comments
ONGC Standalone (ex 98/2)	DCF	3,630,629	289	WACC/TG at 11.0%/-1.0%
KG-DWN-98/2	NPV/DCF	193,663	15	30% Disc to NPV, 11% Disc Rate
OVL (ex-Mozambique Upside)			-	Assuming nil value
Mozambique Upside			-	Assuming nil value
OpaL Value	EV/EBITDA	(279,818)	(22)	6.0x Mar-26E EV/EBITDA
<b>Core Business Valuation</b>		<b>3,544,474</b>	<b>282</b>	
Value of Investments	TP/CMP/BV	983,306	78	At 30% HoldCo Discount
<b>Target Price-Fair Value</b>		<b>4,527,780</b>	<b>360</b>	

Source: Company, Emkay Research

**Exhibit 7: ONGC – Standalone DCF-based valuation**

Assumptions		Standalone	Rs mn
Risk Free Rate	7.0%	NPV Of FCF (Sep '26-Sep '37)	2,257,065
Risk Premium	5.3%	Terminal Value	3,224,364
Beta	0.8	PV Of TV	922,652
Cost Of Equity	11.0%	<b>Total Value</b>	<b>3,179,717</b>
Cost Of Debt	9.0%	Less: Adj. Net Debt (Sep-25E)	(308,350)
Post Tax Cost Of Debt	6.7%	<b>Equity Value</b>	<b>3,488,067</b>
Average Debt:Equity Ratio	0.0%	No. Of Shares O/S (mn)	12,580
<b>WACC</b>	<b>11.0%</b>	<b>Fair Value of ONGC SA (Rs/sh)</b>	<b>277</b>
Terminal Growth Rate	-1.0%		

Source: Company, Emkay Research

**Exhibit 8: Schedule and Value of Investments (Sep-25E Valuation)**

Listed	Type	Basis of Valuation	TP/CMP (Rs/sh)	Equity Value (Rs bn)	ONGC Stake	Pro-rata Value (Rs bn)	HoldCo Discount	Contr. to SOTP (Rs bn)	Per Share Value (Rs)
HPCL	Subsidiary	TP (Emkay)	475	1,011	54.9%	555	30%	388	30.9
PLNG	JV	TP (Emkay)	365	548	12.5%	68	30%	48	3.8
MRPL	Subsidiary	CMP	206	361	71.6%	258	30%	181	14.4
IOCL	Financial	TP (Emkay)	205	2,895	14.2%	411	30%	288	22.9
GAIL	Financial	TP (Emkay)	270	1,775	4.8%	86	30%	60	4.8
<b>Total Listed</b>						<b>1,379</b>		<b>965</b>	<b>76.7</b>
<b>Unlisted</b>									
ONGC Tripura Power Co (OTPC)	JV	BV			~50%	6	30%	4	0.3
OPaL+OTPC Warrants						19	30%	13	1.0
Petronet MHB (PMHB)	Subsidiary#	BV			29%	2	30%	1	0.1
<b>Total Unlisted</b>						<b>26</b>		<b>18</b>	<b>1.5</b>
<b>Grand Total Investments</b>						<b>1,405</b>		<b>983</b>	<b>78</b>

Source: Company, Emkay Research; #HPCL has a 29% stake in P-MHB, which is, hence, a subsidiary

**Exhibit 9: PER-based valuation**

	FY22	FY23	FY24*	FY25E	FY26E	FY27E
Consol EPS (Rs)	38.3	34.1	40.1	42.0	44.2	45.4
<b>Implied Target PER (x)</b>						<b>8.0</b>
<b>Sep-25E TP (Rs/sh)</b>						<b>360</b>

Source: Company, Emkay Research

## ONGC: Standalone Financials and Valuations

## Profit &amp; Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>1,555,173</b>	<b>1,384,021</b>	<b>1,449,999</b>	<b>1,452,070</b>	<b>1,451,697</b>
Revenue growth (%)	40.9	(11.0)	4.8	0.1	0.0
<b>EBITDA</b>	<b>732,166</b>	<b>668,150</b>	<b>685,350</b>	<b>682,596</b>	<b>680,573</b>
EBITDA growth (%)	34.5	(8.7)	2.6	(0.4)	(0.3)
Depreciation & Amortization	168,196	204,957	232,193	243,630	254,345
<b>EBIT</b>	<b>563,971</b>	<b>463,193</b>	<b>453,157</b>	<b>438,965</b>	<b>426,228</b>
EBIT growth (%)	52.9	(17.9)	(2.2)	(3.1)	(2.9)
Other operating income	0	0	0	0	0
Other income	76,266	107,782	116,572	124,750	137,594
Financial expense	26,996	40,813	41,807	38,879	37,264
<b>PBT</b>	<b>613,240</b>	<b>530,162</b>	<b>527,922</b>	<b>524,837</b>	<b>526,558</b>
Extraordinary items	0	0	0	0	0
Taxes	119,924	124,903	133,036	132,259	132,693
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>400,965</b>	<b>405,260</b>	<b>394,886</b>	<b>392,578</b>	<b>393,866</b>
PAT growth (%)	(0.5)	1.1	(2.6)	(0.6)	0.3
<b>Adjusted PAT</b>	<b>458,704</b>	<b>405,260</b>	<b>394,886</b>	<b>392,578</b>	<b>393,866</b>
<b>Diluted EPS (Rs)</b>	<b>36.5</b>	<b>32.2</b>	<b>31.4</b>	<b>31.2</b>	<b>31.3</b>
Diluted EPS growth (%)	(0.5)	1.1	(2.6)	(0.6)	0.3
<b>DPS (Rs)</b>	<b>11.3</b>	<b>12.3</b>	<b>12.6</b>	<b>12.5</b>	<b>12.5</b>
<b>Dividend payout (%)</b>	<b>35.3</b>	<b>38.0</b>	<b>40.0</b>	<b>40.0</b>	<b>40.0</b>
EBITDA margin (%)	47.1	48.3	47.3	47.0	46.9
EBIT margin (%)	36.3	33.5	31.3	30.2	29.4
Effective tax rate (%)	19.6	23.6	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>453,682</b>	<b>354,068</b>	<b>338,962</b>	<b>328,346</b>	<b>318,818</b>
Shares outstanding (mn)	12,580.3	12,580.3	12,580.3	12,580.3	12,580.3

Source: Company, Emkay Research

## Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	613,240	530,162	527,922	524,837	526,558
Others (non-cash items)	330,540	217,766	157,428	157,759	154,015
Taxes paid	(128,448)	(118,682)	(127,708)	(126,824)	(127,149)
Change in NWC	85,398	24,109	16,704	31,936	31,153
<b>Operating cash flow</b>	<b>808,378</b>	<b>653,355</b>	<b>574,346</b>	<b>587,708</b>	<b>584,577</b>
Capital expenditure	(385,232)	(376,669)	(283,756)	(283,703)	(283,646)
Acquisition of business	0	0	0	0	0
Interest & dividend income	43,379	70,976	116,572	124,750	137,594
<b>Investing cash flow</b>	<b>(359,946)</b>	<b>(342,537)</b>	<b>(169,261)</b>	<b>(163,046)</b>	<b>(150,186)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(51,698)	(80,860)	(175,000)	(176,395)	0
Payment of lease liabilities	(61,472)	(82,951)	(82,951)	(82,951)	(82,951)
Interest paid	(6,666)	(17,037)	(41,807)	(38,879)	(37,264)
Dividend paid (incl tax)	(176,090)	(128,949)	(157,954)	(157,031)	(157,546)
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(234,454)</b>	<b>(226,846)</b>	<b>(374,762)</b>	<b>(372,305)</b>	<b>(194,810)</b>
Net chg in Cash	213,978	83,973	30,323	52,358	239,582
OCF	808,378	653,355	574,346	587,708	584,577
Adj. OCF (w/o NWC chg.)	722,981	629,247	557,642	555,772	553,424
FCFF	423,147	276,687	290,590	304,005	300,931
FCFE	439,529	306,850	365,355	389,876	401,262
OCF/EBITDA (%)	110.4	97.8	83.8	86.1	85.9
FCFE/PAT (%)	109.6	75.7	92.5	99.3	101.9
<b>FCFF/NOPLAT (%)</b>	<b>93.3</b>	<b>78.1</b>	<b>85.7</b>	<b>92.6</b>	<b>94.4</b>

Source: Company, Emkay Research

## Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	62,901	62,901	62,901	62,901	62,901
Reserves & Surplus	2,536,822	2,996,864	3,233,795	3,469,342	3,705,661
<b>Net worth</b>	<b>2,599,723</b>	<b>3,059,765</b>	<b>3,296,697</b>	<b>3,532,243</b>	<b>3,768,563</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	224,760	247,088	252,417	257,852	263,396
<b>Total debt</b>	<b>161,018</b>	<b>351,395</b>	<b>176,395</b>	<b>0</b>	<b>0</b>
<b>Total liabilities &amp; equity</b>	<b>2,985,501</b>	<b>3,658,248</b>	<b>3,725,508</b>	<b>3,790,095</b>	<b>4,031,959</b>
Net tangible fixed assets	1,331,117	1,703,384	1,749,636	1,784,345	1,808,227
Net intangible assets	1,677	1,677	1,677	1,677	1,677
Net ROU assets	86,162	86,162	86,162	86,162	86,162
Capital WIP	489,275	531,135	536,446	541,811	547,229
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,259,764	1,480,434	1,484,701	1,489,011	1,493,364
<b>Cash &amp; equivalents</b>	<b>216,340</b>	<b>302,288</b>	<b>330,636</b>	<b>382,994</b>	<b>622,575</b>
Current assets (ex-cash)	314,448	355,128	372,057	372,589	372,493
Current Liab. & Prov.	713,283	801,961	835,809	868,493	899,769
<b>NWC (ex-cash)</b>	<b>(398,835)</b>	<b>(446,833)</b>	<b>(463,751)</b>	<b>(495,904)</b>	<b>(527,276)</b>
<b>Total assets</b>	<b>2,985,501</b>	<b>3,658,248</b>	<b>3,725,508</b>	<b>3,790,095</b>	<b>4,031,959</b>
Net debt	(55,323)	49,107	(154,242)	(382,994)	(622,575)
Capital employed	2,985,501	3,658,248	3,725,508	3,790,095	4,031,959
<b>Invested capital</b>	<b>1,020,121</b>	<b>1,344,391</b>	<b>1,373,724</b>	<b>1,376,280</b>	<b>1,368,790</b>
BVPS (Rs)	206.7	243.2	262.1	280.8	299.6
Net Debt/Equity (x)	0.0	0.0	0.0	(0.1)	(0.2)
Net Debt/EBITDA (x)	(0.1)	0.1	(0.2)	(0.6)	(0.9)
Interest coverage (x)	0.0	0.1	0.1	0.1	0.1
<b>RoCE (%)</b>	<b>22.4</b>	<b>17.2</b>	<b>15.4</b>	<b>15.0</b>	<b>14.4</b>

Source: Company, Emkay Research

## Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	8.4	9.5	9.8	9.8	9.8
P/CE(x)	5.8	6.3	6.1	6.1	5.9
P/B (x)	1.5	1.3	1.2	1.1	1.0
EV/Sales (x)	2.5	2.8	2.6	2.4	2.2
EV/EBITDA (x)	5.2	5.8	5.4	5.1	4.7
EV/EBIT(x)	6.7	8.4	8.2	7.9	7.6
EV/IC (x)	3.7	2.9	2.7	2.5	2.4
FCFF yield (%)	11.1	7.1	7.9	8.8	9.3
FCFE yield (%)	11.4	8.0	9.5	10.1	10.4
Dividend yield (%)	3.7	4.0	4.1	4.1	4.1
<b>DuPont-RoE split</b>					
Net profit margin (%)	31.7	29.3	27.2	27.0	27.1
Total asset turnover (x)	0.5	0.4	0.4	0.4	0.4
Assets/Equity (x)	1.2	1.2	1.2	1.1	1.1
<b>RoE (%)</b>	<b>19.8</b>	<b>14.3</b>	<b>12.4</b>	<b>11.5</b>	<b>10.8</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	29.2	25.6	23.4	22.6	22.0
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>43.1</b>	<b>29.9</b>	<b>24.9</b>	<b>23.9</b>	<b>23.2</b>
<b>Operating metrics</b>					
Core NWC days	15.8	25.8	26.9	26.4	26.1
<b>Total NWC days</b>	<b>15.8</b>	<b>25.8</b>	<b>26.9</b>	<b>26.4</b>	<b>26.1</b>
Fixed asset turnover	0.6	0.5	0.4	0.4	0.4
Opex-to-revenue (%)	53.2	52.3	52.8	53.0	53.1

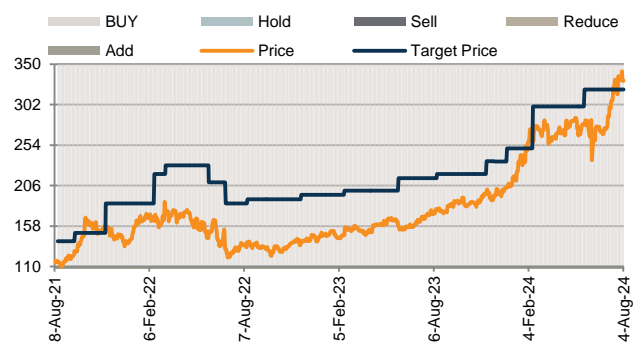
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
21-May-24	280	320	Buy	Sabri Hazarika
12-Feb-24	258	300	Buy	Sabri Hazarika
24-Dec-23	204	250	Buy	Sabri Hazarika
30-Nov-23	195	235	Buy	Sabri Hazarika
15-Nov-23	200	235	Buy	Sabri Hazarika
12-Aug-23	177	220	Buy	Sabri Hazarika
30-May-23	159	215	Buy	Sabri Hazarika
15-Feb-23	148	200	Buy	Sabri Hazarika
06-Dec-22	142	195	Buy	Sabri Hazarika
01-Dec-22	140	195	Buy	Sabri Hazarika
24-Nov-22	139	195	Buy	Sabri Hazarika
02-Oct-22	127	190	Buy	Sabri Hazarika
07-Sep-22	133	190	Buy	Sabri Hazarika
13-Aug-22	139	190	Buy	Sabri Hazarika
15-Jul-22	127	185	Buy	Sabri Hazarika
02-Jul-22	131	185	Buy	Sabri Hazarika
28-Jun-22	149	210	Buy	Sabri Hazarika
31-May-22	151	210	Buy	Sabri Hazarika
22-May-22	162	230	Buy	Sabri Hazarika
01-Apr-22	168	230	Buy	Sabri Hazarika
09-Mar-22	175	230	Buy	Sabri Hazarika
15-Feb-22	164	220	Buy	Sabri Hazarika
25-Dec-21	139	185	Buy	Sabri Hazarika
23-Nov-21	147	185	Buy	Sabri Hazarika
14-Nov-21	155	185	Buy	Sabri Hazarika
16-Sep-21	129	150	Buy	Sabri Hazarika
14-Aug-21	116	140	Buy	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

**GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com).

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

**Disclaimer for U.S. persons only:** Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.



**RESTRICTIONS ON DISTRIBUTION**

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons<sup>1</sup> may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of August 6, 2024
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report  
**Disclosure of previous investment recommendation produced:**
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of August 6, 2024
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the August 6, 2024
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

**Emkay Rating Distribution**

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	>15% upside
<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India  
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

**OTHER DISCLAIMERS AND DISCLOSURES:****Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.