Equity Research

January 13, 2009

BSE Sensex: 9071

INDIA

Indraprastha Gas

BUY

Maintained

Sweetening the pot

Rs103

Reason for report: Company update

Oil & Gas and Petrochemicals

Earnings change

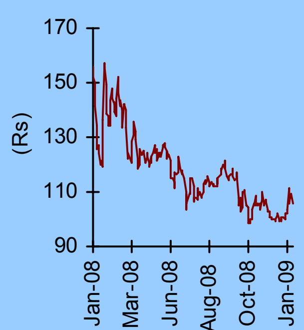
(%)	FY09E	FY10E	FY11E
Sales	↑ 4.5	↑ 3.4	↑ 1.5
EBITDA	↑ 0.2	↓ 1.2	↓ 2.2
EPS	↑ 3.7	↑ 8.0	↑ 5.0

Shareholding pattern

	Mar '08	Jun '08	Sep '08
Promoters	45.0	45.0	45.0
Institutional investors	34.5	35.6	36.0
MFs and UTI	14.1	12.3	12.7
FIs, Banks, Insurance Cos.	2.5	3.6	3.6
FIIs	17.9	19.7	19.7
Others	20.5	19.4	19.0

Source: NSE

Price chart



Amit Mishra
amit_mishra@isecltd.com
+91 22 6637 7274

Gagan Dixit
gagan_dixit@isecltd.com
+91 22 6637 7480

We reiterate our positive stance on Indraprastha Gas (IGL), especially after the Petroleum and Natural Gas Regulatory Board (PNGRB) approved the company as the authorised entity in national capital territory (NCT), giving it three years marketing exclusivity and 25 years network exclusivity for city gas distribution (CGD) network within NCT. Our revised fair value for IGL is Rs142/share, assuming a conservative 14% RoE from FY11E, implying 38% upside from the current price. Future growth prospects look buoyant on: i) sustained growth in CNG vehicles in NCT driven by increased conversion of private four-wheelers and ii) growth in PNG customers. Future acceleration in the conversion of light commercial vehicles (LCVs) to CNG offers further upside. Maintain BUY.

- **PNGRB's approval supports better growth visibility** as IGL plans to open 50 CNG outlets in two years (which were on hold) for the Commonwealth Games.
- **IGL to maintain its leadership in NCT.** After three years marketing exclusivity, IGL would have ~220 CNG outlets in Delhi, and it would be difficult for any new entrant to set up additional pumps and compete given IGL's economies of scale.
- **Robust CNG/PNG sales growth.** IGL's outlook for the existing CGD network in NCT seems robust based on strong growth in private four-wheeler conversion to CNG. We estimate CNG sales volume CAGR to be 15.2%, primarily led by 25.8% CAGR in private CNG vehicles through FY08-11E. Also, higher-than-expected conversion of LCVs to CNG could potentially boost IGL's growth prospects. We expect household customers to double, propelling 27.8% PNG sales CAGR through FY08-11E.
- **Strong CNG competitiveness even at market prices.** At present, CNG-based vehicles enjoy 58-73% cost advantage versus MS, HSD & auto-LPG. Even if crude prices were to fall to US$40/bl (resulting in dip in MS, HSD & auto-LPG prices) and CNG prices were to be raised 26% assuming gas purchase at market price, CNG offers cost advantage of 60%, 30% & 41% versus MS, HSD & auto-LPG respectively.
- **We have upgraded FY09E-11E estimates 3.7-8%** on higher other income (owing to increased cash). We expect net income CAGR to be 15.1% through FY09E-11E.
- **Fair value at Rs142/share on conservative 14% RoE from FY11E.** Unlike 30-34% RoE in the past five years, we have assumed 14% RoE from FY11E as IGL would be unable to sustain superior margins post the exclusivity due to competition – the fair value would rise 7.7% to Rs153/share at 16% RoE from FY11E.

Market Cap	Rs16.8bn/US$370mn
Reuters/Bloomberg	IGAS.BO/IGL IN
Shares Outstanding (mn)	140
52-week Range (Rs)	165/93
Free Float (%)	55.0
FII (%)	19.7
Daily Volume (US$/'000)	430
Absolute Return 3m (%)	(6.1)
Absolute Return 12m (%)	(33.7)
Sensex Return 3m (%)	(21.0)
Sensex Return 12m (%)	(56.2)

Year to Mar	FY08	FY09E	FY10E	FY11E
Revenue (Rs mn)	7,060	8,592	10,637	12,501
Net Income (Rs mn)	1744	2049	2404	2671
EPS (Rs)	12.5	14.6	17.2	19.1
% Chg YoY	26.4	17.4	17.4	11.1
P/E (x)	8.3	7.0	6.0	5.4
CEPS (Rs)	16.9	19.6	23.3	26.4
EV/E (x)	4.0	3.3	2.6	2.2
Dividend Yield (%)	3.9	4.9	5.8	6.8
RoCE (%)	31.4	30.7	30.1	28.2
RoE (%)	33.4	32.1	31.2	29.1

Untapped CNG market offers massive potential

IGL, the natural market leader in Delhi

After receiving PNGRB approval for three years marketing exclusivity and 25 years exclusivity to lay, build, maintain and expand CGD network within NCT, IGL plans to open 50 CNG outlets in the next two years for the Commonwealth Games, which were on hold till now.

After the end of marketing exclusivity, IGL would have ~220 CNG stations in NCT that would give it a clear advantage as regards economies of scale. This would make it difficult for a new entrant to set up additional CNG stations and compete with IGL.

Favourable CNG economics – Key growth driver

Prospects for private petrol vehicle conversion to CNG remain robust based on favourable economics. At present, CNG-based vehicles enjoy an operating cost advantage of 73% versus petrol, 58% versus diesel and 65% versus auto-LPG.

Even if the crude prices were to fall to US$40/bl and rupee-US dollar exchange rate to 40, as per our estimates, CNG would be competitive versus MS/HSD and auto-LPG. The fall in crude prices to US$40/bl and likely normative retail MS/HSD margin at Rs1.5/litre for oil marketing companies would lead to 14-24% dip in retail MS/HSD prices and 25% decrease in auto-LPG prices. And even if CNG prices were raised 26% assuming 56% APM gas cost hike to US$6/mcf with 100% pass-on to customers, CNG would still offer a value proposition and would be at 41% discount to auto-LPG and 30-60% discount to HSD/MS (Table 1).

Table 1: CNG offers significant cost advantage against petrol, diesel, auto gas

	Prevalent prices (Delhi)				Prices at US$40/bl crude (FY10E)			
	Current retail price (Rs/unit)	Volumes (kg equivalent of CNG)	Effective price (Rs per kg of CNG equivalent)	CNG relative to alternatives premium / (discount)	Price (Rs/ unit)	Volumes (kg equivalent of CNG)	Effective price (Rs per kg of CNG equivalent)	CNG relative to alternatives premium / (discount)
CNG (per kg)	19.2	1.0	19.2	-	24.23 ^	1.0	24.23	-
Petrol (per litre) *	45.62	0.6	70.47	(72.8)	39.10	0.6	60.39	(59.9)
Diesel (per litre) *	32.86	0.7	45.52	(57.8)	25.08	0.7	34.73	(30.2)
Auto LPG (per kg)#	27.37	0.5	55.23	(65.2)	20.48	0.5	41.32	(41.4)

* Current retail prices after the price cuts announced in December ’08. # IOC December ’08 prices. ^ assuming 56% increase in gas purchase cost to US$6/mcf with complete pass-on to CNG customers

Source: Industry, I-Sec Research

PNG margin to be hurt due to US$40/bl crude & gas price hike

Unlike CNG, which offers significant cost advantage versus petrol, diesel & auto-LPG, PNG for household customers competes with domestic (subsidised) LPG, whereas PNG for large commercial customers competes with industrial LPG (not subsidised). If PNG prices were to increase in line with the hike in purchased gas cost and assuming unchanged subsidised domestic LPG prices, domestic LPG would become competitive vis-à-vis PNG and would offer 3.5% cost advantage to domestic customers (Table 2).

For commercial customers, who are competing with the market-determined LPG, sales and margins will be pressurised if crude were to fall 9% to US$40/bl and PNG prices were to increase 27% (to Rs23.53/scm). Hence, LPG would be competitive with PNG, which would pressurise IGL's PNG realisations (Table 3).

Table 2: LPG competitive for household customers at market-based PNG price

	Prevalent prices				@6/mcf natural gas purchase #			
	Current retail price (Rs/ unit)	Scm equivalent of PNG	Effective price (Rs per scm of PNG equivalent)	PNG relative to alternatives (prem/ (disc))	Price (Rs /unit)	Scm equivalent of PNG	Effective price (Rs per scm of CNG equivalent)	PNG relative to alternatives (prem/ (disc))
PNG (per scm)	13.52	1	13.52	-	18.55	1	18.55	-
LPG (per kg)*	21.46	0.8	17.92	(24.6)	21.46	0.8	17.92	3.5

* Assuming unchanged subsidised LPG prices; # assuming 56% increase in purchased gas cost to US$6/mcf with complete pass-on to domestic PNG customers
Source: I-Sec Research, Company data

Table 3: LPG competitive for commercial customers on US$40/bl crude & market based PNG price

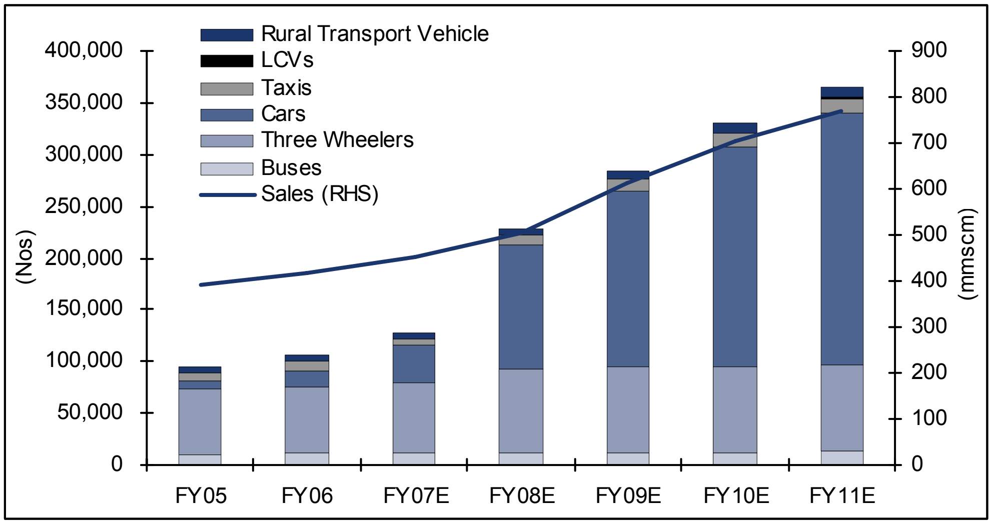
	Prevalent prices				@US$40/bl crude and @6/mcf natural gas purchase #			
	Current retail price (Rs/ unit)	Scm equivalent of PNG	Effective price (Rs per scm of PNG equivalent)	PNG relative to alternatives (prem/ (disc))	Price (Rs /unit)	Scm equivalent of PNG	Effective price (Rs per scm of CNG equivalent)	PNG relative to alternatives (prem/ (disc))
PNG (per scm)	18.50	1.00	18.50	-	23.53	1	23.53	-
LPG (per kg)	34.64	0.8	28.94	(36.1)	25.92	0.8	21.65	8.7

Assuming 56% increase in purchased gas cost to US$6/mcf with complete pass-on to commercial PNG customers
Source: I-Sec Research, Company data

Private vehicle conversion to sustain CNG growth in NCT

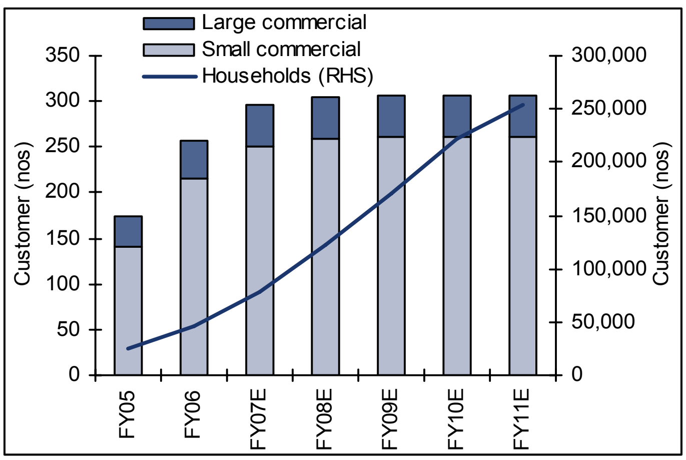
Private vehicle conversion represents a huge untapped potential as out of over 1.6mn vehicles in NCT alone (of which ~25% are estimated to be using petrol), only ~14.2% have been converted to CNG. IGL has maintained its improved average conversion of an estimated 6,000 cars/month in H1FY09. Total private cars converted to CNG are more than 120,000 at present; this could rise to 170,000 by end FY09E, 210,000 by end FY10E and 240,000 by end FY11E based on 2,600-4,000/month conversion rate (Chart 2). This represents a CAGR of 30% through FY08-11E. As a result, private vehicle share, as a percentage of total CNG vehicle population in NCT, is expected to grow from 53.6% in FY08 to 67.4% by FY11E.

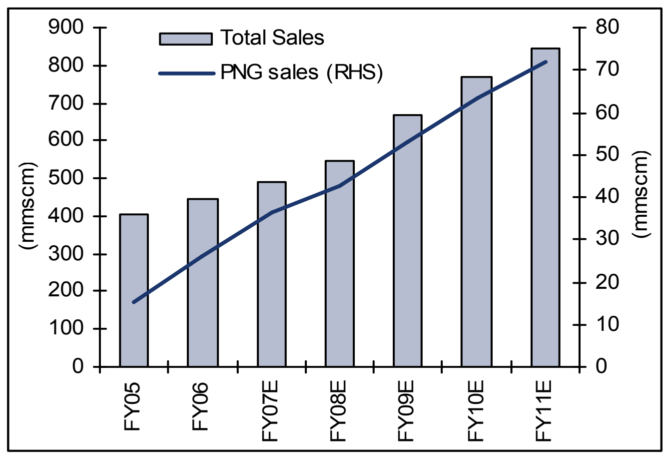
Chart 1: CNG vehicles and sales volumes



Source: Company data, I-Sec Research

Chart 2: PNG customers and sales volumes





Source: Company data, I-Sec Research

Introduction of CNG buses for ’10 games – Another boost

High-capacity CNG segment such as buses is also likely to get a fillip from the Delhi Government’s proposal to introduce new CNG buses in the private sector. This is in preparation for the ’10 Commonwealth Games and we understand that an order for 500 CNG buses has been placed with Tata Motors. Based on the company guidance, we have assumed additional 1,000 private CNG buses in the next three years. There could be an added upside based on CNG demand from Railways, though no information is available on this.

About 50 new retail CNG stations expected in Delhi in two years

IGL is investing Rs5bn in capex over FY09E-11E on expanding its city gas & CNG infrastructure in NCT. The expansion in NCT envisages increasing the company’s CNG outlets from 166 at present to 214 by end-FY11E (Table 4).

Table 4: Building CNG infrastructure

	Present	FY09E	FY10E	FY11E
CNG stations (Nos.)	166	175	200	214
CNG sales volumes (mmscmd)	1.38	1.68	1.93	2.11

Source: Company data, I-Sec Research

The impressive pace of conversion of private vehicles should help IGL achieve the above-mentioned growth.

Plans of geographic expansion outside Delhi still unclear

Despite the approvals issued by the Haryana and Uttar Pradesh Governments to IGL for setting up PNG and CNG distribution networks in '06, progress on these projects has been slow. The regions allocated to IGL are Faridabad, Greater Noida and Gaziabad in Uttar Pradesh and Sonipat & Panipat in Haryana.

Although, according to the management, the projects in Noida and Greater Noida are under implementation – IGL plans to start up two of the five proposed CNG outlets by end FY09E, which would start contributing to revenues by FY09 – upside from these regions is unclear due to competition.

IGL needs to secure additional gas supplies

IGL may require gas supplies of 2mmscmd, 2.3mmscmd and 2.5mmscmd in FY09E, FY10E and FY11E respectively. This means that the additional allocation of ~0.4mmscmd APM gas will help sustain incremental growth in FY09, but if IGL is to sustain this growth going forward, additional supplies have to be secured beyond the current allocation of 2mmscmd. We expect additional gas to be available from the production ramp-up in KG D6 basin and its subsequent CGD allocation.

Financials

Revenue CAGR at 20.8% through FY08-11E

We estimate IGL's revenue CAGR at 20.8% over FY08-11E driven by CNG volume CAGR of 15% and PNG volume CAGR of 18.7% (Table 5).

We have assumed that CNG and PNG's pricing and margins will not be regulated by the gas regulator.

We have factored in 19.7% rise in FY10E CNG prices so as to pass on the likely price hike (at which IGL gets APM gas) from Rs4.0/scm (US$2.41/mnbtu) to Rs5.5/scm (US$3.49/mnbtu).

Table 5: Operating assumptions

	FY07	FY08	FY09E	FY10E	FY11E
Sales Volumes					
CNG sales (mmscm)	452.6	504.6	612.3	704.7	771.4
Change (%)	8.0	11.5	21.3	15.1	9.5
PNG sales (mmscm)	36.6	42.9	53.3	63.4	72.0
Change (%)	39.2	17.2	24.2	19.1	13.6
Total volumes	489.2	547.5	665.6	768.1	843.4
No. of CNG stations(yr end)	153	163	175	200	214
Throughput/ pump (mmscm/d)	2.96	3.10	3.50	3.53	3.60
Prices, margins					
CNG retail prices (Rs/kg)	18.6	19.0	18.7	20.1	21.5
CNG Basic price net of excise (Rs/scm)	12.3	12.4	12.5	13.4	14.4
Blended PNG realization (Rs/scm)	16.4	17.8	17.7	18.6	19.6
Cost of CNG (Rs/scm)	5.0	5.0	5.2	6.2	6.9
Cost of PNG (Rs/scm)	5.2	5.2	5.4	6.4	7.2
CNG gross margin (Rs/scm)	7.3	7.5	7.3	7.2	7.5
PNG gross margin (Rs/scm)	11.8	12.5	12.3	12.2	12.4
Operating cost (Rs/scm)	2.0	2.0	2.1	2.1	2.0
EBITDA (Rs/scm)	5.2	5.5	5.2	5.4	5.6
No of CNG Vehicles in NCT (numbers)					
Buses	11,552	11,665	12,132	12,496	12,745
Three wheelers	68,498	80,276	82,283	83,106	83,106
Cars/taxis	40,744	129,399	181,159	224,765	257,862
LCVs	300	750	1,050	1,313	1,575
RTVs	5,717	5,867	7,627	8,390	9,229
Total vehicles	126,811	227,957	284,250	330,068	364,517
PNG customers (numbers)					
Household	78,000	121,695	170,373	221,485	254,708
Small commercial	250	258	261	261	261
Large commercial	46	46	46	46	46

Source: I-Sec Research, Company data

Earnings revision

We have increased IGL's FY09E, FY10E and FY11E earnings estimates 3.7%, 8% and 5% despite flat or marginal EBITDA decline due to lower depreciation and higher other income expectations.

Table 6: IGL – Earnings revision

(Rs bn)

	FY09E old	FY09E revised	% chg	FY10E old	FY10E revised	% chg	FY11E old	FY11E revised	% chg
Net Sales	8,223	8,592	4.5	10,288	10,637	3.4	12,311	12,501	1.5
EBITDA	3,486	3,492	0.2	4,222	4,171	(1.2)	4,860	4,752	(2.2)
Recurring PAT	1,975	2,049	3.7	2,226	2,404	8.0	2,545	2,671	5.0
EPS (Rs/share)	14.1	14.6	3.7	15.9	17.2	8.0	18.2	19.1	5.0

Source: I-Sec Research

Changes in key assumptions

- **CNG volume estimates raised 5.5%** on the back of superior conversion rate for private four-wheelers.
- **PNG volume estimates increased 2.9%** on the back of higher growth expectations in household customers.
- **Gas cost reduced 1.9%** owing to decline in Hazira-Vijaipur-Jagdishpur (HVJ) tariffs.
- **Slight decline in gross margins.** CNG and PNG gross margins declined 1.6% and 1.4% on the back of 1.9% decline in gas costs and 1.8-1.6% dip in CNG-PNG realisations.

Table 7: Changes in key assumptions

(Rs/scm)

	FY10E		
	Old	Revised	% change
CNG sales (mmscm)	667.9	704.7	5.5
PNG sales (mmscm)	61.6	63.4	2.9
Gas cost for CNG	6.3	6.2	(1.9)
Gas cost for PNG	6.6	6.4	(1.9)
CNG realisations	13.7	13.4	(1.8)
PNG realisations	18.9	18.6	(1.6)
CNG gross margins	7.1	7.2	(1.6)
PNG gross margins	12.7	12.2	(1.4)

Source: I-Sec Research

Valuations

Fair value at Rs142/share

We value IGL at Rs142/share based on DCF assuming 14% RoE from FY11E vis-à-vis past five years' RoE of 30-34% as IGL would be unable to sustain higher margins post exclusivity due to competition. We have excluded the upside from geographical expansion in national capital region (NCR).

At the current price, the stock offers 38% upside to our fair value. On Rs142/share fair value, the implied FY10E P/E and P/BV are 8.3x and 2.4x respectively.

Table 8: DCF value of Rs142/share

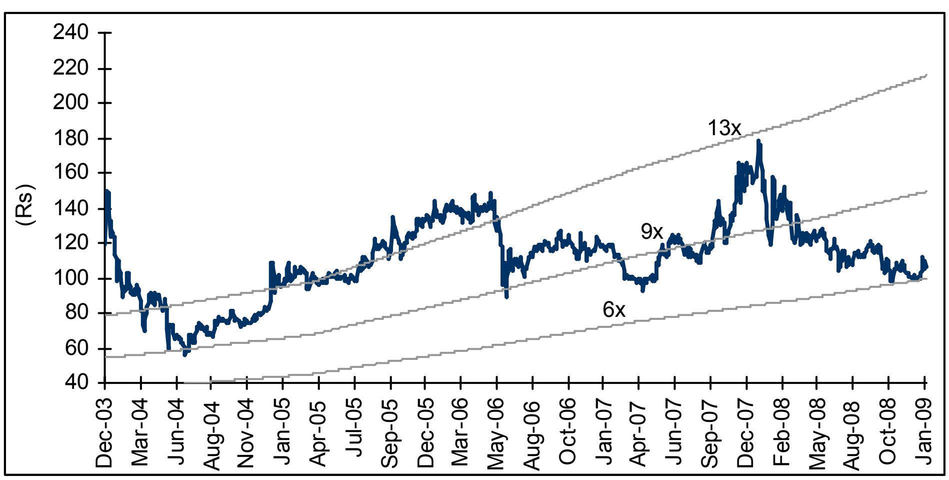
Risk free rate (%)	6.5
Market risk Premium (%)	6.0
Beta of the Stock	0.8
Cost of equity (%)	11.3
Gross cost of debt (%)	10.0
Tax rate (%)	34.0
Net cost of Debt (%)	6.6
Target Debt to Capital ratio	0.0
WACC (%)	**11.3**
Valuation (Rs mn)	
Terminal growth rate (%)	1.0
PV of FCF to FY2013E	4,023
Terminal value	17,393
PV of terminal value	12,615
Firm Value	16,638
Less FY10E Net Debt	(3,177)
NPV	19,814
Number of equity shares outstanding (mn)	140
NPV/IGL share (Rs/share)	**142**

Source: I-Sec Research

Attractive on P/E & dividend yield

IGL is trading at FY10E P/E of 6x versus earnings CAGR of 15.1% through FY08-11E. On FY10E P/BV, it trades at 1.7x. IGL is also cheap based on FY09E & FY10E dividend yield of 4.9% and 5.8%, assuming a pay-out of 34% and 35% respectively.

Chart 3: P/E chart



Source: I-Sec Research, Bloomberg

Sensitivity to long-term RoE

A 2% change in long-term RoE (FY10E & beyond) may result in 7.7% change in IGL's fair value (Table 9).

Table 9: Sensitivity to valuations

RoE (%)	12	14	16	18	20
Fair value (Rs/share)	131	142	153	164	176
Percentage change in fair value	(7.7)		7.7	15.5	23.9

Source: I-Sec Research

Risks

Inability to source APM gas for sales. This would increase gas costs for IGL as the company would have to source gas from alternative sources, which might be more expensive versus APM gas. This could potentially pressurise margins.

Competition post the Gas Policy. Beyond the marketing exclusivity, competition by other companies (setting up CNG stations within NCT) might affect IGL's market share and pressurise prices and margins. So the period of exclusivity, if and when CNG comes under the regulator, would determine if this is a material risk.

Fall in crude prices. A sharp fall in crude prices would lead to decline in competitiveness of CNG vis-à-vis its substitutes (LPG, MS, HSD). This may impact IGL's growth prospects.

Failure to get land for further growth in CNG outlets. If IGL is unable to get land from the Government for expansion of its CNG outlets, it might impact its growth plans and strain its future earnings growth.

Financial Summary

Table 10: Profit and Loss Statement

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Operating Income (Sales)	**7,060**	**8,592**	**10,637**	**12,501**
Operating Expenses	**4,060**	**5,100**	**6,466**	**7,749**
EBITDA	**3,000**	**3,492**	**4,171**	**4,752**
% margins	42.5	40.6	39.2	38.0
Depreciation & Amortisation	626	700	853	1,032
Gross Interest	-	-	-	-
Other Income	234	283	281	278
Recurring PBT	**2,609**	**3,074**	**3,599**	**3,999**
Add: Extraordinaries	-	-	-	-
Less: Taxes	864	1,025	1,195	1,328
- Current tax	928	1,031	1,207	1,341
- Deferred tax	(63)	(6)	(12)	(14)
Net Income (Reported)	**1,744**	**2,049**	**2,404**	**2,671**
Recurring Net Income	**1,744**	**2,049**	**2,404**	**2,671**

Source: Company data, I-Sec Research

Table 11: Balance Sheet

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Assets				
Total Current Assets	2,279	2,921	3,421	4,215
of which cash & cash eqv.	1,399	1,942	2,309	2,983
Total Current Liabilities & Provisions	1,462	1,479	1,716	1,969
Net Current Assets	**818**	**1,442**	**1,704**	**2,247**
Investments	**1,088**	**1,088**	**1,088**	**1,088**
Net Fixed Assets	**4,165**	**4,765**	**5,912**	**6,880**
of which intangibles	-	-	-	-
Capital Work-in-Progress	590	650	1,000	1,000
Total Assets	**6,071**	**7,295**	**8,704**	**10,215**
Liabilities				
Borrowings	**68**	**68**	**68**	**68**
Deferred Tax Liability	**239**	**233**	**221**	**207**
Equity Share Capital	1,400	1,400	1,400	1,400
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	4,365	5,594	7,015	8,540
Net Worth	**5,765**	**6,994**	**8,415**	**9,940**
Total Liabilities	**6,071**	**7,295**	**8,704**	**10,215**

Source: Company data, I-Sec Research
*excluding revaluation reserves

Table 14: Quarterly trends

(Rs mn, year ending March 31)

	Dec-07	Mar-08	Jun-08	Sep-08
Net sales	1,827	1,874	1,907	2,152
% growth (YoY)	14	14	18	24
EBITDA	781	783	755	851
Margin (%)	42.7	41.8	39.6	39.5
Other income	58	89	63	69
Add: Extraordinaries	-	-	-	-
Net profit	450	482	437	502

Source: Company data, I-Sec Research

Table 12: Cash Flow Statement

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Operating Cash flow	**2,054**	**2,461**	**2,964**	**3,411**
Working Capital Changes	(13)	(81)	105	132
Capital Commitments	(640)	(1,300)	(2,000)	(2,000)
Free Cash Flow	**1,401**	**1,079**	**1,069**	**1,543**
Cash flow from Investing Activities	**234**	**283**	**281**	**278**
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(655)	(819)	(840)	(980)
Extraordinary Items	**-**	**-**	**-**	**-**
Chg. in Cash & Bank balance	**995**	**543**	**367**	**674**

Source: Company data, I-Sec Research

Table 13: Key Ratios

(Rs mn, year ending March 31)

	FY08	FY09E	FY10E	FY11E
Per Share Data (in Rs)				
EPS(Basic Recurring)	12.5	14.6	17.2	19.1
Diluted Recurring EPS	12.5	14.6	17.2	19.1
Recurring Cash EPS	16.9	19.6	23.3	26.4
Dividend per share (DPS)	4.0	5.0	6.0	7.0
Book Value per share (BV)	41.2	50.0	60.1	71.0
Growth Ratios (%)				
Operating Income	15.0	21.7	23.8	17.5
EBITDA	17.2	16.4	19.5	13.9
Recurring Net Income	26.4	17.4	17.4	11.1
Diluted Recurring EPS	26.4	17.4	17.4	11.1
Diluted Recurring CEPS	19.8	16.0	18.5	13.7
Valuation Ratios (x)				
P/E	8.3	7.0	6.0	5.4
P/CEPS	6.1	5.2	4.4	3.9
P/BV	2.5	2.1	1.7	1.4
EV / EBITDA	4.0	3.3	2.6	2.2
EV / Operating Income	1.7	1.3	1.0	0.8
EV / Operating FCF	5.8	4.8	3.6	2.9
Operating Ratio (%)				
Raw Material/Sales	42.9	44.7	46.9	49.7
Other Income / PBT	9.0	9.2	7.8	7.0
Effective Tax Rate	33.1	33.4	33.2	33.2
NWC / Total Assets	(9.6)	(6.9)	(6.9)	(7.2)
Inventory Turnover (days)	13.8	14.8	15.3	15.8
Receivables (days)	9.3	9.1	8.8	9.0
Payables (days)	91.1	74.4	66.6	67.8
D/E Ratio (x)	4.1	3.3	2.6	2.1
Return/Profitability Ratio (%)				
Recurring Net Income Margins	24.7	23.8	22.6	21.4
RoCE	31.4	30.7	30.1	28.2
RoNW	33.4	32.1	31.2	29.1
Dividend Payout Ratio	32.1	34.2	34.9	36.7
Dividend Yield	3.8	4.7	5.7	6.6
EBITDA Margins	42.5	40.6	39.2	38.0

Source: Company data, I-Sec Research

ANALYST CERTIFICATION

We /I, *Amit Mishra, PGDM, BE* and *Gagan Dixit, PGDM, BTech* research analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. 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. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the ICICI Securities Inc.

Disclosures:

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees ("ICICI Securities and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

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 may 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 customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. 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. This may not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received 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 public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. ICICI Securities and affiliates expect to receive compensation from the companies mentioned in the report within a period of three months following the date of publication of the research report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that *Amit Mishra, PGDM, BE* and *Gagan Dixit, PGDM, BTech* research analysts and the authors of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its affiliates collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Amit Mishra, PGDM, BE* and *Gagan Dixit, PGDM, BTech* research analysts and the authors of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof.

This report is not directed 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, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.