

## Sector update

Oil & Gas and  
Petrochemicals

## IGL (BUY)

Target price: Rs535

## MGL (BUY)

Target price: Rs1,050

## Gujarat Gas (ADD)

Target price: Rs554  
(revised from Rs540)

## PLNG (HOLD)

Target price: Rs230

## GAIL (BUY)

Target price: Rs122  
(revised from Rs115)

## GSPL (BUY)

Target price: Rs390

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## Gas sector – see stronger tidings in FY24E

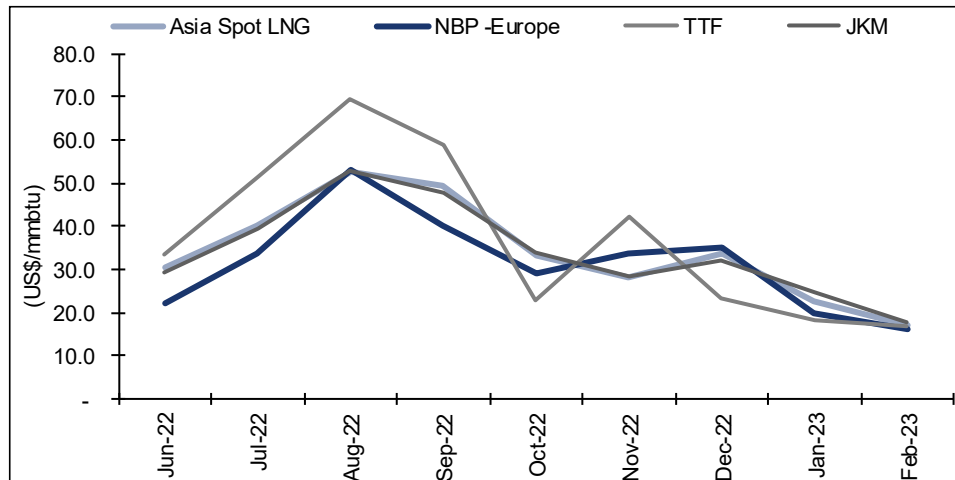
We expect markedly stronger prospects for Indian gas companies in FY24E, helped by i) rising domestic supplies, ii) moderate LNG costs, iii) probability of resumption of liquid fuel price hikes by OMCs and iv) stronger prices of industrial fuel alternatives (propane, FO, naphtha). The combination of more affordable gas prices and therefore, a stronger margin environment as well as the potential to drive gas demand higher is a material positive for demand over FY24-25E. We see ~20mmscmd of additional gas supply from domestic sources over FY24-25E, with management guidance for both ONGC and RIL (sources of this supply) suggesting the plateau period for these new fields at 2-3 years. Given an estimated requirement of ~35mmscmd of spot LNG in FY24E (extrapolating from current year), these additional domestic volumes will switch gas priced @US\$20-25/mmbtu with US\$12/mmbtu gas to the extent of ~60%, a huge change for Indian sourcing mix and margin profiles. We remain positive on select CGD names like IGL & MGL with a more cautious ADD on GGL, while for gas utilities, GSPL (BUY), GAIL (BUY) and PLNG (HOLD) is the preferred pecking order.

- ▶ **Weather and inventory come to the rescue of gas prices:** Unusually warm weather in most parts of Europe, coupled with aggressive fill-up of gas storage in H2CY22 and weak demand in Asia have kept gas prices in check over Dec'22-Feb'23. Because of these developments, JKM LNG futures seem to be implying a moderate gas price environment over the next 6-9 months, which is good news for Indian gas consumers. Our sense is that Asian spot LNG prices will continue to hover at <US\$25/mmbtu at least till Jul-Aug'23, which means a relatively stronger-margin environment for CGDs in H1FY24E.
- ▶ **Global supplies remain constrained, new domestic fields can provide succor:** Prospects for global LNG supply growth are limited given 1) most of Qatar's additional capacity of 33mt (commissioning by CY24E) is already sold off to China, and 2) limited traction is expected from the US and Australia at least over the next 18-24 months. Additionally, with the reopening of China, further Russian supply disruptions and European inventory rebuild over H2FY24E, pricing of LNG will remain tight. Having said that, the start-up of the new MJ-1 field from RIL and the KG 98/2 field of ONGC should add ~20mmscmd to Indian supply by CY25E and that may help insulate Indian companies from LNG tightness to a certain extent, in our opinion.
- ▶ **Moderate costs + demand recovery seen over FY24E:** We estimate that the 3 city gas distribution companies (CGDs) will see volume growth of 6.1% (IGL) and 6.4% (MGL), while Gujarat Gas is likely to see stronger growth of 17.3% owing to a steep change in Morbi and a very low base of FY23E. On the margin front, however, the improvement is uniform vs FY23E, with EBITDA/scm for IGL/MGL/GGL at Rs6.9/10.3/7.1 per scm. This translates to a steady 12/19/4% CAGR in EPS over FY23-25E for IGL/MGL/GGL, and underpins our target price of Rs535/1050/554 per share for IGL/MGL/GGL, respectively, and our recommendations of BUY for IGL, BUY for MGL and ADD for GGL.
- ▶ **Key upside risks:** i) Higher-than-expected decline in LNG prices, ii) resumption of price increase in petrol and diesel, iii) stronger regulatory push for gas conversion.
- ▶ **Key downside risks:** i) Further disruption in Russian gas supplies to Europe, ii) faster recovery of Chinese demand for oil and gas, iii) sudden reversal of weather patterns in Europe. And/or a more aggressive inventory buildup for CY24E.

## Lack of winter boost in Europe and abysmal Chinese demand have held up prices, so far!

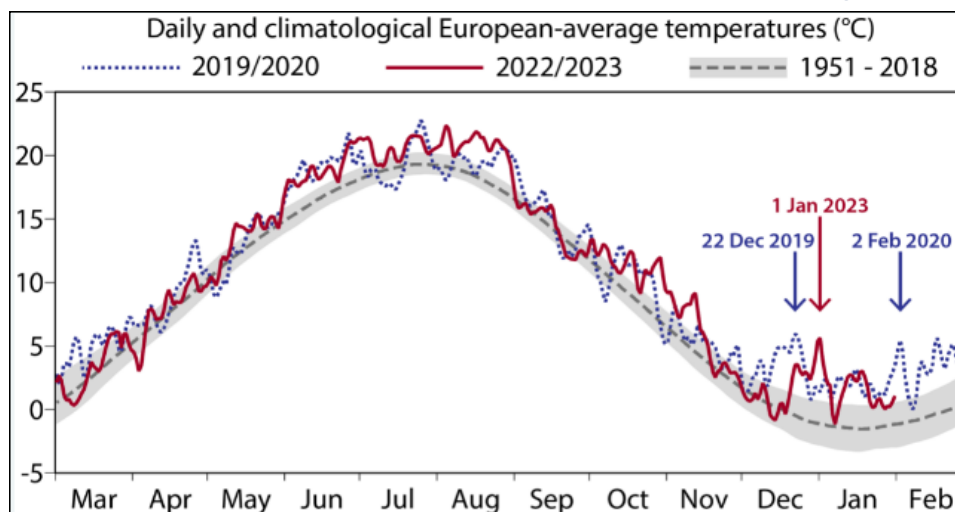
The anticipated jump in global LNG prices Dec'22 onwards has failed to materialise owing to the abnormally warm winter this time around across major gas consuming countries in Europe. Resultant of this, and the fact that inventory levels in EU remain above 5-year averages have meant that most global gas indices have consistently trended down over the last 3 months.

**Chart 1: Global gas prices have remained flat over the past 3 months...**



Source: Bloomberg, I-Sec research

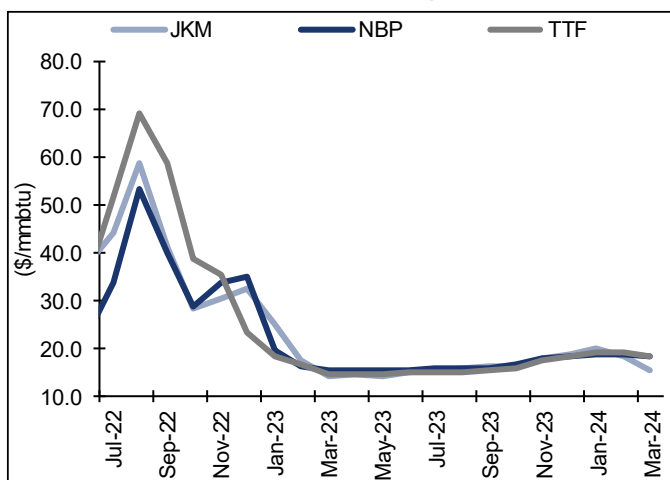
**Chart 2: ...with temperatures across EU above historical averages**



Source: Copernicus Climate Change Service/ECMWF, I-Sec research

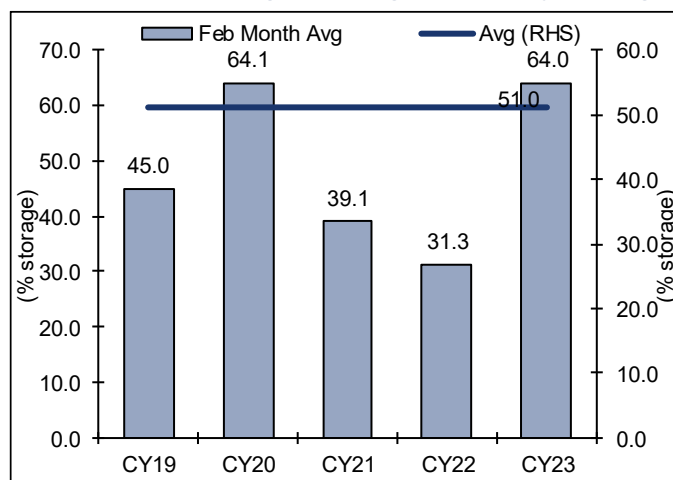
This bearishness reflects on gas futures prices as well. JKM futures now indicate a price range of US\$20-25/mmbtu over the next 12 months, well below the average price of US\$34.0/mmbtu witnessed over CY22. As mentioned earlier, comfortable gas storage levels across the EU are a key factor driving this bearishness.

Chart 3: Futures prices trending downwards...



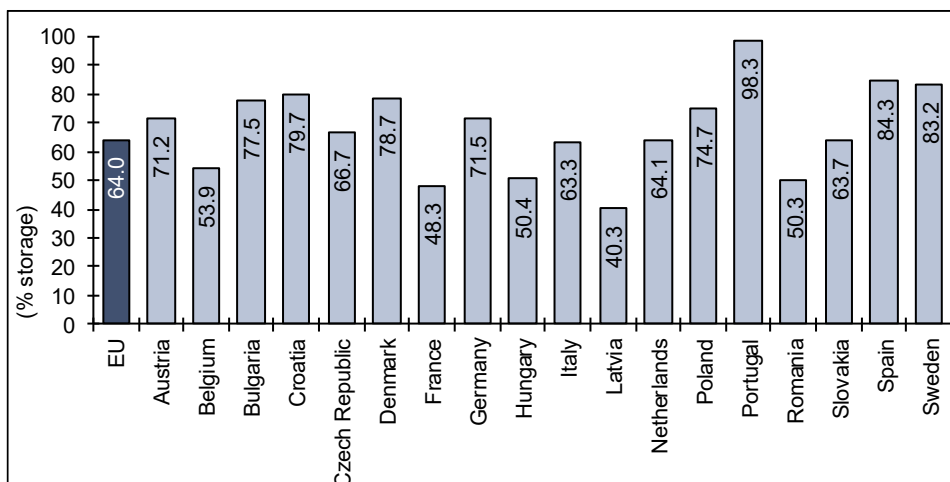
Source: Bloomberg, CME, I-Sec research, Note: March-23 onwards are future prices

Chart 4: ...with EU gas storage above 5-year avg



Source: IEA, I-Sec research

Chart 5: EU country-wise storage as on 19th Feb 2023

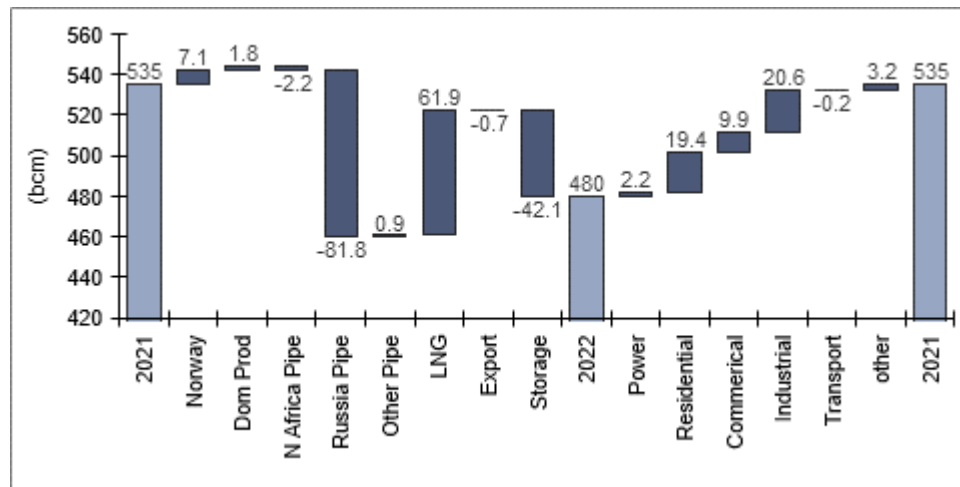


Source: IEA, I-Sec research

Another factor missing in the discussion on EU gas consumption is that, in addition to milder weather currently cutting down demand, overall consumption in CY22 got impacted by the record high prices earlier in the year (NBP hit a record of ~US\$75/mmbtu on 29<sup>th</sup> Aug'22, Dutch TTF prices touched a high of ~US\$91/mmbtu on 25<sup>th</sup> Aug'22).

A recent report by Shell on global LNG market implies CY22 EU gas demand fell by 55bcm, driven by a drop in supply and demand destruction across consuming sectors. The other structural transformation in supply dynamics is the reconfiguration of global LNG flows to the EU. EU LNG imports for CY22 rose by 70% (55bcm), ~2x increase in global LNG production capacity.

**Chart 6: EU gas consumption down 55bcm in CY22, driven by a steep 82bcm decline in Russian gas supplies**

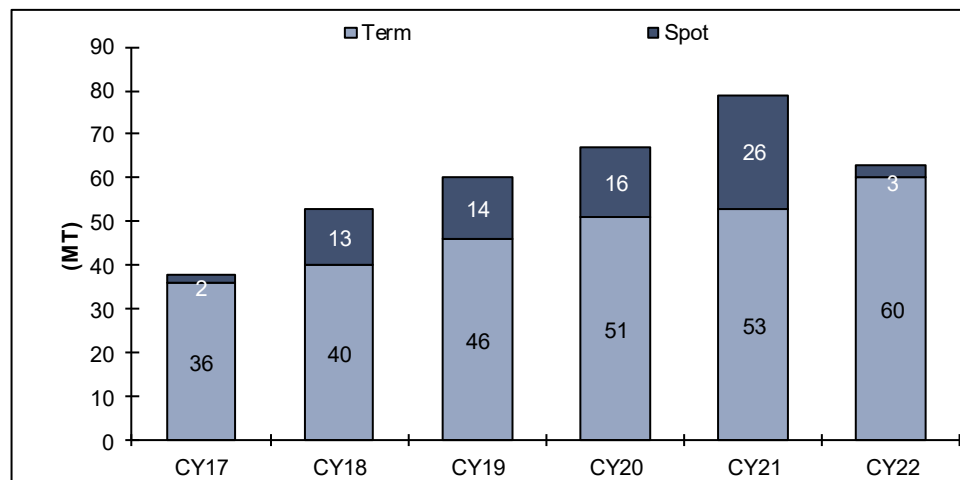


Source: Shell LNG outlook 2023, I-Sec research

### China gas consumption and LNG imports down in CY22

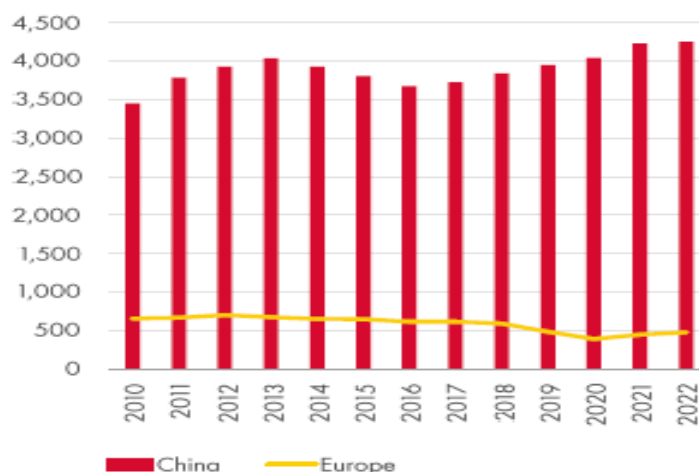
China's LNG imports at 63bcm across CY22 represent a 20% decline YoY, steepest in the past decade. The stringent covid-related lockdowns across major cities led to a decline in industrial activity, which has reflected in weaker demand for LNG over CY22.

**Chart 7: China LNG imports (mmt)**



Source: Shell LNG outlook 2023, I-Sec research.

China has also ramped up its coal use materially over CY22 to compensate for the gap in gas supply and to cut energy prices for the country. This trend can accelerate over CY23E, as more and more countries look to prioritise energy security over climate-related focus over the next few years, at least. This can also cut some gas requirement in the near term for China and India.

**Chart 8: China's coal usage has ramped up**

Source: Shell LNG outlook 2023, I-Sec research.

This moderation in LNG prices is likely to benefit Indian consumers. A reduction of US\$5/mmbtu in average spot LNG prices is likely to reduce blended gas costs for India by 16-17% for FY24E. We note current prices are trending at <\$15/mmbtu but our estimates for the full year remain conservative, for reasons we highlight in the next section of this report.

**Table 1: Indian overall gas sourcing cost**

Oil Prices	Volume	Slope	Units	Current	FY24E
	mmscmd		US\$/bbl	96	90
	FY24e				
ONGC	55.0		US\$/mmbtu	9.6	7.3
ONGC New (KG)	3.0		US\$/mmbtu	9.6	7.3
Oil India	8.3		US\$/mmbtu	9.6	7.3
Other domestic	9.0		US\$/mmbtu	9.6	7.3
Gorgon	5.2	14%	US\$/mmbtu	13.4	12.6
Rasgas	30.6	13%	US\$/mmbtu	14.0	12.0
RIL	28.0	15%	US\$/mmbtu	14.0	12.2
Spot LNG	24.9		US\$/mmbtu	31.0	26.0
<b>Total</b>	<b>164.0</b>		<b>US\$/mmbtu</b>	<b>14.6</b>	<b>12.0</b>

Source: Company data, I-Sec research

Every US\$1/mmbtu change in blended gas costs that is not passed on, has extremely material implications for the earnings of CGDs. **Therefore, if the current softness in gas prices persists beyond the next 6 months, there exists an upside of ~30-50% to our current FY24E EPS estimates.**

**Table 2: Sensitivity – impact of US\$1/mmbtu increase in gas cost**

	Units	IGL	MGL	GGL
<b>FY24 I-Sec estimates</b>				
Gas cost	Rs mn	1,24,865	41,384	1,59,907
Gas cost	Rs/scm	39.3	30.8	45.5
Gas cost	US\$/mmbtu	13.7	10.8	15.5
Volume	mmscm	3,179	1,345	3,511
EPS	Rs/sh	19.9	95.7	22.4
<b>Impact of decrease in US\$1/mmbtu gas cost</b>				
Gas cost less tax	Rs mn	6820	2885	7717
Impact on EPS	Rs/sh	9.7	29.2	11.2
<b>% change impact on EPS</b>	<b>%</b>	<b>49%</b>	<b>31%</b>	<b>50%</b>

Source: Company data, I-Sec research

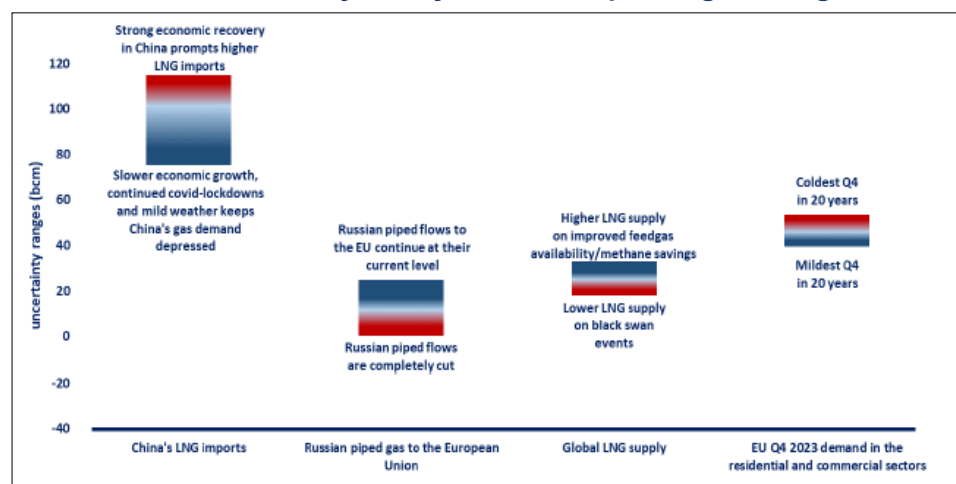
## We believe current level of LNG prices is not sustainable

Positive though this softness may be for Indian gas consumers and the overall gas demand globally, we do not share the optimism indicated by the current demand-supply environment and the futures prices. Our belief remains that there are significant bullish triggers for gas prices by the time next winter comes in Europe – with Chinese demand revival, further cuts in Russian supplies and renewed inventory build-up in Europe, all serving as upside risks to gas prices.

### Four clear scenarios for determining the range of gas prices over CY23/FY24E

The range of demand scenarios for the world is seen to be dependent on 4 clear scenarios with respect to i) Chinese demand, ii) Russian flows to Europe, iii) global LNG supplies, iv) European winter demand in CY23. **As per industry estimates (Shell, Poten Partners, IEA)**, the range of demand globally can vary by as much as ~100bcm (83mt) depending on how each of these scenarios works. A report by IEA (link [here](#)) highlights this range, depending on pricing, weather and behavioural changes seen in user segments, particularly in Europe and China.

**Chart 9: Demand can vary widely in CY23, depending on exogenous factors**

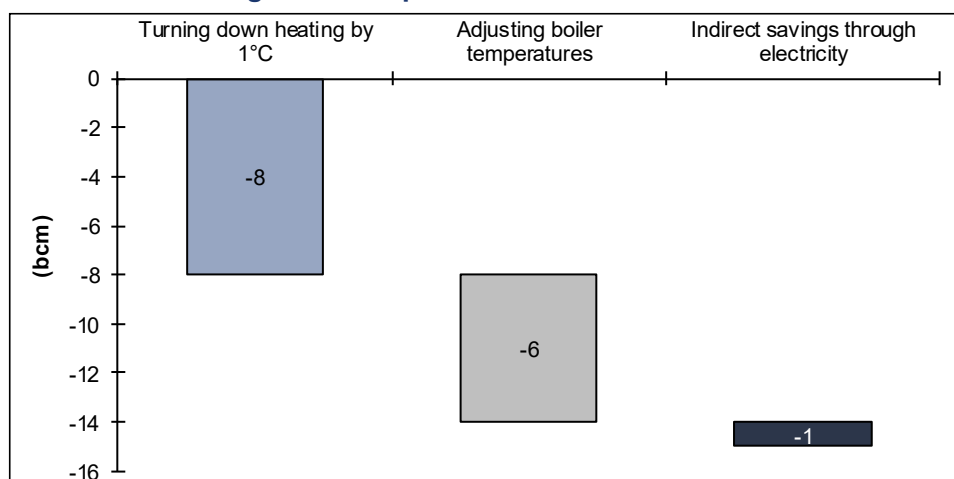


Source: IEA., I-Sec research

Another factor that may impact demand growth overall and particularly in Europe would be behaviour changes in terms of the gas usage in segments such as heating, boiler usage and electricity savings via efficiency improvements. IEA estimates 15bcm/y (11mt) savings over CY22 winter heating season via changes to heating levels, adjusting boiler temperature and electricity savings.

A subsequent report (link [here](#)) has raised that target to ~37bcm (28mt) of savings that is possible for Europe in CY23E through improving energy efficiency, continued expansion of renewables power generation, deployment of heat pumps and behavioural changes. What this implies is that in a continued environment of decreasing Russian gas supplies to Europe, implied gap of 40-45bcm (30-34mt) can be mitigated to a large extent, which will be a material positive for prices.

**Chart 10: Potential savings on natural gas from behaviour change during CY22/CY23 heating season: up to 15bcm**

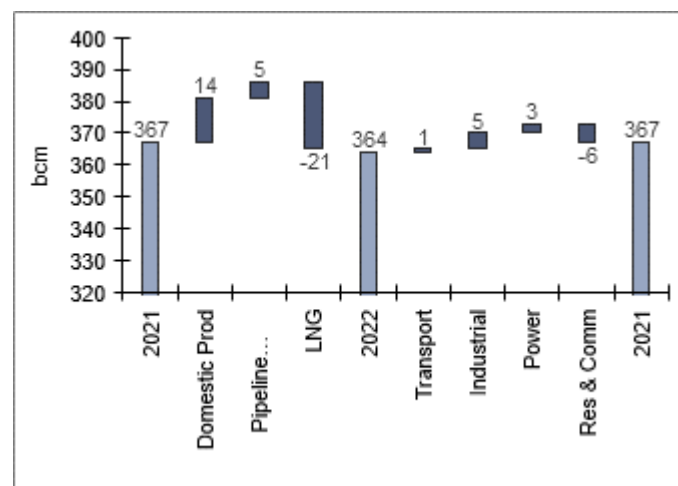


Source: IEA Gas market report, I-Sec research

### Chinese demand is a key driver

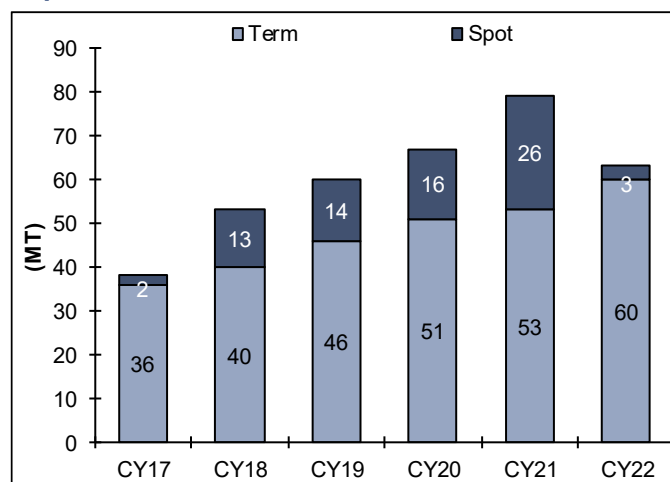
As per IEA's forecasts, natural gas demand in China is forecasted to grow by 6.5% (or 24 bcm) in 2023, driven by the expected recovery in economic activity following the easing of covid-19 lockdown restrictions. Additionally, if the economic momentum for China builds up, demand can increase by a larger amount.

**Chart 11: Chinese demand has stagnated from CY21 to CY22...**



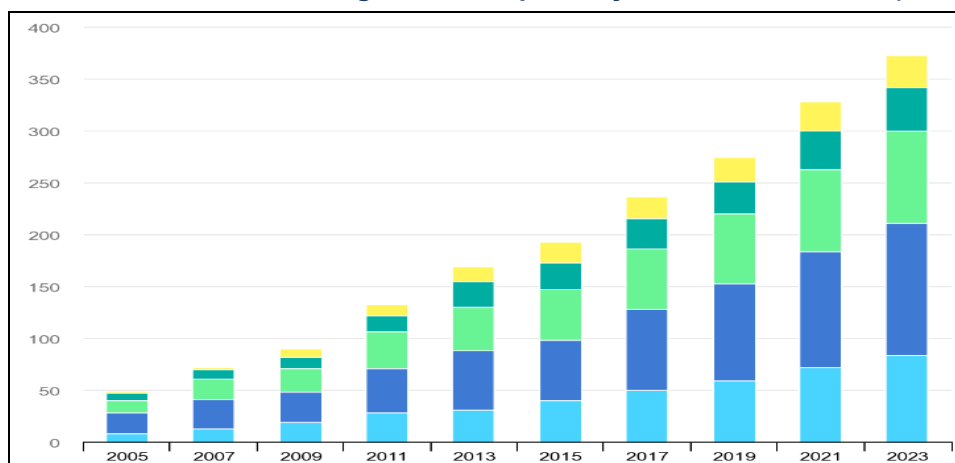
Source: Shell LNG outlook 2023, I-Sec research

**Chart 12: ...reflecting in sharply lower LNG imports**



Source: Shell LNG outlook 2023, I-Sec research

Post the removal of covid-related restrictions in a hurry since Dec'22, Chinese industrial activity and transportation demand can rebound in CY23 ([link](#)). This presents an additional challenge for other buyers of LNG over CY23-CY24E from a pricing perspective as China would be eager to secure as much energy cargoes as possible to get its economy back on track.

**Chart 13: Chinese natural gas consumption by sector, CY05-CY23 (bcm)**

Source: IEA, I-Sec research, Note: Chart period is Calendar Year

**Global LNG terminals have been underutilised despite stronger prices**

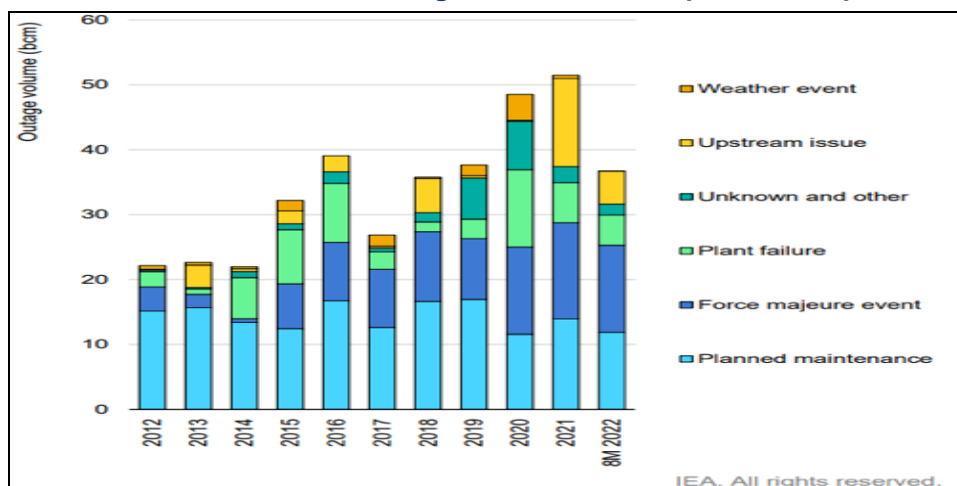
One curious factor relevant to the possible bullish sentiment in prices is that, across the globe, established LNG export terminals have been faltering in terms of utilisation over CY22. This is despite the logical scenario where record high prices should have spurred higher utilisation across the board. Digging into the reasons for the same, while force majeure and weather events can be thought of as non-recurring and hence solvable, even upstream issues (i.e. issues with actual gas fields supplying to the terminal), plant failures and maintenance issues (which are becoming frequent) are worrying trends for large exporters globally ([link](#)).

**Table 3: Global LNG terminals that underperformed in CY22**

LNG supply project	as % of capacity (LNG output in CY22)	as % of 5 year max
Angola LNG	66%	70%
Arzew Skikda (Algeria )	41%	80%
Atlantic LNG terminal (Trinidad)	68%	63%
Bontang LNG( Indonesia)	74%	55%
Brunei LNG	67%	72%
Darwin LNG (Australia)	42%	44%
Egyptian LNG	39%	71%
Freeport LNG (USA)	46%	50%
Ichthys LNG (Australia)	84%	87%
Kribi FLNG (Cameroon )	50%	92%
Nigeria LNG	68%	69%
Peru LNG	79%	84%
Prelude FLNG (Australia)	37%	63%
Skangas LNG (Norway)	64%	68%

Source: IEEFA calculation, based on partial year data from S&amp;P global data, I-Sec research

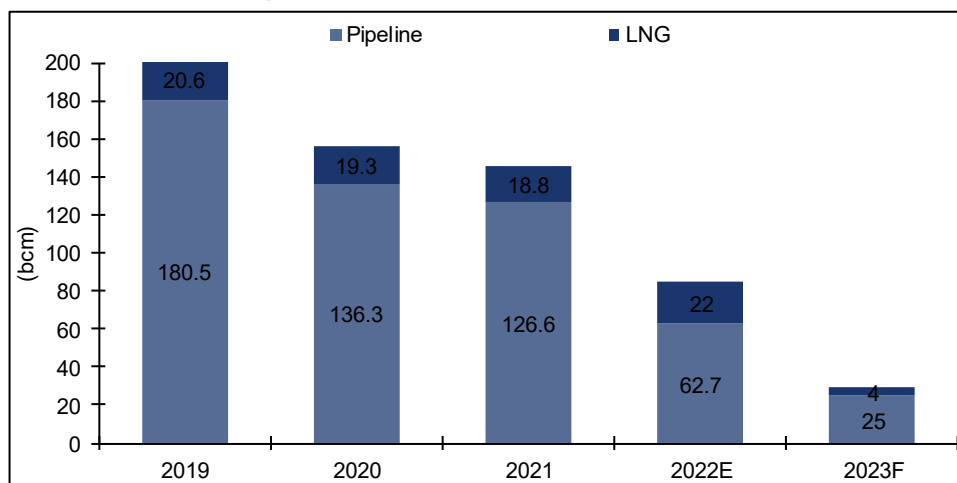


**Chart 14: Reasons for LNG outages and volume impact breakup**

Source: IEA Gas report, I-Sec research, Calendar Year, 8M – up to Aug'22

### Russian gas supplies to contract further

Russian pipeline gas supplies to Europe dropped to ~60bcm in CY22, less than half of CY21 levels. Further, with limited visibility on resolution of the Russia-Ukraine conflict, estimates suggest Russian pipeline supplies may halve to <30bcm in CY23, thereby, creating even more constraints for EU supplies.

**Chart 15: Russia's gas exports to EU**

Source: IEA, BP statistics, I-Sec research

### Non-Russian pipeline sources have limited capacity

While LNG supplies are in a tight spot, ex-Russian pipeline exports to EU have seen material increases over CY21 and CY22 (~38mt each year). But estimates of capacity increases in these countries suggest limited potential for growth in CY23, which is a further trigger for supply tightness over the next 12 months.

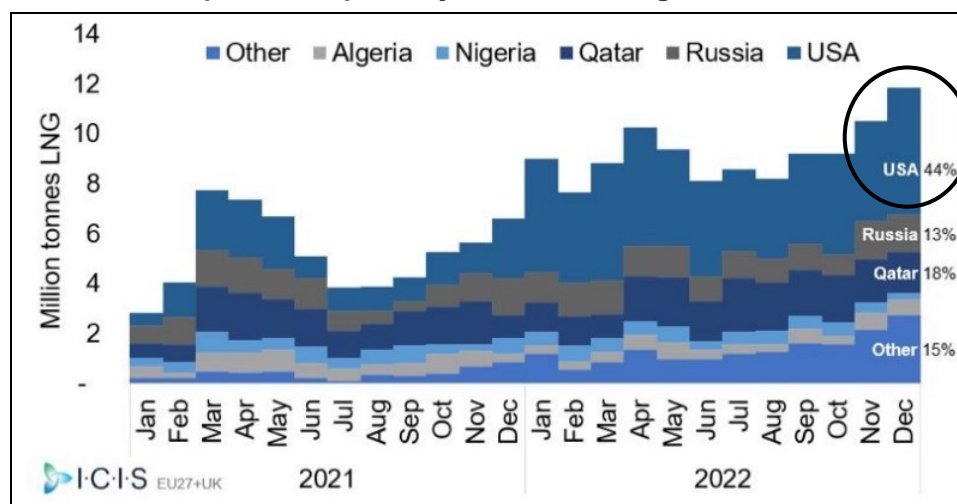
**Table 4: Europe's overall gas imports and storage level to decline in CY23**

in bcm	CY19	CY 20	CY21	CY22E	CY23F	CY21YTD*	CY22YTD*
<b>Indigenous Production</b>	<b>218.5</b>	<b>212.2</b>	<b>211.1</b>	<b>212.1</b>	<b>208.9</b>	<b>164.8</b>	<b>164.6</b>
<b>Pipeline Imports</b>							
Nord Stream I and II	54.5	55.1	55.1	27.8	0	35.6	27.9
Yamal Pipeline - Kondratki	32.2	29.4	25.6	1.3	0	20.5	1.3
Brotherhood Pipeline Velke	57	35.5	28	16.3	0	18.2	13.8
Brotherhood Pipeline Beregovo	15.1	6.7	6.1	0.3	0	5.1	0.3
<b>Russian Pipeline Imports</b>	<b>180.5</b>	<b>136.3</b>	<b>126.6</b>	<b>62.7</b>	<b>0</b>	<b>88.1</b>	<b>59.6</b>
Central Asian Pipeline Imports	0.7	6	19.5	24	24	11.9	18
North Africa Pipeline Imports	26.8	25.3	38	37.1	36	25.9	27.9
<b>Total Pipeline Imports</b>	<b>208</b>	<b>167.6</b>	<b>184.1</b>	<b>123.8</b>	<b>60</b>	<b>125.9</b>	<b>105.5</b>
<b>LNG Imports</b>	116	113.4	106.2	158.1	158.1	74.9	118.6
Of which from Russia	20.6	19.3	18.8	22	0	13.6	16.5
<b>Grand total supply</b>	<b>542.5</b>	<b>493.2</b>	<b>501.4</b>	<b>494</b>	<b>427</b>	<b>365.6</b>	<b>388.7</b>
<b>Consumption before storage EU28</b>	<b>476.2</b>	<b>457.5</b>	<b>478.7</b>	<b>416.6</b>	<b>416.6</b>	<b>337.6</b>	<b>295.1</b>
<b>Storage level at year end /period</b>	<b>66.3</b>	<b>35.7</b>	<b>22.7</b>	<b>77.4</b>	<b>10.4</b>	<b>28</b>	<b>93.6</b>

Source: Bloomberg, I-Sec research \*up to September YTD

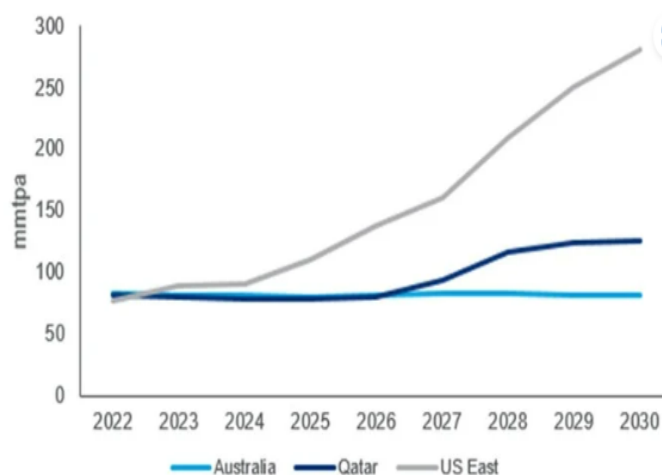
**US was the saviour for CY22, can it rescue CY23 as well?**

US share of European gas imports has grown from negligible levels in CY21 to ~44% in CY22, helping mitigate to a large extent the shortfall caused by the reduction of Russian pipeline supplies to EU. As per some industry estimates ([link](#)), aggregate US LNG exports to Europe touched 50bcm (~137mmscmd) in CY22 and are likely to remain at those levels in CY23 as well.

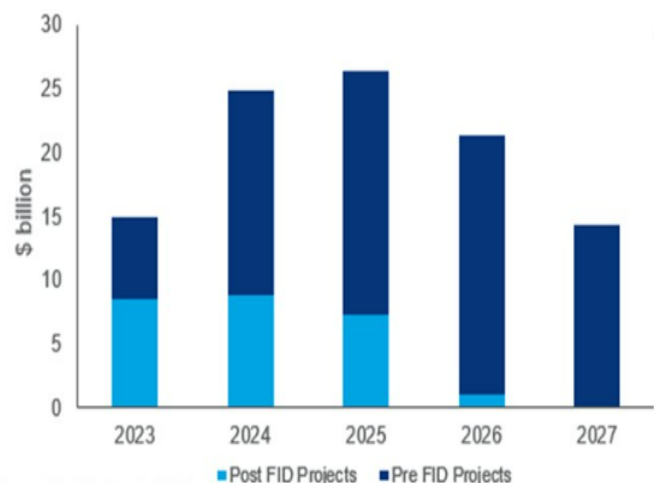
**Chart 16: Europe LNG imports by source – strongest share of the US**

Source: ICIS, I-Sec research

Growth beyond this level in the next 12-18 months, however, seems unlikely. This is because the growth has been achieved mainly via higher operational levels at existing terminals, rather than any meaningful addition to export capacity, at least in CY22. While the projections for LNG exports by associations like the Global Data Energy do point to >220mt of feasible + under-development terminals in the US by CY26, we do believe the timeline implies most of that capacity will be available only post CY24. Also, we note that as per the latest Shell LNG outlook, projects to come up over CY23-25E aggregate only 58mt, short of requirement.

**Chart 17: Liquefaction capacity\* of current top three global LNG exporters**

Source: Wood Mackenzie LNG tool, I-Sec research; Note \*Capacity includes possible projects, some of which are likely to be delayed or cancelled

**Chart 18: Investment in US LNG projects by FID status**

Source: Wood Mackenzie LNG tool, I-Sec research

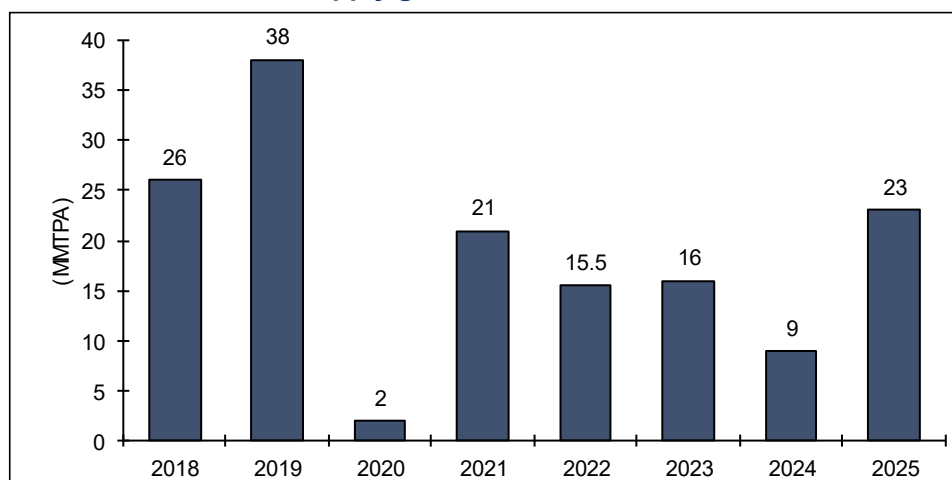
**Table 5: Under construction and selected \*pre-FID US LNG projects**

Project	Operator	Status	Capacity (mmtpa)	Woodmac Earliest estimated start up
NFE Louisiana FLNG	New Fortress Energy	Under construction	2.8	CY24
Plaquemines LNG Phase 1	Venus Global	Under construction	13.3	CY24
Golden pass LNG	Quatar Energy/ExxonMobil	Under construction	18.1	CY24
Corpus Christi Stage 3	Cheniere	Under construction	10.4	CY26
Plaquemines LNG Phase 2	Venture Global	Probable Development	6.7	CY26
Port Arthur LNG Phase 1	Sempra Infra	Probable Development	13.5	CY27
Rio Grande LNG Phase 1	NextDecade	Possible	16.2	CY27
CP2 LNG Phase 1	Venture Global	Possible	10.0	CY27
Cameron LNG Phase 2	Sempra Infra	Possible	6.8	CY27
Corpus Christi Midscale T8&9	Cheniere	Possible	3.0	CY28
Driftwood LNG	Tellurian	Possible	11.0	CY28
Freeport Train 4	Freeport LNG	Possible	5.1	CY28
Lake Charles LNG	Enerfy Transfer	Possible	16.4	CY28
Commonwealth LNG	Commonwealth LNG	Possible	8.4	CY28
CP2 LNG Phase 2	Venture Global	Possible	10.0	CY28
Delfin LNG	Delfin Midstream	Possible	3.5	CY28

Source: Wood Mackenzie, I-Sec research ; Note : \*other Possible pre FID projects include Magnolia LNG, Texas LNG, Jacksonville LNG , Port Arthur LNG Phase 2 , Rio Grande LNG Phase 2 and Driftwood LNG phase 2

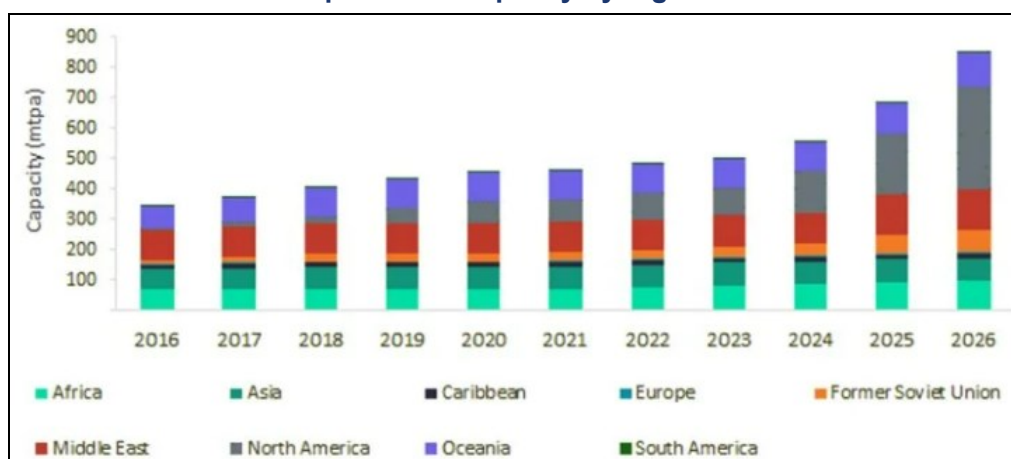
### Medium-term LNG supply prospects look better, execution of projects is key

The 'Global Capacity and Capital Expenditure Outlook for LNG Liquefaction Terminals, 2022-2026', indicates global (liquefaction) LNG capacity is expected to grow by 75% over the next four years – from 488mmtpa in CY22 to 852mmtpa in CY26 – from new builds and expansion projects ([link](#)).

**Chart 19: Global LNG supply growth over CY18-25E**

Source: Shell LNG outlook 2023, I-sec research

Among countries, US leads globally with 220.3mtpa of liquefaction capacity additions by CY26. Russia and Qatar follow with capacities of 44.7mtpa and 32.0mtpa, respectively.

**Chart 20: Global LNG liquefaction capacity by region**

Source: Global Capacity and Capital Expenditure Outlook I-Sec research

**Table 6: World natural gas demand (in bcm) by region and key countries**

in bcm	CY19	CY20	CY21	CY22	CY23	CY23/CY22
Africa	164	161	169	166	171	3.0%
<b>Asia Pacific</b>	<b>835</b>	<b>841</b>	<b>895</b>	<b>895</b>	<b>923</b>	<b>3.1%</b>
of which China	306	325	364	370	390	5.4%
Central and South America	155	142	153	147	147	0.0%
Eurasia	608	584	634	619	614	-0.8%
of which Russia	482	460	501	484	479	-1.0%
Europe	586	573	604	548	531	-3.1%
Middle East	545	548	564	582	596	2.4%
North America	1106	1080	1084	1114	1102	-1.1%
of which United States	888	869	867	890	876	-1.6%
World	3999	3930	4103	4071	4085	0.3%

Source: IEA Gas market report, I sec research

**Table 7: World natural gas production (in bcm) by region and key countries**

in bcm	CY19	CY20	CY21	CY22	CY23	CY23/CY22
Africa	252	241	262	270	278	3.0%
<b>Asia Pacific</b>	<b>637</b>	<b>630</b>	<b>651</b>	<b>669</b>	<b>681</b>	<b>1.8%</b>
<i>of which China</i>	<i>174</i>	<i>189</i>	<i>205</i>	<i>220</i>	<i>230</i>	<i>4.5%</i>
Central and South America	167	150	147	149	151	1.3%
Eurasia	921	866	955	841	817	-2.9%
<i>of which Russia</i>	<i>738</i>	<i>692</i>	<i>762</i>	<i>651</i>	<i>623</i>	<i>-4.3%</i>
Europe	249	230	223	232	235	1.3%
Middle East	671	674	694	715	732	2.4%
North America	1174	1154	1178	1212	1235	1.9%
<i>Of which United States</i>	<i>968</i>	<i>954</i>	<i>973</i>	<i>1010</i>	<i>1041</i>	<i>3.1%</i>
World	4071	3945	4110	4089	4129	1.0%

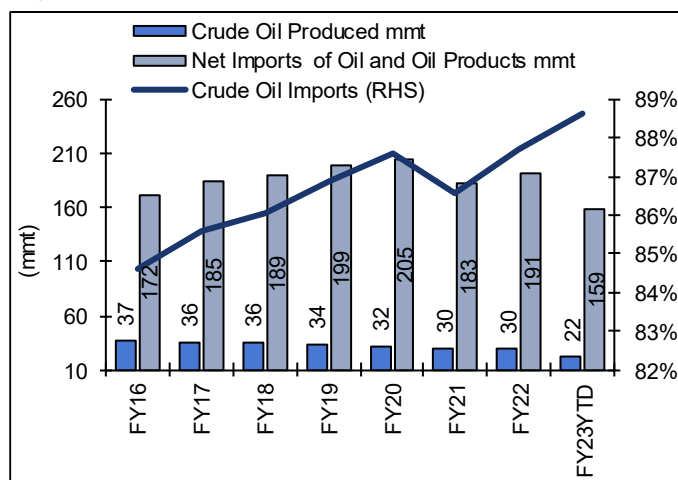
Source: IEA Gas market report, I-Sec research

## Indian domestic supplies can rise over CY24-26E, mitigating supply risks somewhat

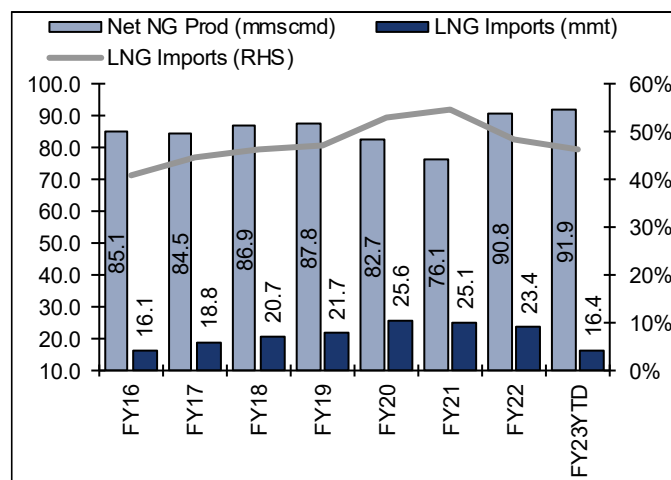
Indian domestic oil and gas production has remained broadly stagnant over the last 5-6 years and this has exacerbated the pressure on Indian sourcing costs, with LNG imports at 48% of Indian gas consumption by FY22 vs 41% in FY16. Absolute numbers have also gone up, with LNG imports having 85mmscmd (23.4mmt) in FY22 vs just 58mmscmd (16.1mmt) in FY16. Crude imports have remained significant over long term, with net imports steady at 86-88% of Indian consumption over FY16-23.

However, we believe post a long hiatus, upstream production will see an uptick over FY24-26E, with multiple developments of RIL, ONGC and Oil India likely to drive steady improvement over FY23-26E. Post a weak trajectory of ~3.6% annualised decline in oil production and a 1% CAGR in gas production over FY19-FY23E, we see oil production growing by 2% CAGR over FY23-26E and gas by a more material 7% CAGR over FY23-26E.

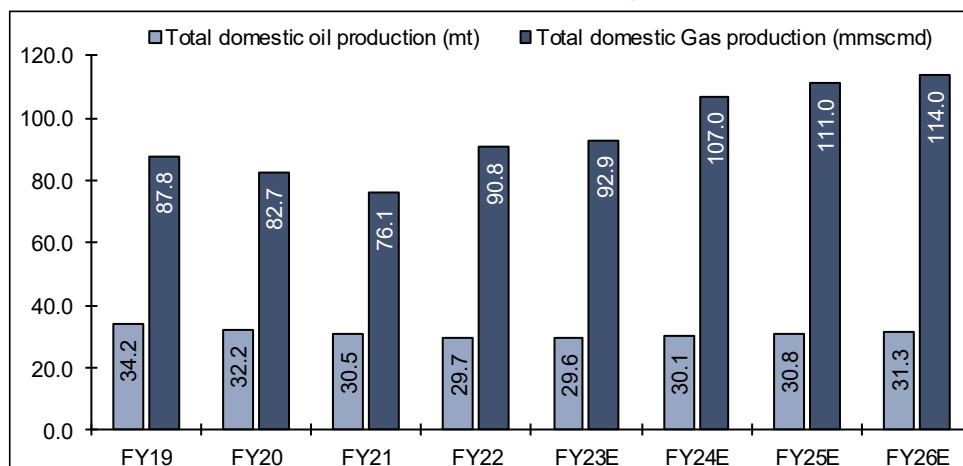
In absolute terms that translates to ~32kb/d of oil production increase and a material 20-22mmscmd of net production increase in gas over FY23-26E –this doesn't do any material change to our oil import bill over the period. Gas production increase is more significant and will help reduce spot LNG requirement materially in the near term. This helps insulate India from the relatively tight LNG supply environment over FY24-25E and also helps keep overall gas costs under control.

**Chart 21: Indian oil imports have remained significant...**

Source: Company data, I-Sec research, Note :YTD- 9MFY23

**Chart 22: ...LNG imports have risen sharply as well**

Source: Company data, I-Sec research; Note : YTD- 9MFY23

**Chart 23: We expect a revival in Indian oil and gas production**

Source: PPAC, MOPNG, Company data I-Sec research

This increase will have an incremental benefit on overall Indian gas costs as well, with relatively lower requirement of spot LNG to help keep weighted average costs down over FY24-26E. This is a significant positive for Indian end users and for demand as price unaffordability has been a prime driver of demand weakness across end use sectors over FY23E.

**Table 8: India's overall gas cost and volume for FY23-FY26E**

	Volumes (mmscmd)				Slope	Brent Crude \$/bbl	96.0	90.0	85.0	85.0
	FY23E	FY24E	FY25E	FY26E			FY23E	FY24E	FY25E	FY26E
<b>Production</b>						<b>Gas price</b>				
ONGC	53.9	55.0	53.9	52.8		US\$/mmbtu	9.6	7.3	7.9	8.4
ONGC New (KG)	-	3.0	5.0	3.0		US\$/mmbtu	9.6	7.3	7.9	8.4
Oil India	8.1	8.3	8.5	8.8		US\$/mmbtu	9.6	7.3	7.9	8.4
Other domestic	9.0	9.0	9.1	9.2		US\$/mmbtu	9.6	7.3	7.9	8.4
Gazprom	1.8				14%	US\$/mmbtu	13.4			
Gorgon	5.2	5.2	5.2	5.2	14%	US\$/mmbtu	13.4	12.6	11.9	11.9
Rasgas	27.5	30.6	30.6	30.6	13%	US\$/mmbtu	14.0	12.0	12.0	12.0
RIL	18.0	28.0	30.0	30.0	14%	US\$/mmbtu	14.0	12.2	12.2	12.2
Spot LNG	34.5	24.9	27.7	35.4		US\$/mmbtu	31.0	25.0	25.0	25.0
<b>Volumes</b>	<b>158.0</b>	<b>164.0</b>	<b>170.0</b>	<b>175.0</b>		<b>US\$/mmbtu</b>	<b>15.7</b>	<b>11.9</b>	<b>12.3</b>	<b>13.1</b>

Source: PPAC, Company data I-Sec research

## Implications on our coverage universe

Overall, the combination of the Kirit Parikh committee recommendations to cap domestic gas prices at US\$6.5-7.5/mmbtu over the next 3 years, imminent tariff notifications with sharply better tariffs for GAIL/GSPL, rising propane prices and now near-term moderation in spot LNG costs augur well for our gas coverage universe. We present below a brief summary of impact and view on the 6 companies in the current environment:

### IGL – material change in prospects

In our view, flat stock price over the past 6 months ignores the long-term prospects in favour of the near-term stress on margins. We maintain our margin estimates for FY23E/FY24E at Rs6.7/6.9 per scm, respectively. CAGR of 12% in FY23-25E EPS is subject to significant upside risks on margins and even volumes. We see current valuations at 17.5x FY25E P/E and ~9.6x EV/EBITDA offering excellent risk-reward. Our DCF-based valuation (FY23E/FY24E average) of Rs535/sh implies a material 22% upside from CMP. Reiterate BUY.

### MGL – steady as she goes

The stock performance has been flattish in the last 6 months (absolute return of just 3% in 6 months). With favourable multiples (at CMP, stock trades at 8.7x FY25E EPS and 3.8 EV/EBITDA), we remain bullish on MGL for next 12-18 months. We estimate an EPS CAGR of 19% over FY23-FY25E, supported by volume CAGR of ~6% p.a., gross margin of Rs15.4/scm and EBITDA/scm of R10.3/scm. Longer-term growth beyond FY25E-FY26E does seem challenging, but current valuation gaps and growth prospects create a favourable risk-reward. Our DCF valuation, factoring in conservative assumptions of 3% volume growth and EBITDA/scm of ~Rs9.5/scm, delivers a target price of Rs1,050/sh, ~19% upside from CMP. Reiterate BUY.

### GGL – propane price competitiveness is a key monitorable

Lower volumes from the key region of Morbi have driven weakness seen over 9MFY23 but with rising propane prices from Feb'23, we feel Q4FY23 may see some revival in volume trends for GGL. Earnings remain strong, driven by limited requirement of the costliest gas in the portfolio (spot LNG) and sales realisation lagging cost declines by a wide margin. Going forward, the balancing act between volumes and margins may remain volatile, even as we believe softer gas price environment for both domestic and LNG and relatively stronger propane price environment could drive a steady improvement for FY24/25E EPS.

With the recent price increase of Rs1.5/scm taken in the industrial segment and the sharp rise in propane prices, we have raised our volume estimates for Q4 as well as FY24/FY25E by 9.3/9.3% which also drives an EPS upgrade to Rs22.4/24.0 per share for FY24/25E (up 2.6/4.1%, respectively). However, our recommendation stays at ADD primarily because we remain wary of volatility in propane-gas economics, ii) slower traction from new areas, iii) our estimates of spot LNG prices reverting to >US\$30/mmbtu by H2FY24E due to Chinese demand and renewed inventory build of Europe and iv) still healthy valuations of ~21.2x FY25E EPS, 12.1x EV/EBITDA.



**GAIL – near-term stress, long-term strength**

Structurally, resilient gas demand, growing pipeline connectivity (Eastern gas grid alone should add volumes of ~10-12mmscmd over FY23E-FY25E) and additional delta from petrochemicals (JBF acquisition should also add capacity) imply GAIL can manage the stress of higher input costs for petrochemical and LPG segments over FY24-25E. Additionally, tariff rule amendments are can lead to high double-digit increment in blended transmission tariffs from FY24E which is a material positive for earnings over FY24-26E.

GAIL, in its recent interactions, has also indicated that it is trying to source some spot LNG to mitigate the loss of ~9mmscmd of Gazprom LNG volumes and so even petchem utilisation and trading earnings may see some traction after a weak FY23. We have taken cognisance of the recent guidance for transmission tariffs (much stronger than our estimates) and minor improvement in petchem volumes for FY24/25E. This drives 1.1/2.0% increase in FY24/25E EPS for GAIL and drives a 5% upgrade in TP. Maintain BUY.

**PLNG – steady earnings, risk-reward remains balanced**

In light of muted valuations, sharp moderation in spot LNG prices and our assessment that global LNG supplies can steadily improve over the next 2-3 years, we believe prospects for PLNG can improve steadily over the long term, albeit near-to-medium term prospects remain constrained. Stock performance remained flattish over the past 6 months and valuations are unchallenging at 9.2x FY25E P/E and 5.2x EV/EBITDA, with a dividend yield of 6-7%. While constraints persist on near-term earnings, we believe earnings have bottomed out – and, over the medium term, the combination of stronger volumes and some moderation in LNG prices, along with higher capacity, may ensure earnings growth, albeit at a muted run rate. Maintain HOLD.

**GSPL – volume weakness to subside, tariff strength to be a big trigger**

For GSPL, the next 2-quarter prospects seem muted with volumes from power and CGD sectors, in particular, likely to be constrained due to unfavourable input costs. Having said that, the recent moderation in spot LNG prices and the prospect of higher domestic supply make us optimistic for prospects over FY24-25E. Coupled with the positive read through from tariff amendments announced recently (see our note [here](#)), we see earnings growth steadily recovering over the next 2 years. Current valuations of just 9.0x FY25E EPS/ 3.5xEV/EBITDA seem to more than compensate for holdco discount (for GGL stake) and near-term concerns on volumes. Maintain **BUY**.



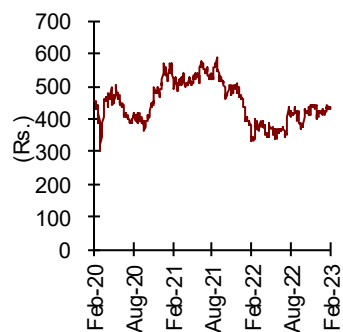
**Table 9: Change in earnings estimates for Gujarat Gas and GAIL**

Rs mn	New estimates		Old estimates		% change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
<b>Gujarat Gas</b>						
Sales(Rs mn)	1,96,050	2,11,663	1,63,685	1,72,490	19.8%	22.7%
EBITDA(Rs mn)	25,033	27,105	24,510	26,233	2.1%	3.3%
PAT(Rs mn)	15,387	16,529	14,995	15,877	2.6%	4.1%
EPS (Rs/sh)	22.4	24.0	21.8	23.1	2.6%	4.1%
TP (Rs/sh)		554		540		2.5%
CMP		507				
Upside		9%				
<b>Volumes (mmscmd)</b>						
CNG	0.7	0.8	0.7	0.8	-0.5%	-0.5%
Residential PNG	2.6	2.8	2.6	2.8	-0.5%	-0.5%
Industrial/Commercial	6.3	6.7	5.5	5.8	15.3%	15.3%
Total	9.6	10.3	8.8	9.4	9.3%	9.3%
Gross Margins (Rs/scm)	10.3	10.5	11.0	11.1	-6.6%	-5.8%
EBITDA Margins(Rs/scm)	7.1	7.2	7.6	7.6	-6.6%	-5.4%
Volumes	0.7	0.8	0.7	0.8	-0.5%	-0.5%
EBITDA	2.6	2.8	2.6	2.8	-0.5%	-0.5%
<b>GAIL</b>						
Sales(Rs mn)	10,08,318	10,28,675	10,07,121	10,23,353	0.1%	0.5%
EBITDA (Rs mn)	1,11,019	1,27,241	1,09,720	1,24,733	1.2%	2.0%
PAT(Rs mn)	89,572	1,01,919	88,575	99,963	1.1%	2.0%
EPS (Rs/sh)	13.6	15.5	13.5	15.2	1.1%	2.0%
TP (Rs/sh)		122		116		5.2%
CMP		103				
Upside		18%				
Petchem						
Utilization	84%	90%	84%	87%		
EBITDA (Rs mn)	327	8,864	327	8,526	0.0%	4.0%
Petchem volume (kt)	680	730	680	705	0.0%	3.5%
Trading volume (mmscmd)	98.0	105.5	98.0	105.5	0.0%	0.0%
Tramission Volume (mmscmd)	110.0	117.5	110.0	117.5	0.0%	0.0%
Tariff (Rs/mcm)	1,543.6	1,677.5	1,510.5	1,624.6	2.2%	3.3%
LPG Volumes (kt)	1,085.0	1,085.0	1,085.0	1,085.0	0.0%	0.0%

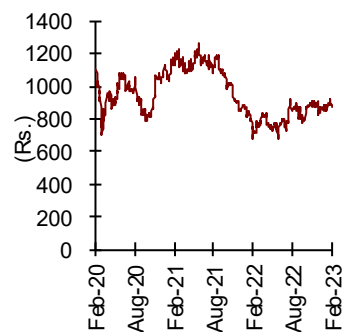
Source: Company data, I-Sec research

## Price charts

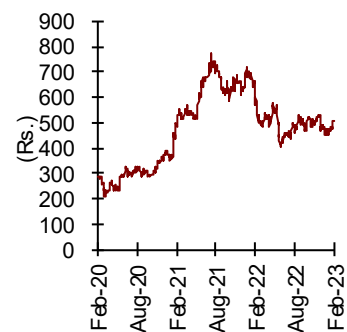
IGL



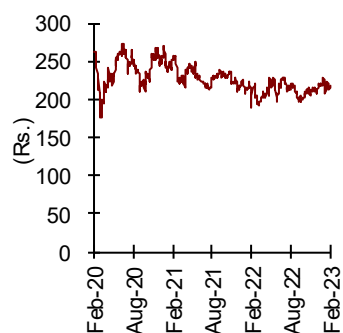
MGL



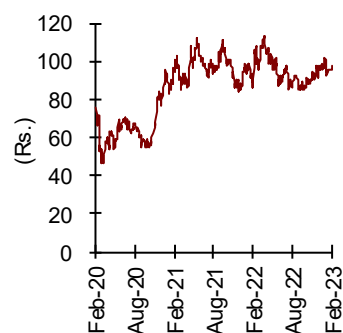
Gujarat Gas



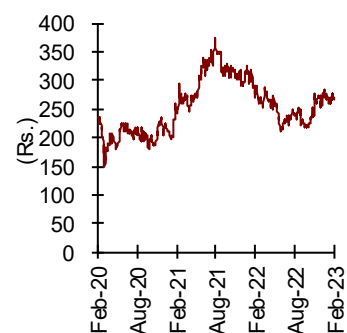
PLNG



GAIL



GSPL



Source: Bloomberg

## Financial summary - IGL

**Table 10: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Income (Sales)</b>	<b>77,100</b>	<b>1,50,254</b>	<b>1,65,249</b>	<b>1,79,556</b>
<b>Operating Expenses</b>	<b>58,289</b>	<b>1,30,201</b>	<b>1,43,311</b>	<b>1,55,412</b>
<b>EBITDA</b>	<b>18,812</b>	<b>20,053</b>	<b>21,938</b>	<b>24,145</b>
% margins	24%	13%	13%	13%
Depreciation & Amortisation	3,171	3,766	4,270	4,664
Gross Interest	132	104	104	104
Other Income	2,150	2,414	3,081	3,990
<b>Recurring PBT</b>	<b>17,659</b>	<b>18,596</b>	<b>20,645</b>	<b>23,366</b>
Less: Taxes	4,509	4,649	5,161	5,841
<b>Net Income (Reported)</b>	<b>13,150</b>	<b>13,947</b>	<b>15,484</b>	<b>17,524</b>
<b>Recurring Net Income</b>	<b>13,150</b>	<b>13,947</b>	<b>15,484</b>	<b>17,524</b>

Source: Company data, I-Sec research

**Table 11: Balance sheet**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	37,627	71,556	85,395	1,02,877
of which cash & cash eqv.	13,616	42,375	56,130	73,653
Total Current Liabilities & Provisions	31,478	61,346	67,468	73,309
<b>Net Current Assets</b>	<b>6,149</b>	<b>10,210</b>	<b>17,928</b>	<b>29,568</b>
<b>Investments</b>	<b>3,093</b>	<b>3,093</b>	<b>3,093</b>	<b>3,093</b>
<b>Net Fixed Assets</b>	<b>50,017</b>	<b>56,411</b>	<b>60,301</b>	<b>61,797</b>
Capital Work-in-Progress	13,786	13,786	13,786	13,786
<b>Total Assets</b>	<b>70,308</b>	<b>80,764</b>	<b>92,370</b>	<b>1,05,507</b>
<b>Liabilities</b>				
Borrowings (Includes cash deposits)	834	834	834	834
Deferred Tax Liability	2,737	2,737	2,737	2,737
Equity Share Capital	1,400	1,400	1,400	1,400
Face Value per share (Rs)	2	2	2	2
Reserves & Surplus	67,962	78,414	90,017	1,03,150
Net worth	69,362	79,814	91,417	1,04,550
<b>Total liabilities</b>	<b>70,308</b>	<b>80,764</b>	<b>92,370</b>	<b>1,05,507</b>

Source: Company data, I-Sec research

**Table 12: Quarterly trend**
*(Rs mn, year ending March 31)*

	Mar'22	Jun'22	Sept'22	Dec'22
Net sales	24,059	31,939	35,540	37,108
% growth (YoY)	8.6%	32.7%	11.3%	67.5%
EBITDA	5,005	6,175	5,275	4,285
Margin (%)	20.8%	19.3%	14.8%	11.5%
Other income	774	307	1,100	557
Add: Extraordinaries				
<b>Net profit</b>	<b>3,616</b>	<b>4,209</b>	<b>4,161</b>	<b>2,783</b>

Source: Company data, I-Sec research

**Table 13: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow</b>	<b>18,961</b>	<b>20,053</b>	<b>21,938</b>	<b>24,145</b>
Working Capital Changes	3,777	24,700	6,041	5,885
Operating Cash flow	18,979	40,104	22,819	24,188
Capital Commitments	(13,370)	(10,160)	(8,160)	(6,160)
<b>Free Cashflow</b>	<b>5,610</b>	<b>29,944</b>	<b>14,659</b>	<b>18,028</b>
<b>Cashflow from Investing</b>	<b>(15,848)</b>	<b>(7,746)</b>	<b>(5,079)</b>	<b>(2,170)</b>
<b>Activities</b>				
Inc (Dec) in Borrowings	-	-	-	-
Inc (Dec) in marketable investments	(3,224)	-	-	-
Dividend paid	(2,519)	(3,495)	(3,880)	(4,391)
Cash flow from Financing	(3,285)	(3,599)	(3,984)	(4,496)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(153)</b>	<b>28,759</b>	<b>13,755</b>	<b>17,522</b>

Source: Company data, I-Sec research

**Table 14: Key ratios**
*(Year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	18.8	19.9	22.1	25.0
Recurring Cash EPS	23.3	25.3	28.2	31.7
Dividend per share (DPS)	5.5	5.0	5.5	6.3
Book Value per share (BV)	99.1	114.0	130.6	149.4
<b>Growth Ratios (%)</b>				
Operating Income	56%	95%	10%	9%
EBITDA	27%	7%	9%	10%
Recurring Net Income	31%	6%	11%	13%
Recurring EPS	31%	6%	11%	13%
Recurring CEPS	26%	9%	12%	12%
<b>Valuation Ratios (% YoY)</b>				
P/E	23.3	22.0	19.8	17.5
P/BV	4.4	3.8	3.4	2.9
EV / EBITDA	15.5	13.1	11.3	9.6
EV / FCF	51.8	8.7	16.9	12.8

**Operating Ratios**

Other Income / PBT (%)	12%	13%	15%	17%
Effective Tax Rate (%)	25%	25%	25%	25%
D/E Ratio (%)	0.0	0.0	0.0	0.0
Net D/E Ratio	-43%	-74%	-79%	-86%

**Return/Profitability Ratios (%)**

Recurring Net Income Margins	17%	9%	9%	10%
RoCE	22%	20%	19%	18%
RoNW	19%	17%	17%	17%
Dividend Payout Ratio	29%	25%	25%	25%
Dividend Yield	1.3%	1.1%	1.3%	1.4%
EBITDA Margins	24%	13%	13%	13%

Source: Company data, I-Sec research

## Financial summary – MGL

**Table 15: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Income (Sales)</b>	<b>35,602</b>	<b>62,264</b>	<b>62,378</b>	<b>66,499</b>
<b>Operating Expenses</b>	<b>26,359</b>	<b>52,045</b>	<b>48,507</b>	<b>51,711</b>
<b>EBITDA</b>	<b>9,243</b>	<b>10,219</b>	<b>13,870</b>	<b>14,789</b>
% margins	26%	16%	22%	22%
Depreciation & Amortisation	1,963	2,548	2,968	3,388
Gross Interest	75	50	50	50
Other Income	857	1,823	1,784	2,032
<b>Recurring PBT</b>	<b>8,063</b>	<b>9,445</b>	<b>12,637</b>	<b>13,383</b>
Less: Taxes	2,093	2,377	3,181	3,368
<b>Net Income (Reported)</b>	<b>5,969</b>	<b>7,067</b>	<b>9,456</b>	<b>10,014</b>
<b>Recurring Net Income</b>	<b>5,969</b>	<b>7,067</b>	<b>9,456</b>	<b>10,014</b>

Source: Company data, I-Sec research

**Table 16: Balance sheet**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	9,159	20,795	18,944	21,587
of which cash & cash eqv.	4,652	16,082	14,283	16,776
Total Current Liabilities & Provisions	14,357	27,293	24,998	26,561
<b>Net Current Assets</b>	<b>(5,198)</b>	<b>(6,498)</b>	<b>(6,054)</b>	<b>(4,975)</b>
<b>Investments</b>	<b>10,883</b>	<b>11,971</b>	<b>13,168</b>	<b>14,485</b>
<b>Net Fixed Assets</b>	<b>26,137</b>	<b>30,590</b>	<b>34,622</b>	<b>38,234</b>
Capital Work-in-Progress	6,159	6,159	6,159	6,159
<b>Total Assets</b>	<b>37,981</b>	<b>42,222</b>	<b>47,895</b>	<b>53,904</b>
<b>Liabilities</b>				
Borrowings (Includes cash deposits)	-	-	-	-
Deferred Tax Liability	2,008	2,008	2,008	2,008
Equity Share Capital	988	988	988	988
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	34,985	39,226	44,900	50,908
Net worth	<b>35,973</b>	<b>40,214</b>	<b>45,887</b>	<b>51,896</b>
<b>Total liabilities</b>	<b>37,981</b>	<b>42,222</b>	<b>47,895</b>	<b>53,904</b>

Source: Company data, I-Sec research

**Table 17: Quarterly trend**
*(Rs mn, year ending March 31)*

	Mar'22	Jun'22	Sept'22	Dec'22
Net sales	10,811	14,502	15,581	16,658
% growth (YoY)	5.9%	34.1%	7.4%	6.9%
EBITDA	2,155	2,856	2,528	2,561
Margin (%)	19.9%	19.7%	16.2%	15.4%
Other income	227	200	260	323
Add: Extraordinaries				
Net profit	1,318	1,852	1,640	1,721

Source: Company data, I-Sec research

**Table 18: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow</b>	<b>9,506</b>	<b>10,219</b>	<b>13,870</b>	<b>14,789</b>
Working Capital Changes	1,652	12,731	(2,244)	1,413
Operating Cash flow	<b>9,037</b>	<b>20,572</b>	<b>8,446</b>	<b>12,833</b>
Capital Commitments	(6,473)	(7,000)	(7,000)	(7,000)
<b>Free Cashflow</b>	<b>2,564</b>	<b>13,572</b>	<b>1,446</b>	<b>5,833</b>
<b>Cashflow from Investing</b>				
<b>Activities</b>	<b>(6,400)</b>	<b>(6,265)</b>	<b>(6,413)</b>	<b>(6,285)</b>
Inc (Dec) in Borrowings	-	-	-	-
Inc (Dec) in investments	(357)	(1,088)	(1,197)	(1,317)
Dividend paid	(2,810)	(2,827)	(3,782)	(4,006)
Cash flow from Financing				
<b>Activities</b>	<b>(3,103)</b>	<b>(2,877)</b>	<b>(3,832)</b>	<b>(4,056)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>(467)</b>	<b>11,431</b>	<b>(1,799)</b>	<b>2,493</b>

Source: Company data, I-Sec research

**Table 19: Key ratios**
*(Year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	60.4	71.5	95.7	101.4
Recurring Cash EPS	80.3	97.3	125.8	135.7
Dividend per share (DPS)	25.0	28.6	38.3	40.6
Book Value per share (BV)	364.2	407.1	464.5	525.4
<b>Growth Ratios (%)</b>				
Operating Income	65%	75%	0%	7%
EBITDA	-1%	11%	36%	7%
Recurring Net Income	-4%	18%	34%	6%
Recurring EPS	-4%	18%	34%	6%
Recurring CEPS	0%	21%	29%	8%
<b>Valuation Ratios (% YoY)</b>				
P/E	14.6	12.3	9.2	8.7
P/BV	2.4	2.2	1.9	1.7
EV / EBITDA	7.7	5.8	4.3	3.8
EV / FCF	27.8	4.3	41.1	9.5

**Operating Ratios**

Other Income / PBT (%)	11%	19%	14%	15%
Effective Tax Rate (%)	26%	25%	25%	25%
D/E Ratio (%)	-	-	-	-
Net D/E Ratio	-43%	-70%	-60%	-60%

**Return/Profitability Ratios (%)**

Recurring Net Income Margins	17%	11%	15%	15%
RoCE	20%	19%	24%	22%
RoNW	17%	18%	21%	19%
Dividend Payout Ratio	41%	40%	40%	40%
Dividend Yield	2.8%	3.3%	4.4%	4.6%
EBITDA Margins	26%	16%	22%	22%

Source: Company data, I-Sec research

## Financial summary – Gujarat Gas (GGL)

**Table 20: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Income (Sales)</b>	<b>1,64,562</b>	<b>1,69,740</b>	<b>1,96,050</b>	<b>2,11,663</b>
<b>Operating Expenses</b>	<b>1,43,799</b>	<b>1,45,474</b>	<b>1,71,017</b>	<b>1,84,558</b>
<b>EBITDA</b>	<b>20,763</b>	<b>24,266</b>	<b>25,033</b>	<b>27,105</b>
% margins	13%	14%	13%	13%
Depreciation & Amortisation	3,849	4,321	4,804	5,287
Gross Interest	568	500	460	420
Other Income	909	906	795	693
<b>Recurring PBT</b>	<b>17,135</b>	<b>20,351</b>	<b>20,565</b>	<b>22,091</b>
Less: Taxes	4,278	5,124	5,178	5,562
<b>Net Income (Reported)</b>	<b>12,858</b>	<b>15,227</b>	<b>15,387</b>	<b>16,529</b>
<b>Recurring Net Income</b>	<b>12,937</b>	<b>15,227</b>	<b>15,387</b>	<b>16,529</b>

Source: Company data, I-Sec research

**Table 21: Balance sheet**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	18,538	26,720	34,212	18,538
of which cash & cash eqv.	4,327	11,649	18,853	4,327
Total Current Liabilities & Provisions	23,848	26,679	27,370	23,848
<b>Net Current Assets</b>	<b>(5,309)</b>	<b>41</b>	<b>6,842</b>	<b>(5,309)</b>
<b>Investments</b>	<b>5,142</b>	<b>5,642</b>	<b>6,142</b>	<b>5,142</b>
<b>Net Fixed Assets</b>	<b>73,478</b>	<b>80,175</b>	<b>86,388</b>	<b>73,478</b>
Capital Work-in-Progress	9,923	9,923	9,923	9,923
<b>Total Assets</b>	<b>75,157</b>	<b>87,703</b>	<b>1,01,218</b>	<b>75,157</b>
<b>Liabilities</b>				
Borrowings (Includes cash deposits)	6,253	5,753	5,253	6,253
Deferred Tax Liability	8,077	8,077	8,077	8,077
Equity Share Capital	1,377	1,377	1,377	1,377
Face Value per share (Rs)	2	2	2	2
Reserves & Surplus	67,527	80,574	94,589	67,527
Net worth	<b>68,904</b>	<b>81,951</b>	<b>95,966</b>	<b>68,904</b>
<b>Total liabilities</b>	<b>75,157</b>	<b>87,703</b>	<b>1,01,218</b>	<b>75,157</b>

Source: Company data, I-Sec research

**Table 22: Quarterly trend**
*(Rs mn, year ending March 31)*

	Mar'22	Jun'22	Sept'22	Dec'22
Net sales	46,694	51,701	39,765	36,843
% growth (YoY)	36.2%	71.7%	10.0%	-28.4%
EBITDA	6,974	6,066	6,427	5,823
Margin (%)	14.9%	11.7%	16.2%	15.8%
Other income	177	190	185	320
Add: Extraordinaries				
Net profit	4,533	3,811	4,039	3,713

Source: Company data, I-Sec research

**Table 23: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow</b>	<b>21,076</b>	<b>24,266</b>	<b>25,033</b>	<b>27,105</b>
Working Capital Changes	(95)	(616)	1,972	403
Operating Cash flow	<b>16,618</b>	<b>18,526</b>	<b>21,827</b>	<b>21,947</b>
Capital Commitments	(13,265)	(11,500)	(11,500)	(11,500)
<b>Free Cashflow</b>	<b>3,353</b>	<b>7,026</b>	<b>10,327</b>	<b>10,447</b>
<b>Cashflow from Investing Activities</b>	<b>(12,935)</b>	<b>(11,094)</b>	<b>(11,205)</b>	<b>(11,307)</b>
Inc (Dec) in Borrowings	(4,193)	(500)	(500)	(500)
Inc (Dec) in marketable investments	-	(500)	(500)	(500)
Dividend paid	(1,560)	(2,316)	(2,340)	(2,514)
Cash flow from Financing Activities	<b>(6,284)</b>	<b>(3,316)</b>	<b>(3,301)</b>	<b>(3,434)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>(2,602)</b>	<b>4,115</b>	<b>7,322</b>	<b>7,205</b>

Source: Company data, I-Sec research

**Table 24: Key ratios**
*(Year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	18.8	22.1	22.4	24.0
Recurring Cash EPS	24.4	28.4	29.3	31.7
Dividend per share (DPS)	2.0	2.9	2.9	3.1
Book Value per share (BV)	81.3	100.1	119.0	139.4
<b>Growth Ratios (%)</b>				
Operating Income	67%	3%	16%	8%
EBITDA	-1%	17%	3%	8%
Recurring Net Income	1%	18%	1%	7%
Recurring EPS	1%	18%	1%	7%
Recurring CEPS	4%	16%	3%	8%
<b>Valuation Ratios (% YoY)</b>				
P/E	27.0	22.9	22.7	21.1
P/BV	6.2	5.1	4.3	3.6
EV / EBITDA	16.9	14.3	13.5	12.1
EV / FCF	104.7	49.2	32.7	31.5

**Operating Ratios**

Other Income / PBT (%)	5%	4%	4%	3%
Effective Tax Rate (%)	25%	25%	25%	25%
D/E Ratio (%)	12%	9%	7%	5%
Net D/E Ratio	3%	-5%	-14%	-21%

**Return/Profitability Ratios (%)**

Recurring Net Income Margins	8%	9%	8%	8%
RoCE	27%	27%	23%	22%
RoNW	23%	22%	19%	17%
Dividend Payout Ratio	11%	13%	13%	13%
Dividend Yield	0.4%	0.6%	0.6%	0.6%
EBITDA Margins	13%	14%	13%	13%

Source: Company data, I-Sec research

## Financial summary – GSPL

**Table 25: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Income (Sales)</b>	<b>1,83,220</b>	<b>1,80,653</b>	<b>1,82,266</b>	<b>1,93,156</b>
<b>Operating Expenses</b>	<b>1,48,219</b>	<b>1,45,558</b>	<b>1,45,022</b>	<b>1,52,511</b>
<b>EBITDA</b>	<b>35,001</b>	<b>35,095</b>	<b>37,244</b>	<b>40,646</b>
% margins	19%	19%	20%	21%
Depreciation & Amortisation	5,795	6,367	7,084	7,886
Gross Interest	1,118	620	650	645
Other Income	1,056	688	1,011	828
<b>Recurring PBT</b>	<b>29,025</b>	<b>28,797</b>	<b>30,522</b>	<b>32,943</b>
Less: Taxes	7,256	7,566	7,995	8,623
Share of Associates	541	541	541	541
<b>Net Income (Reported)</b>	<b>16,383</b>	<b>14,769</b>	<b>16,195</b>	<b>17,585</b>
<b>Recurring Net Income</b>	<b>16,383</b>	<b>14,769</b>	<b>16,195</b>	<b>17,585</b>

Source: Company data, I-Sec research

**Table 26: Balance sheet**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	17,909	24,715	32,445	42,493
of which cash & cash eqv.	1,077	7,670	14,875	23,696
Total Current Liabilities & Provisions	26,179	27,224	28,402	29,914
<b>Net Current Assets</b>	<b>(8,270)</b>	<b>(2,508)</b>	<b>4,043</b>	<b>12,579</b>
<b>Investments</b>	<b>16,700</b>	<b>18,700</b>	<b>20,700</b>	<b>22,700</b>
<b>Net Fixed Assets</b>	<b>99,447</b>	<b>1,08,214</b>	<b>1,20,130</b>	<b>1,31,244</b>
Capital Work-in-Progress	12,454	17,718	18,718	19,718
<b>Total Assets</b>	<b>1,52,940</b>	<b>1,76,419</b>	<b>1,99,771</b>	<b>2,24,709</b>
<b>Liabilities</b>				
Borrowings (Includes cash deposits)	7,128	8,707	8,707	8,707
Deferred Tax Liability	12,327	12,327	12,327	12,327
Equity Share Capital	5,642	5,642	5,642	5,642
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	73,545	87,186	1,02,253	1,18,145
Net worth	79,187	92,828	1,07,895	1,23,787
<b>Total liabilities</b>	<b>1,52,940</b>	<b>1,76,419</b>	<b>1,99,771</b>	<b>2,24,709</b>

Source: Company data, I-Sec research

**Table 27: Quarterly trend**
*(Rs mn, year ending March 31)*

	Mar'22	Jun'22	Sept'22	Dec'22
Net sales	4,331	4,818	4,346	4,024
% growth (YoY)	-8.1%	11.2%	-9.8%	-7.4%
EBITDA	3,062	3,602	3,338	2,699
Margin (%)	70.7%	74.8%	76.8%	67.1%
Other income	64	40	1,037	130
Add: Extraordinaries	-	-	-	-
Net profit	2,020	2,355	3,142	1,709

Source: Company data, I-Sec research

**Table 28: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow</b>	<b>35,272</b>	<b>35,095</b>	<b>37,244</b>	<b>40,646</b>
Working Capital Changes	(391)	403	182	(233)
Operating Cash flow	<b>27,456</b>	<b>27,931</b>	<b>29,431</b>	<b>31,790</b>
Capital Commitments	-12,892	-20,397	-20,000	-20,000
<b>Cashflow from Investing Activities</b>	<b>(13,569)</b>	<b>(21,169)</b>	<b>(20,448)</b>	<b>(20,632)</b>
Inc (Dec) in Borrowings	(13,541)	1,579	-	-
Dividend paid	(1,757)	(1,128)	(1,128)	(1,693)
Cash flow from Financing Activities	<b>(16,593)</b>	<b>(169)</b>	<b>(1,778)</b>	<b>(2,337)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>(2,707)</b>	<b>6,593</b>	<b>7,205</b>	<b>8,821</b>

Source: Company data, I-Sec research

**Table 29: Key ratios**
*(Year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs.)</b>				
EPS(Basic Recurring)	29.2	26.2	28.7	31.2
Recurring Cash EPS	39.3	37.5	41.3	45.1
Dividend per share (DPS)	2.0	2.0	2.0	3.0
Book Value per share (BV)	140.4	164.5	191.2	219.4
<b>Growth Ratios (%)</b>				
Operating Income	56%	-1%	1%	6%
EBITDA	-2%	0%	6%	9%
Recurring Net Income	2%	-10%	10%	9%
Recurring EPS	2%	-10%	10%	9%
Recurring CEPS	3%	-5%	10%	9%
<b>Valuation Ratios (% YoY)</b>				
P/E	9.6	10.7	9.7	9.0
P/CFPS	5.7	5.6	5.3	5.0
P/BV	2.0	1.7	1.5	1.3
EV / EBITDA	4.7	4.5	4.1	3.5
EV / FCF	11.0	18.4	14.0	11.0
<b>Operating Ratios</b>				
Other Income / PBT (%)	4%	2%	3%	3%
Effective Tax Rate (%)	25%	26%	26%	26%
D/E Ratio (%)	6%	0%	-7%	-13%

**Return/Profitability Ratios (%)**

Recurring Net Income Margins	9%	8%	9%	9%
RoCE	20%	16%	15%	15%
RoNW	23%	17%	16%	15%
Dividend Payout Ratio	7%	8%	7%	10%
Dividend Yield	0.7%	0.7%	0.7%	1.1%
EBITDA Margins	19%	19%	20%	21%

Source: Company data, I-Sec research

## Financial summary – GAIL

**Table 30: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Income</b>				
(Sales)	9,27,698	10,04,965	10,08,318	10,28,675
<b>Operating Expenses</b>	7,76,182	9,24,546	8,97,298	9,01,434
<b>EBITDA</b>	1,51,516	80,419	1,11,019	1,27,241
% margins	16%	8%	11%	12%
Depreciation & Amortisation	24,202	25,972	27,535	30,335
Gross Interest	2,025	-696	-2,811	-5,552
Other Income	11,723	6,303	5,316	5,923
<b>Recurring PBT</b>	1,37,012	61,446	91,612	1,08,381
Less: Taxes	31,599	15,362	22,903	27,095
<b>Net Income (Reported)</b>	1,23,037	67,224	89,572	1,01,919
<b>Recurring Net Income</b>	1,23,037	67,224	89,572	1,01,919

Source: Company data, I-Sec research

**Table 31: Balance sheet**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	1,35,231	1,55,900	1,58,773	1,63,484
Total Current Liabilities & Provisions	1,41,624	1,33,619	1,42,394	1,50,121
<b>Net Current Assets</b>	-6,393	22,281	16,379	13,363
<b>Investments</b>	2,01,898	2,01,898	2,01,898	2,01,898
<b>Net Fixed Assets</b>	6,00,625	6,44,653	6,87,118	7,26,783
Capital Work-in-Progress	1,54,904	1,54,904	1,54,904	1,54,904
<b>Total Assets</b>	8,24,170	8,51,373	8,93,942	9,48,858
<b>Liabilities</b>				
<b>Borrowings</b>	92,157	69,700	44,700	19,700
Equity Share Capital	44,404	44,404	44,404	44,404
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	5,96,936	6,46,398	7,13,768	7,93,485
<b>Net Worth</b>	6,41,343	6,90,805	7,58,175	8,37,892
<b>Total Liabilities</b>	8,24,170	8,51,373	8,93,942	9,48,858

Source: Company data, I-Sec research

**Table 8: Quarterly trend**
*(Rs mn, year ending March 31)*

	Mar-22	Jun-22	Sept-22	Dec-22
<b>Net sales</b>	2,69,619	3,75,625	3,84,786	3,53,654
% growth (YoY)	4.6%	39.3%	2.4%	-8.1%
<b>EBITDA</b>	37,145	43,657	17,647	2,613
EBITDA Margin (%)	13.8%	11.6%	4.6%	0.7%
Other income	4,235	1,798	7,988	6,889
Add: Extraordinaries				
<b>Net profit</b>	26,831	29,152	15,371	2,457

Source: Company data, I-Sec research

**Table 32: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow before working capital changes</b>	1,64,613	80,419	1,11,019	1,27,241
Working Capital Changes	(35,485)	(28,674)	5,903	3,015
<b>Operating Cashflow</b>	96,286	36,582	94,218	1,03,360
Capital Commitments	(69,713)	(70,000)	(70,000)	(70,000)
Cashflow from Investing Activities	(56,995)	(42,558)	(43,822)	(43,444)
Inc (Dec) in Borrowings	6,258	(22,458)	(25,000)	(25,000)
Dividend paid	(39,954)	(17,762)	(22,202)	(22,202)
<b>Cashflow from Financing Activities</b>	(39,159)	(39,523)	(44,390)	(41,650)
<b>Chg. in Cash &amp; Bank balances</b>	132	(45,499)	6,006	18,267

Source: Company data, I-Sec research

**Table 33: Key ratios**
*(Year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (Rs)</b>				
EPS(Basic Recurring)	18.7	10.2	13.6	15.5
Recurring Cash flow per share	22.4	14.2	17.8	20.1
Dividend per share (DPS)	6.1	4.0	5.0	5.0
Book Value per share (BV)	97.5	105.1	115.3	127.4
<b>Growth Ratios (%)</b>				
Operating Income	62%	8%	0%	2%
EBITDA	109%	-47%	38%	15%
Recurring Net Income	103%	-45%	33%	14%
Diluted Recurring EPS	103%	-45%	33%	14%
<b>Valuation Ratios (x)</b>				
P/E	5.5	10.1	7.6	6.6
P/CFPS	5.3	9.4	7.1	6.1
P/BV	1.1	1.0	0.9	0.8
EV / EBITDA	4.9	9.5	6.6	5.4
EV/FCF	4.6	6.7	4.2	3.7

**Operating Ratios**

Other Income / PBT (%)	9%	10%	6%	5%
Effective Tax Rate (%)	25%	25%	25%	25%
D/E Ratio (%)	-21%	-17%	-19%	-23%

**Return/Profitability Ratios (%)**

Recurring Net Income Margins	11%	5%	7%	8%
RoCE	14%	5%	8%	8%
RoNW	18%	7%	9%	10%
Dividend Payout Ratio	32%	26%	25%	22%
Dividend Yield	6%	4%	5%	5%
EBITDA Margins	16%	8%	11%	12%

Source: Company data, I-Sec research



## Financial summary – PLNG

**Table 34: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Income (Sales)</b>	<b>4,31,686</b>	<b>4,89,728</b>	<b>6,28,517</b>	<b>7,26,174</b>
<b>Operating Expenses</b>	<b>3,79,199</b>	<b>4,40,594</b>	<b>5,75,432</b>	<b>6,69,963</b>
<b>EBITDA</b>	<b>52,487</b>	<b>49,135</b>	<b>53,085</b>	<b>56,212</b>
% margins	12%	10%	8%	8%
Depreciation & Amortisation	7,685	7,804	8,750	9,327
Gross Interest	3,173	3,219	2,960	2,870
Other Income	2,977	4,684	4,224	4,368
<b>Recurring PBT</b>	<b>44,606</b>	<b>42,796</b>	<b>45,599</b>	<b>48,384</b>
Less: Taxes	11,212	10,772	11,477	12,178
<b>Net Income (Reported)</b>	<b>34,381</b>	<b>32,024</b>	<b>34,122</b>	<b>36,205</b>
<b>Recurring Net Income</b>	<b>34,381</b>	<b>32,024</b>	<b>34,122</b>	<b>36,205</b>

Source: Company data, I-Sec research

**Table 35: Balance sheet**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	87,153	1,01,787	1,18,739	1,35,479
Total Current Liabilities & Provisions	24,314	26,877	32,397	36,296
<b>Net Current Assets</b>	<b>62,839</b>	<b>74,911</b>	<b>86,342</b>	<b>99,183</b>
<b>Investments</b>	<b>12,859</b>	<b>12,988</b>	<b>13,118</b>	<b>13,249</b>
<b>Net Fixed Assets</b>	<b>95,572</b>	<b>96,268</b>	<b>97,518</b>	<b>98,191</b>
Capital Work-in-Progress	1,926	1,000	1,000	1,000
<b>Total Assets</b>	<b>2,13,618</b>	<b>2,28,089</b>	<b>2,46,359</b>	<b>2,63,840</b>
<b>Liabilities</b>				
Borrowings (Includes cash deposits)	34,385	33,385	32,385	31,385
Equity Share Capital	15,000	15,000	15,000	15,000
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	1,21,681	1,34,491	1,48,139	1,62,622
Net worth	1,36,681	1,49,491	1,63,139	1,77,622
<b>Total liabilities</b>	<b>2,13,618</b>	<b>2,28,089</b>	<b>2,46,359</b>	<b>2,63,840</b>

Source: Company data, I-Sec research

**Table 36: Quarterly trend**
*(Rs mn, year ending March 31)*

	Mar'22	Jun'22	Sept'22	Dec'22
Net sales	1,11,604	1,42,638	1,59,857	1,50,102
% growth (YoY)	-11.4%	27.8%	12.1%	-6.1%
Adj EBITDA	11,691	10,644	11,730	9,097
Margin (%)	10.5%	7.5%	7.3%	6.1%
Other income	852	1,418	942	1,839
Add: Extraordinaries				7,657
Adj Net profit	8,047	7,009	7,443	4,149

Source: Company data, I-Sec research

**Table 37: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Operating Cashflow</b>	<b>53,666</b>	<b>49,135</b>	<b>53,085</b>	<b>56,212</b>
Working Capital Changes	(6,336)	(1,933)	(5,113)	(3,563)
Operating Cashflow	<b>34,688</b>	<b>36,430</b>	<b>36,495</b>	<b>40,470</b>
Capital Commitments	(723)	(7,574)	(10,000)	(10,000)
<b>Cashflow from Investing Activities</b>	<b>(10,533)</b>	<b>(3,018)</b>	<b>(5,906)</b>	<b>(5,763)</b>
Inc (Dec) in Borrowings	(414)	(1,000)	(1,000)	(1,000)
Dividend paid	(15,750)	(19,215)	(20,473)	(21,723)
Cashflow from Financing Activities	<b>(22,109)</b>	<b>(23,434)</b>	<b>(24,433)</b>	<b>(25,593)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>2,046</b>	<b>9,978</b>	<b>6,157</b>	<b>9,114</b>

Source: Company data, I-Sec research

**Table 38: Key ratios**
*(Year ending March 31)*

	FY22	FY23E	FY24E	FY25E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	22.9	21.3	22.7	24.1
Recurring Cash EPS	26.5	26.6	28.6	30.4
Dividend per share (DPS)	12.0	13.0	14.0	14.0
Book Value per share (BV)	91.1	99.7	108.8	118.4
<b>Growth Ratios (%)</b>				
Operating Income	66%	13%	28%	16%
EBITDA	12%	-6%	8%	6%
Recurring Net Income	17%	-7%	7%	6%
Recurring EPS	17%	-7%	7%	6%
Recurring CEPS	13%	-8%	8%	6%
<b>Valuation Ratios (% YoY)</b>				
P/E	9.6	10.4	9.7	9.2
P/CFPS	9.6	9.1	9.1	8.2
P/BV	2.4	2.2	2.0	1.9
EV / EBITDA	6.1	6.3	5.7	5.2
EV / FCF	9.5	10.8	11.5	9.7

**Operating Ratios**

Other Income / PBT (%)	7%	11%	9%	9%
Effective Tax Rate (%)	25%	25%	25%	25%
D/E Ratio (%)	11%	3%	-2%	-8%

**Return/Profitability Ratios (%)**

Recurring Net Income Margins	8.0%	6.5%	5.4%	5.0%
RoCE	25.3%	21.8%	21.9%	21.7%
RoNW	27.0%	22.4%	21.8%	21.2%
Dividend Payout Ratio	50.2%	60.0%	60.0%	60.0%
Dividend Yield	5.2%	5.8%	6.2%	6.6%
EBITDA Margins	12.2%	10.0%	8.4%	7.7%

Source: Company data, I-Sec research



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