

INDRAPRASTHA GAS LTD.

Neutral
23-Nov-16

Company Update

CMP	817
Target Price	
Previous Target Price	
Upside	
Change from Previous	-

Market Data

BSE Code	532514
NSE Symbol	IGL
52wk Range H/L	897/453
Mkt Capital (Rs Cr)	11439
Av. Volume(,000)	42.21
Nifty	7985

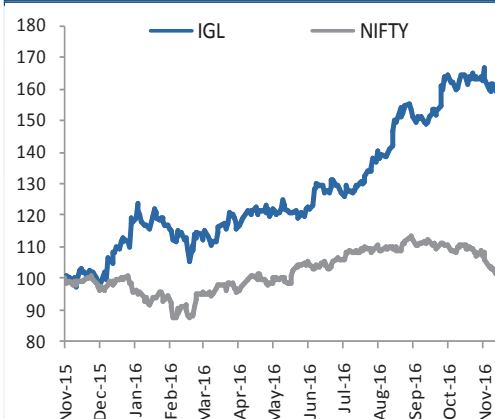
Stock Performance

	1M	3M	12M
Absolute	-5.5	75.1	53.9
Rel.to Nifty	3.5	73.5	44.1

Share Holding Pattern-%

	2QFY17	1QFY17	4QFY16
Promoters	45	45	45
Public	55	55	55
Others			
Total	100	100	100

Company Vs NIFTY



IGL has reported revenue of Rs. 966 Cr in 2QFY17 vs. Rs. 969 Cr in the corresponding quarter of FY16. Volume has grown in both the CNG and PNG volume. CNG volume has grown up by 12% in 2QFY17 and PNG volume has increased by 13% YoY. Volume demand of CNG is expanding due to addition of new buses, conversion of taxis with all-India permits and more new PNG connections in households. Management's constant focus on the increasing the volume may boost the revenue for the longer period of time. Looking at the future demand of CNG, company is targeting to open 104 CNG filling stations at various locations in Delhi NCR. The company is also looking to expand its operations in Rewadi.

Q2FY17_Result Update

- EBITDA for 2QFY17 is Rs. 245 Cr vs Rs. 198 Cr in the corresponding quarter of the FY16
- Reported PAT for 2QFY17 is Rs. 144 Cr vs Rs. 102 Cr in the corresponding quarter of FY16
- EBITDA margin has improved by 480 bps in 2QFY17 to 25.3%
- CNG volumes increased to 3.47 MMSCMD in 2QFY17 (increment of 12 % on YoY basis)
- PNG volumes increased to 1.11 MMSCMD in 2QFY17 (increment of 13 % on YoY basis)
- Realisation of CNG is Rs. 35.8 per kg in 2QFY17 vs Rs. 37.3 per kg in 2QFY16

Outlook and Valuation

IGL is expanding its distribution network through a stake in Central UP Gas (CUGL), which is engaged in CGD in the cities of Kanpur and Bareilly, Unnao and Jhansi in Uttar Pradesh where demand of CNG is growing rapidly. Management's aggressive strategy to expand its footprint beyond Delhi NCR will open up new opportunities for the company in long run. Considering recent rally restrict upside potential of the stock. We recommend buying on declines. At current price of Rs.828, we remain Neutral.

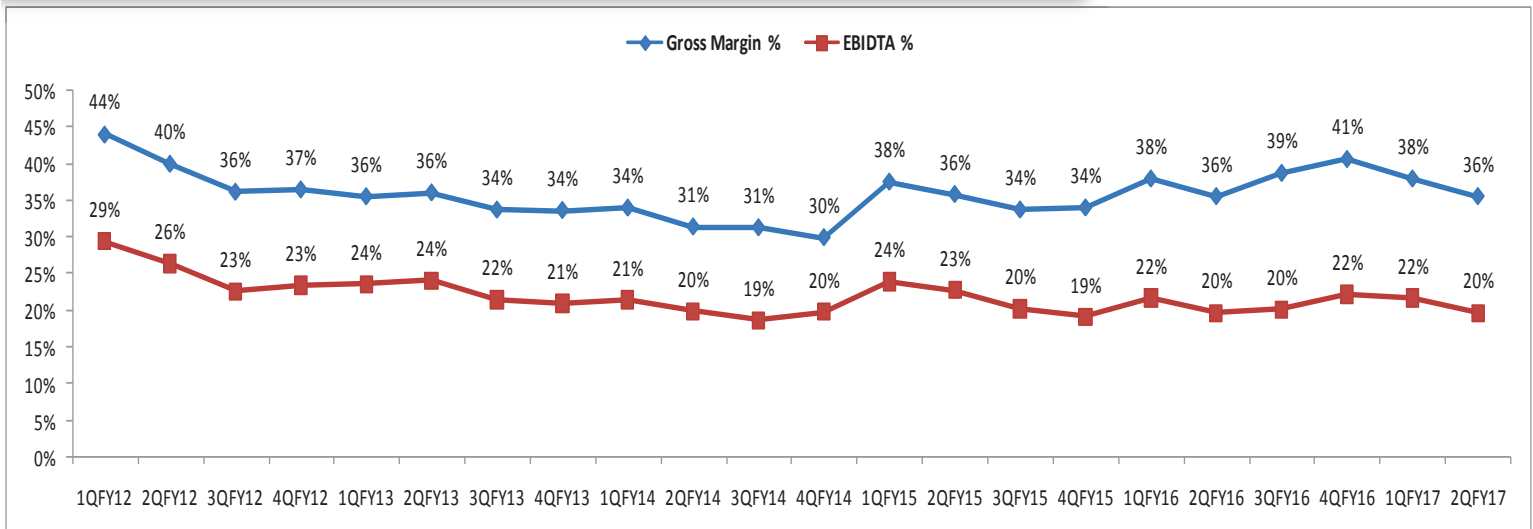
	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	2517	3367	3914	3681	3686
EBITDA	633	758	782	793	772
Net Profit	306	354	360	438	415
EPS	22	25	26	31	30
P/E	17.3	11.0	11.6	13.4	14.1

(Source: Company/Eastwind)

Management Speak/ Key take aways From Management Interview

- Management expect the growth to be in double digit around 10 percent for the next two quarters also and we will be ending the year with the double digit growth
- IGL expects robust volume growth in near term driven by addition of buses, conversion of taxis with all-India permits and more PNG coverage in households
- Management expect to close the year at a rate of Rs 5.5 per scm
- Delhi Development Authority (DDA) has arbitrarily increased the lease rent for our CNG stations so we have represented to them to review the increase and then we decided to have a provision for this year
- Management expect EBITDA may come down going forward in Q3 and Q4 because of the cost pressures and lower volumes because Q3 and Q4 are normally more subdued than Q1 and Q2
- EBITDA margin declined to INR5.9/scm (from INR6.7/scm last quarter) due to higher commission to OMCs for new outlets (90 new CNG stations)
- For the next two half yearly reviews, management is expecting the price of the domestic gas may come down
Company is also looking at expanding the operations in Rewadi.

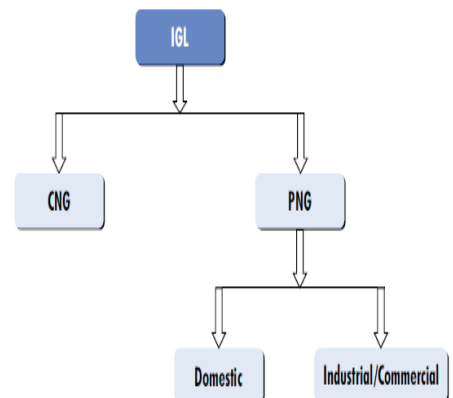
Financial Performance



About the Company

Indraprastha Gas Ltd (IGL) is the sole supplier of Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) in the National Capital Region. The company is a joint venture between GAIL (India) Ltd and Bharat Petroleum Corporation Ltd. Its unique business model is a result of various business transfers, strategic modifications and client acquisitions giving the company an early-bird advantage in the market. The CNG business, which, involves distribution of CNG to automobiles through gas stations. Through its PNG business, the company supplies natural gas to homes and commercial and industrial establishments. The Company has two associates which also operate as City Gas Distribution companies. One, Central UP Gas Limited (CUGL), which caters to the cities of Kanpur, Bareilly, Unnao and Jhansi in Uttar Pradesh and second, Maharashtra Natural Gas Limited (MNGL), which caters to the city of Pune and nearby areas of Pimpri, Chinchwad, Chakan, Talegaon and Hinjewadi in the State of Maharashtra

Business Segment Overview



Financials Snap Shot

INCOME STATEMENT				
	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	3,367	3,914	3,681	3,686
Other Income	13	21	35	30
Total Revenue	3,380	3,935	3,716	3,716
COGS	2,197	2,629	2,341	2,276
GPM	65%	67%	64%	62%
Other Expenses	355	443	481	558
EBITDA	758	782	793	772
EBITDA Margin (%)	23%	20%	22%	21%
Depreciation	187	220	149	158
EBIT	571	563	644	614
Interest	56	44	30	9
PBT	528	540	649	635
Tax	174	180	211	219
Tax Rate (%)	33%	33%	33%	35%
Reported PAT	354	360	438	415
Dividend Paid	81	90	90	98
No. of Shares	14	14	14	14

Source: Eastwind/Company

RATIOS				
	FY13	FY14	FY15	FY16
EPS	25	26	31	30
Book Value	107	126	150	172
DPS	6	6	6	7
Payout (incl. Div. Tax.)	23%	25%	21%	24%
Valuation(x)				
P/E	11	12	13	14
Price / Book Value	3	2	3	2
Dividend Yield (%)	2%	2%	2%	2%
Profitability Ratios				
RoE	24%	20%	21%	17%
RoCE	32%	27%	29%	25%
Turnover Ratios				
Asset Turnover (x)	1.28	1.37	1.20	1.09
Debtors (No. of Days)	19	20	23	26
Inventory (No. of Days)	4	3	4	4
Creditors (No. of Days)	23	17	19	19
Net Debt/Equity (x)	0	0	0	-

Source: Eastwind/Company

BALANCE SHEET				
	FY13	FY14	FY15	FY16
Share Capital	140	140	140	140
Reserves and surplus	1,353	1,623	1,958	2,273
Shareholders' funds	1,493	1,763	2,098	2,413
Long term Debt	303	288	145	-
Total Borrowings	46	34	-	-
Non Current liabilities	84	96	127	165
Long term provisions	1796	2051	2243	2413
Short term Provisions	2,139	2,158	2,210	2,305
Current liabilities	291	262	254	295
Total liabilities	179	220	235	240
Net Fixed Assets	51	251	231	454
Non Current Investments	212	184	189	205
Other non Current assets	98	100	116	116
Current assets	(210)	(49)	(90)	15
Total Assets	2,628	2,852	3,073	3,366

Source: Eastwind/Company

CASH FLOW STATEMENT				
	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	528	540	649	629
Depreciation	187	220	149	158
Direct Taxes Paid	(153)	(170)	(177)	(188)
Operating profit before v	765	787	800	781
CF from Op. Activity	643	648	664	661
Proceeds from sale of Cu	(372)	(249)	(215)	(241)
Capital expenditure on fi	(362)	(300)	(364)	(225)
CF from Inv. Activity	75	149	-	(145)
Repayment of Long Term	(150)	(243)	(173)	-
Interest Paid	(56)	(45)	(30)	(9)
Divd Paid (incl Tax)	(81)	(90)	(90)	(101)
CF from Fin. Activity	(218)	(241)	(327)	(255)
Inc/(Dec) in Cash	63	106	(27)	181
Add: Opening Balance	130	193	299	272
Closing Balance	193	299	272	453

Source: Eastwind/Company