

Industry
Bloomberg
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Oil & Gas
MGL IN
539957

Covid'19 driven lockdown impacted volume in CNG & PNG commercial/industrial segment.

RATING	NEUTRAL
CMP	1035
Price Target	1050
Potential Upside	1%

Rating Change	↓
Estimate Change	↓
Target Change	↔

STOCK INFO	
52wk Range H/L	1247/666
Mkt Capital (Rs Cr)	10124
Free float (%)	57%
Avg. Vol 1M (,000)	958
No. of Shares (Crs)	10
Promoters Pledged %	0%

RESEARCH ANALYST

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4QFY20 Result update

- The CNG revenue declined by 7% YoY to Rs.464 crs due to 9% YoY decline in the CNG volumes on account of nation-wide lockdown initiated by the govt.
- The PNG revenue remains muted at Rs.217 crs this quarter. The volumes in PNG domestic segment remained least impacted & grew by 8% YoY while PNG commercial/industrial segment de-grew by 7% YoY.
- EBITDA margin grew by 590 bps YoY to 35.5 % in 4QFY20 on account of improvement in gross margin on account of lower spot gas prices during the quarter compared to previous yr.
- PAT grew by 24.8% YoY to Rs. 167 crs due to improvement in gross margin and lower corporate tax rate compared to previous year.

View and Valuation

The overall volume of the company declined by 6% YoY in 4QFY20 on account of nation-wide lockdown initiated by the Govt in the month of March 2020. The entire operations have been impacted in the last 10 days of March 2020 except PNG domestic business.

Going forward, the first quarter of FY21 is expected to stay impacted due to reduced movement of vehicles in April & May, challenges being faced by the commercial customers (Restaurants & bigger establishments) though the industrial segment will contribute quite well as per the company. Post Q1FY21, the business is expected to normalize with easing of lockdown as the sales volumes are expected to gradually improve due to increased vehicular movements, opening of the restaurants, commercial establishments & other businesses that use gas. In the midst of the uncertain environment, the company is confident regarding the growth of infrastructure which would help in future revenue generation.

Therefore, we maintain our target price at Rs. 1050 with NEUTRAL Stance.

Key Risks to our rating and target

- Delay in Vehicular movements in Maharashtra as its worst affected state due to the Pandemic impacting the CNG volumes.
- Delay in the opening of commercial establishments impacting PNG volumes.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	2034	2233	2791	2972	2715
EBITDA	644	780	885	1053	953
EBIT	549	669	760	891	780
PAT	393	478	546	794	656
EPS (Rs)	40	48	55	80	66.42
EPS growth (%)	14%	21%	14%	45%	-17%
ROE (%)	21.9%	23.4%	23.4%	27.8%	20.0%
ROCE (%)	29.8%	31.9%	31.7%	30.2%	22.9%
BV	186	212	243	299	345
P/B (X)	4.8	3.8	4.1	3.0	3.0
P/E (x)	22.4	16.5	18.2	11.2	15.6

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4QFY20 Results

Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ %	FY19	FY20	YoY %
Net Sales	723	757	784	745	687	-5.0%	-7.8%	2,791	2,972	6.5%
Other Income	24	20	23	29	27	13.1%	-5.6%	78	99	27.3%
COGS	367	348	378	354	299	-18.6%	-15.7%	1,399	1,380	-1.4%
Gross Margin	49.3%	54.0%	51.7%	52.4%	56.5%	7.2%	4.1%	48.5%	51.9%	3.3%
Employee Cost	19	24	19	19	18	-3.2%	-6.5%	71	81	13.8%
Other Expen.	124	108	113	112	126	2.2%	12.6%	436	459	5.4%
EBITDA	214	277	273	259	244	14.0%	-5.8%	885	1,053	18.9%
EBITDA Mar.	29.6%	36.5%	34.9%	34.8%	35.5%	5.9%	0.7%	31.7%	35.4%	3.7%
Depreciation	33	37	39	41	44	33.8%	6.1%	126	162	28.4%
EBIT	181	240	234	217	200	10%	-8.1%	760	891	17.3%
Interest	0	1	1	2	2	3614%	28.4%	0	7	1941%
PBT	205	259	256	244	225	9.7%	-8.0%	837	984	18%
Exceptional Item	-	-	-	-	-			-	-	
Tax	71	88	(15)	58	58	-18.6%	-0.3%	291	190	-35%
PAT	133	170	271	186	167	24.8%	-10.5%	546	794	45%
PAT Margin	18.5%	22.5%	34.5%	25.0%	24.3%	5.8%	-0.7%	19.6%	26.7%	7%

Operational Metrics

SALES VOLUME (SCM MN)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
CNG	193	200	200	198	197	203	205	180
PNG-Domestic	33	34	36	35	36	35	38	38
PNG-Industry/Commercial	35	38	37	38	37	38	38	35
Total	261	272	273	270	270	276	281	253

SEGEMENT SALES	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
CNG	416	467	504	496	518	548	523	464
PNG	198	224	242	219	233	229	216	217

Concall Highlights

- On account of the nation-wide lockdown, the operations were impacted except for the gas used in the household kitchen.
- With the partial easing of the lockdown – the sales volumes is expected to gradually improve due to increased vehicular movements, opening of the restaurants, commercial establishments & other business that uses gas.
- In the initial days of lockdown in the month of March 2020, the sales volume was down by 20% of the normal volumes i.e., 25-30 MMSCM. The daily sales volumes have increased from 25% in April 2020 to 42% in June 2020 compared to normal volumes recorded in the pre-lockdown period.
- The company is rapidly expanding its CGD network in the existing license areas during the quarter. 32852 domestic households & 24 industrial/commercial customers were added this quarter.
- In the Raigarh GA- the company added more than 4200 domestic PNG connections in the quarter and was able to fulfil the minimum work programme target of providing PNG domestic connection. 14 CNG stations are operational in this area with the average sales reaching 38000 kg/ day in the pre-lockdown period.
- The industrial segment business has picked up really well, bigger establishments & restaurants are still facing challenges & will take relatively more time to be normal compared to others. The company expects CNG segment to bounce back quickly post the easing of the lockdown.
- The main driver for the EBITDA margin this quarter was the improvement in gross margin on account of lower spot gas prices during the quarter compared to previous yr.
- As per the company, the growth of the infrastructure won't be hampered. However, the mobilisation of contractors & migrants labourers, permission from housing societies & from other authorities could pose some challenges.
- Annual capex of 450-500 crs is expected going forward.

Exhibit: CNG volume & growth

The CNG volume de-grew by 9% YoY on account of nation-wide lockdown restricting vehicular movements.

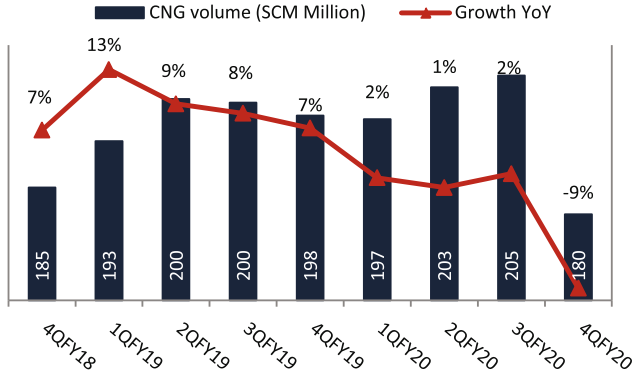


Exhibit: CNG realisation & growth

The CNG realisation grew by 2% YoY to Rs.26/SCM in 4QFY20 compared to Rs.25/SCM in 4QFY19.

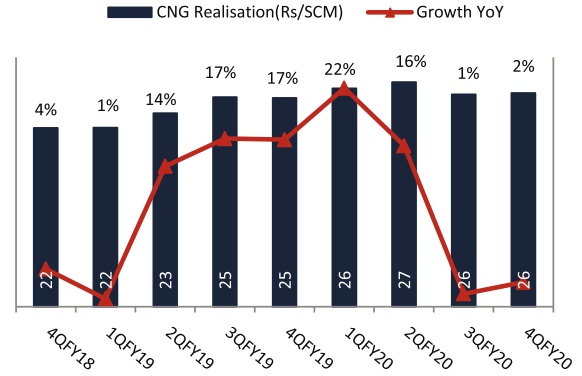


Exhibit: PNG volume & growth

The volumes in PNG domestic grew by 8% YoY while PNG commercial/industrial segment de-grew by 7% YoY.

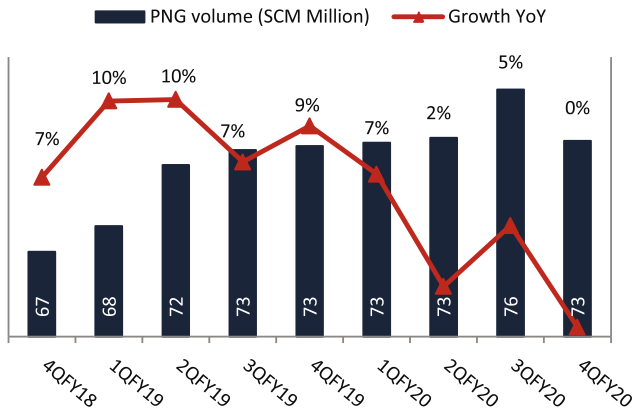


Exhibit: PNG realisation & growth

The PNG realisation de-grew by 2% YoY to Rs.30/SCM in 4QFY20.

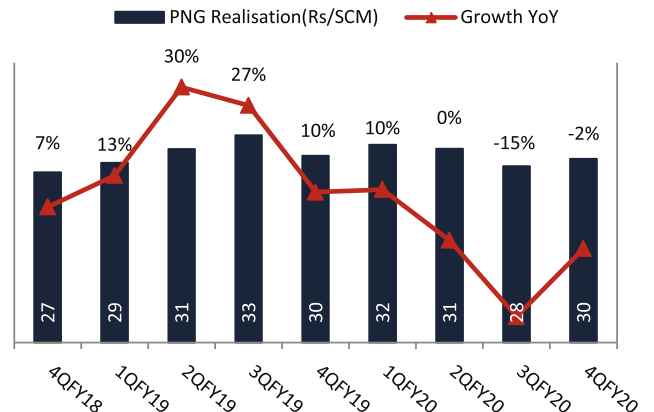


Exhibit: EBITDA & EBITDA Margin

"EBITDA margin improves on account of lower spot gas prices during the quarter compared to previous yr.

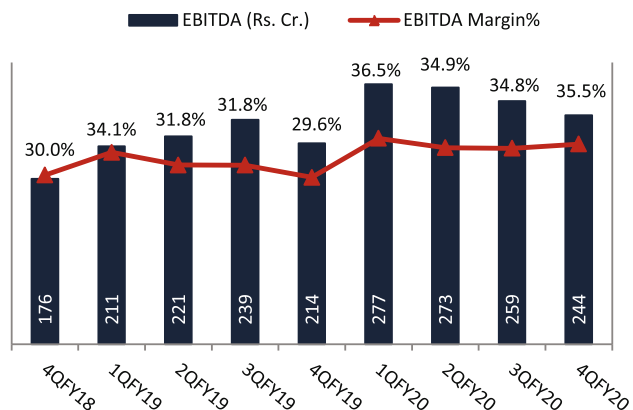
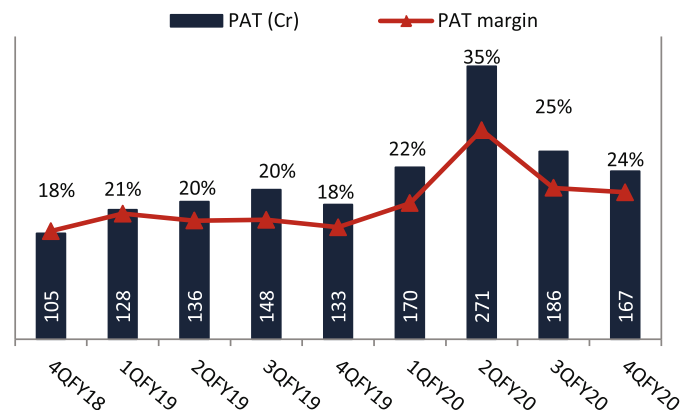


Exhibit: PAT & PAT margin

Coupled with lower tax rate & improvement in gross margin, PAT grew by 26% YoY to Rs.167 crs in 4QFY20.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Share Capital	89	89	89	99	99	99	99	99
Reserves	1,208	1,515	1,639	1,741	1,997	2,300	2,854	3,313
Networth	1,297	1,604	1,728	1,840	2,095	2,399	2,953	3,412
Debt	8	7	4	3	1	-	-	-
Other Non Current Liab	94	115	132	152	190	221	229	229
Total Capital Employed	1,305	1,611	1,733	1,843	2,097	2,399	2,953	3,412
Net Fixed Assets (incl CWIP)	1,337	1,413	1,558	1,716	1,889	2,133	2,536	2,715
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	25	74	74	112	146	132	87	87
Non Current Assets	1,362	1,487	1,631	1,828	2,035	2,265	2,623	2,802
Inventory	16	17	18	24	24	19	19	17
Debtors	109	96	92	95	91	100	68	63
Cash & Bank	89	137	175	148	107	299	229	458
Other Current Assets	370	430	454	530	753	758	1,189	1,183
Current Assets	612	680	739	796	976	1,176	1,506	1,721
Creditors	106	106	112	120	110	152	132	120
Provisions	194	10	12	7	5	7	8	7
Other Current Liabilities	275	325	383	503	608	662	808	755
Curr Liabilities	576	441	506	630	723	821	947	882
Net Current Assets	36	239	233	166	252	355	558	838
Total Assets	1,974	2,167	2,370	2,624	3,010	3,441	4,129	4,523

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	1,885	2,095	2,078	2,034	2,233	2,791	2,972	2,715
Change (%)	39%	37%	40%	49%	53%	49%	52%	52%
EBITDA	488	490	509	644	780	885	1053	953
Change (%)	24%	11%	-1%	-2%	10%	25%	6%	-9%
Margin (%)	26%	23%	25%	32%	35%	32%	35%	35%
Depr & Amor.	81	80	83	95	111	126	162	173
EBIT	407	410	427	549	669	760	891	780
Int. & other fin. Cost	0	1	2	1	0	0	7	8
Other Income	34	41	47	53	58	78	99	105
EBT	442	449	472	601	727	837	984	877
Exp Item	0	0	0	0	0	0	0	0
Tax	145	148	161	207	249	291	190	221
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	297	301	311	393	478	546	794	656
Adjusted PAT	297	301	311	393	478	546	794	656
Change (%)	0%	1%	3%	27%	21%	14%	45%	-17%
Margin(%)	16%	14%	15%	19%	21%	20%	27%	24%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	23.3%	19.1%	18.4%	21.9%	23.4%	23.4%	27.8%	20.0%
ROCE	31.2%	25.4%	24.6%	29.8%	31.9%	31.7%	30.2%	22.9%
Asset Turnover	1.0	1.0	0.9	0.8	0.8	0.8	0.7	0.6
Debtor Days	21	17	16	17	15	13	8	8
Inv Days	3	3	3	4	4	3	2	2
Payable Days	21	19	20	22	18	20	16	16
Int Coverage	1,965	340	192	538	7,432	2,374	136	94
P/E	-	-	-	22.4	16.5	18.2	11.2	15.6
Price / Book Value	-	-	-	4.8	3.8	4.1	3.0	3.0
EV/EBITDA	-	-	-	13	10	11	8	10
FCF per Share	25	26	23	29	39	33	55	44
Div Yield	-	-	-	2.9%	2.4%	2.0%	2.2%	1.6%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	442	449	472	601	727	837	984	877
(inc)/Dec in Working Capital	30	66	44	72	82	42	137	48
Non Cash Op Exp	81	80	83	95	111	126	162	173
Int Paid (+)	-	1	2	1	0	0	7	8
Tax Paid	(129)	(139)	(150)	(186)	(228)	(271)	(238)	(221)
others	(26)	(31)	(33)	(38)	(40)	(57)	(81)	(99)
CF from Op. Activities	398	427	419	547	652	684	983	786
(inc)/Dec in FA & CWIP	(177)	(197)	(215)	(257)	(269)	(362)	(423)	(353)
Free Cashflow	221	229	204	290	383	322	559	433
(Pur)/Sale of Inv	(40)	(28)	(13)	(60)	(204)	47	(432)	-
others	17	(35)	6	40	54	(123)	103	-
CF from Inv. Activities	(200)	(261)	(222)	(278)	(419)	(438)	(752)	(353)
inc/(dec) in NW	-	9	-	-	-	-	-	-
inc/(dec) in Debt	(2)	(2)	(3)	(2)	(2)	(1)	-	-
Int. Paid	(0)	(1)	(0)	(0)	(1)	(0)	(2)	(8)
Div Paid (inc tax)	(183)	(183)	(188)	(282)	(224)	(233)	(218)	(197)
others								
CF from Fin. Activities	(185)	(176)	(191)	(284)	(226)	(235)	(242)	(205)
Inc(Dec) in Cash	13	(10)	5	(15)	8	12	(11)	229
Add: Opening Balance	13	26	17	22	7	15	27	229
Closing Balance	26	16	22	7	15	27	15	458

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