



## Indraprastha Gas Ltd – Higher PNG volumes drives earning

<b>CMP:</b>	Rs.398
<b>Target Price:</b>	Rs 397
<b>Recommendation:</b>	<b>Reduce</b>

### Stock Info

BSE Group	A
BSE Code	532514
NSE Symbol	IGL
Bloomberg	IGLIN
Reuters	IGL.BO
BSE Sensex	17085
NSE Nifty	5139

### Market Info

Market Capital	Rs.5561cr
Equity Capital	Rs.140 cr
Avg. Trading Vol.	725160
52 Wk High/ Low	453/285
Face Value	Rs.10

### Shareholding Pattern (%) (30<sup>th</sup> Sep.,2011)

Govt of India	50
Domestic Institutions	17.4
Foreign Institutions	19.8
Non Promoters Corp.	5.1
Public & Others	7.7



#### ■ Net Sales up 34% yoy

IGL's net sales during the quarter grew 34% yoy to Rs 597cr largely on account of higher CNG & PNG volumes and realisations. CNG volumes during the quarter increased by 18% yoy to 2.6mmscmd, while realisations grew 5% yoy to Rs 21.9/scm. Similarly, PNG volumes increased 62% yoy to 0.74mmscmd and realisation grew by 11%yoy to Rs 20.4/scm.

#### ■ EBITDA margin declines both yoy and qoq

IGL's EBITDA margins compressed 150bps and 300bps on qoq and yoy basis largely on account of higher RLNG prices and depreciation of rupee against dollar. The company posted EBITDA margin of 26.4% during the quarter compared to 29.5% in 1QFY12 and 27.9% during 2QFY11. Consequently, EBITDA for 2QFY12 stood at Rs 158cr, growing 26.6% yoy while declining 0.2% qoq.

#### ■ Higher Interest cost drags net profit

IGL reported 16.5% yoy jump in PAT to Rs 77cr (Rs 66cr). Higher depreciation and interest cost, which grew 44% and 483% yoy, resulted into lower profitability.

#### ■ Valuations:

IGL plans to incur capital expenditure of Rs 600cr in FY12, Rs 500cr in FY13 and Rs 650cr in FY14 with approximately 70% to be incurred annually on developing and expanding its CNG business and the rest on PNG infrastructure in Delhi as well as NCR towns of Noida, Greater Noida and Ghaziabad. We expect IGL to post strong volume growth driven by robust demand in the CNG segment and increasing revenues from PNG segment led by industrial volumes. However, in the mean time we expect margins to remain under pressure to due to increased spot purchases and reduced availability of KG-D6 gas. At current market price of Rs 398, the stock trades at a P/E of 18x and 15x for FY12E and FY13E earnings respectively. **We have a Reduce rating on the stock with a target price of Rs 397.**

Y/E March, (₹ in Cr)	FY10	FY11	FY12E	FY13E
Net Revenue	1078	1741	2468	3247
EBIDTA	383	484	631	761
PAT	215	260	311	375
EPS	15.4	18.6	22.2	26.8
RONW (%)	26	25	25	24
P/E (X)	22.4	18.5	15.5	12.9
EV/EBITDA(X)	12.2	9.9	7.5	6.3

**2QFY12 Results (standalone)**

Rs in Crore	2QFY12	2QFY11	YoY (%)	1QFY11	QoQ (%)
Net Sales	597	447	34.1	537	11.3
Expenditure	358	255	40.7	300.6	19.2
EBITDA	158	124.7	26.6	158.3	(0.2)
EBITDA Margins (%)	26.4	27.9		29.5	
Other Income	1.5	0.5	178.2	1.3	11.2
Interest	12	2.0	482	9.0	30.4
Depreciation	34.4	23.9	44.2	32.2	6.9
Exceptional Items (Loss)	-	-	-	-	-
PBT after exceptional items	113.3	99.4	14.0	118.5	-4.4
Tax	36.0	33.1	8.9	38.4	-6.2
Tax rate (%)	32	33		32	
PAT after extraordinary items	77.2	66.3	16.5	80.1	-3.5
Net Profit Margin (%)	12.9	14.8		14.9	-3.5

**Concall Update**

- IGL expects to maintain volume growth above 20% over next 2-3 years through increased presence in industrial and commercial segment followed by residential and transport segment.
- The company has incurred Rs 300cr capex during 1HFY12, while it expected to incur another Rs 300cr during 2HFY12.
- The management has indicated Rs 500cr capex in FY13, will be shared equally between PNG and LNG segment.
- Company expects to add 35-40 CNG stations by FY12 end.
- Future capex plan will largely be funded through debt.
- Average cost of debt is around 10.5%



Profit & Loss Account				
Y/E Mar. (Rs. in cr)	FY10	FY11	FY12E	FY13E
<b>Total Income</b>	<b>1078.0</b>	<b>1740.7</b>	<b>2468.4</b>	<b>3246.9</b>
YoY%	26.4	61	42	32
Operating Exp	694.6	1257.1	1837.9	2485.7
<b>EBITDA</b>	<b>383.4</b>	<b>483.6</b>	<b>630.5</b>	<b>761.3</b>
YoY%	26.6	26.1	30.4	20.7
Finance Cost	3.0	6.2	14.8	16.9
<b>Depreciation</b>	<b>77.5</b>	<b>97.5</b>	<b>140.4</b>	<b>171.3</b>
Provisions	21.1	3.1	2.5	3.2
<b>PBT</b>	<b>324.0</b>	<b>382.9</b>	<b>477.8</b>	<b>576.4</b>
Tax	108.9	122.5	167.2	201.7
<b>PAT</b>	<b>215.1</b>	<b>260.4</b>	<b>310.5</b>	<b>374.6</b>
YoY%	23.9	21	19	21

Cash Flow Statement				
Y/E Mar. (Rs. in cr)	FY10	FY11	FY12E	FY13E
<b>Profit Before tax</b>	324	383	478	576
<b>Depreciation</b>	77	98	140	171
<b>Other adjustment</b>	-15	-3	-2	-3
<b>OPAT before WC change</b>	416	478	616	745
<b>Deposits received during</b>	29	17	12	12
<b>WC change</b>	25	121	-76	-78
<b>Cash from Operating</b>	470	615	552	679
<b>Tax Paid</b>	113	132	179	213
<b>Cash flow from Operating</b>	357	483	373	465
<b>Cash flow from investing</b>	-374	-555	-307	-481
<b>Cash flow from financing</b>	-66	-51	-49	-82
<b>increase/ decrease in</b>	-111	-102	37	-45
<b>Opening cash</b>	250	139	38	75
<b>Closing cash</b>	139	38	75	30

Balance sheet				
Y/E Mar. (Rs. in cr)	FY10	FY11	FY12E	FY13E
<b>Liabilities</b>				
Equity Capital	140	140	140	140
Reserves	685	867	1,095	1,388
Shareholder's	825	1,007	1,235	1,528
Total Debt	0	75	75	75
Deferred Tax	24	24	24	24
Deposits From	55	72	84	96
<b>Total Liabilities</b>	<b>904</b>	<b>1,177</b>	<b>1,418</b>	<b>1,723</b>
<b>Assets</b>				
Net fixed asset	651	1,094	1,314	1,584
CWP (Net)	183	183	150	150
<b>Investment</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
Inventory	27	47	69	101
Sundry Debtors	33	47	95	141
Cash & bank	121	18	53	8
Other current asset	6	6	6	25
Loans & advances	69	69	69	69
Current liabilities	204	304	354	373
<b>Total Asset</b>	<b>905</b>	<b>1,177</b>	<b>1,418</b>	<b>1,723</b>

Key Ratios				
Y/E March (Rs Cr)	FY10	FY11	FY12E	FY13E
<b>Per Share data (Rs)</b>				
EPS	15.4	17.1	22.1	26.8
cash EPS	20.9	24.0	32.2	39.0
DPS	4.0	4.0	4.0	5.0
Book value	62.9	80.0	95.9	106.7
<b>Capital, liquidity Ratio</b>				
Debt/ Equity (X)	0	0.07	0.06	0.05
Current Ratio (X)	1.3	0.6	0.8	0.9
ROE (%)	26	24	25	25
ROCE (%)	42	38	44	44
Dividend Yield (%)	2	1	1	2
<b>Valuation Ratio (X)</b>				
P/E	25.9	23.3	18.0	14.9
P/BV	6.3	5.0	4.1	3.7
EV/ Sales	5.1	3.3	2.2	1.7
EV/EBITDA	14.2	12.3	8.8	7.3



Arihant Research Desk

For queries:

E. research@arihantcapital.com

**Head Office**

3<sup>rd</sup> Floor, Krishna Bhuvan,  
67 Nehru Road, Vile Parle (East),  
Mumbai - 400057  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

**Registered Office**

Arihant House  
E-5 Ratlam Kothi  
  
Indore - 452003, (M.P.)

**Stock Rating Scale**

**Absolute Return**

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
REDUCE	:	< 5%

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