

January 11, 2011

Reco	Previous Reco
Accumulate	NA
CMP	Target Price
Rs.330	Rs.382
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	5,763
Sensex	19,224

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	8	16	70
Rel. to Nifty	5	14	9	55

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Oil & Gas
Bloomberg	IGL@IN
Equity Capital (Rs mn)	1400
Face Value (Rs)	10
No of shares o/s (mn)	140
52 Week H/L (Rs)	374/190
Market Cap (Rs bn/USD mn)	46/1,012
Daily Avg Vol (No of sh)	293881
Daily Avg Turnover (US\$ mn)	2.1

Shareholding Pattern (%)

	S'10	J'10	M'10
Promoters	45.0	45.0	45.0
FII/NRI	15.9	11.4	11.9
Institutions	17.6	20.5	19.4
Private Corp	7.1	8.1	8.0
Public	14.4	15.0	15.7

Source: Capitaline

Dhaval Joshi

dhaval.joshi@emkayglobal.com

+91 22 6612 1282

- **Volume increased by 22% from 203.5mmscm in Q3FY10 to 246.1mmscm in Q3 FY11**
- **CNG and PNG volumes increased by 13.7% and 92.4% respectively, YoY**
- **Blended unit realisation stood at 18.6/scm, growth of 30.3% YoY and 2.2% QoQ, mainly due to hike in prices of both CNG and PNG segment at the beginning of the quarter**
- **Given its monopoly in NCR region and easing of pricing pressure, recommend Accumulate with PT of Rs.382**

Highlights of the results

IGL reported results which were inline with our estimates at Revenue, EBIDTA and PAT level. Revenue for the quarter was at Rs.4570.9mn (against our estimates of Rs.4675mn), growth of 59.7% YoY, mainly on account of higher volume growth and realisation in both CNG and PNG segment. EBITDA during the quarter was at Rs.1292mn (against our estimates of Rs.1264mn), growth of 23%, mainly due to higher realisation in both CNG and PNG segment. Interest cost increased 2x on sequential basis to Rs.41.1mn, mainly on raising loans in the previous quarter for funding its capex plans in NCR region. During the quarter the company reported net profit of Rs.672bn, (against our estimates of Rs.673mn), growth of 14.1% on YoY basis.

CNG volumes and realisation/kg increased by 13.7% and 30% respectively, YoY

During the quarter CNG volumes has increased by 13.7% to 154.8mn kgs as against 136.1mn kgs. CNG realisation stood at Rs. 27.5/kg, growth of 30% YoY, on account of revision in the selling price of CNG after hike in APM gas price in June 2010 and marginal price hike of 25 paise in October 2010. The company again has announced a price hike in CNG of Rs.1.25/kg in 2nd January 2011. Currently CNG prices stands at 29/kg in Delhi and Rs.32.50/kg in Noida, Greater Noida and Ghaziabad.

PNG volumes and realisation/scm increased by 92.4% and 21.2% respectively, YoY

During the quarter PNG volumes has increased by 92.4% to 43.3mmscm as against 22.5mmscm, mainly due to increased offtake by commercial and industrial customers. PNG realisation stood at Rs. 19.4/scm as against Rs.16/scm, growth of 21.2% YoY, on account of revision in the selling price of PNG after hike in APM gas price in June 2010 and started purchasing gas from Reliance Industries. The company again has announced a price hike in PNG (mainly domestic consumers) to Rs.18.95/scm in 2nd January 2011, in view of rise in input costs.

Valuation table

Rs Mn	Net Sales	EBIDTA (%)	APAT	AEPS	EPS (%chg)	RoE (%)	P/E	EV/EBIDTA	P/BV	
FY10	10838	3865	35.7	2155	15.4	24.9	28.6	21.4	11.6	5.6
FY11E	17289	4878	28.2	2600	18.6	20.7	28.4	17.8	9.3	4.6
FY12E	19783	5506	27.8	2935	21.0	12.9	26.6	15.7	8.2	3.8
FY13E	21551	5966	27.7	3138	22.4	6.9	23.9	14.7	7.6	3.2

Source: Company, Emkay Research

Financial Snapshot

Rs mn	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	YoY (%)	QoQ (%)	YTD'10	YTD'09	YoY (%)
Revenue	2863.0	2897.6	3357.8	4467.9	4570.9	59.7	2.3	12396.6	7940.8	56.1
Expenditure	1812.1	1953.5	2283.0	3220.6	3278.1	80.9	1.8	8781.7	5021.6	74.9
as % of sales	63.3	67.4	68.0	72.1	71.7			70.8		
Consumption of RM	1283.4	1382.2	1667.1	2546.6	2597.8	102.4	2.0	6811.5	3568.3	90.9
as % of sales	44.8	47.7	49.6	57.0	56.8			54.9		
Employee Cost	79.1	96.4	91.7	98.7	99.0	25.2	0.3	289.5	211.3	37.0
as % of sales	2.8	3.3	2.7	2.2	2.2			2.3		
Other expenditure	449.6	475.0	524.2	575.3	581.3	29.3	1.0	1680.8	1242.0	35.3
as % of sales	15.7	16.4	15.6	12.9	12.7			13.6		
EBITDA	1051.0	944.1	1074.8	1247.3	1292.8	23.0	3.6	3614.8	2919.1	23.8
Depreciation	196.9	198.2	230.9	238.9	261.5			731.3	576.4	
EBIT	854.1	745.9	843.9	1008.4	1031.3	20.7	2.3	2883.5	2342.8	23.1
Other Income	36.0	25.0	10.9	5.4	6.7			23.0	128.8	
Interest	0	0	0	20.1	41.16			61.3	0.0	
PBT	890.0	771.0	854.8	993.7	996.8	12.0	0.3	2845.2	2471.6	15.1
Total Tax	300.8	256.1	283	331	324.8			938.9	833.4	
Adjusted PAT	589.2	514.9	571.4	662.9	672.0	14.1	1.4	1906.3	1638.2	16.4
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0.0	
APAT after MI	589.2	514.9	571.4	662.9	672.0			1906.3	1638.2	
Extra ordinary items	0	0	0	0	0			0	0.0	
Reported PAT	589.2	514.9	571.4	662.9	672.0			1906.3	1638.2	
Reported EPS	4.2	3.7	4.1	4.7	4.8	14.0	1.4	13.6	11.7	16.4

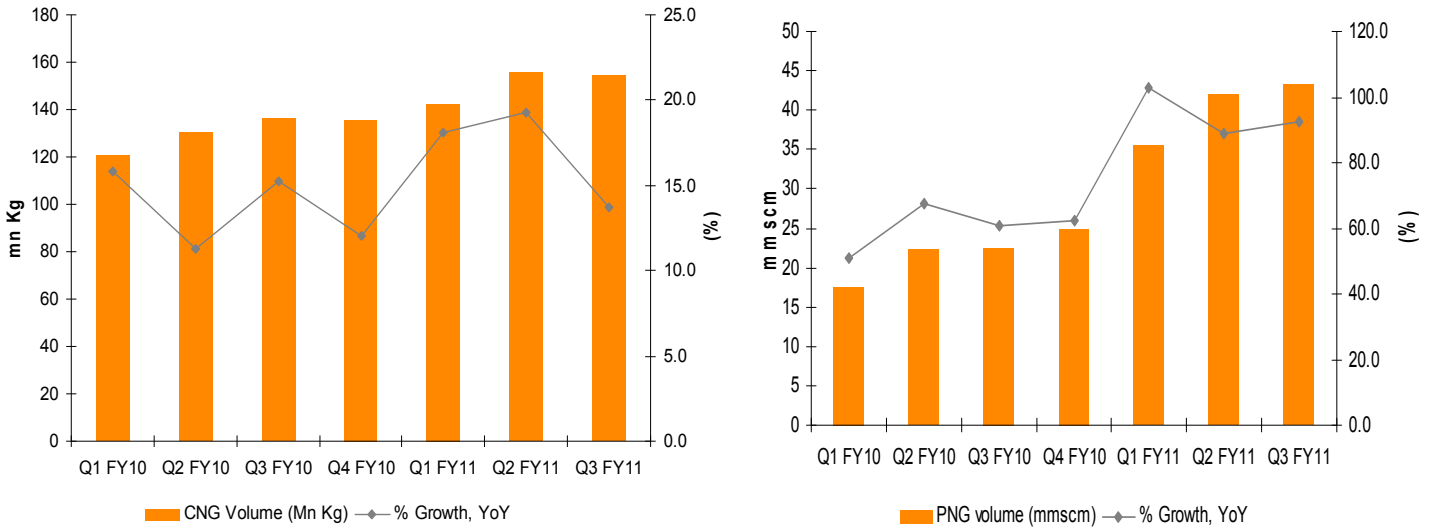
Margins (%)	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	(bps)	(bps)	YTD'10	YTD'09	(bps)
EBIDTA	36.7	32.6	32.0	27.9	28.3	-842.5	36.6	29.2	36.8	760.1
EBIT	29.8	25.7	25.1	22.6	22.6	-726.9	-0.8	23.3	29.5	624.3
EBT	31.1	26.6	25.5	22.2	21.8	-927.9	-43.3	23.0	31.1	817.4
PAT	20.6	17.8	17.0	14.8	14.7	-587.8	-13.5	15.4	20.6	525.3
Effective Tax rate	33.8	33.2	33.2	33.3	32.6	-121.5	-70.5	33.0	33.7	71.9

Source: Company, Emkay Research

Outlook and Valuations

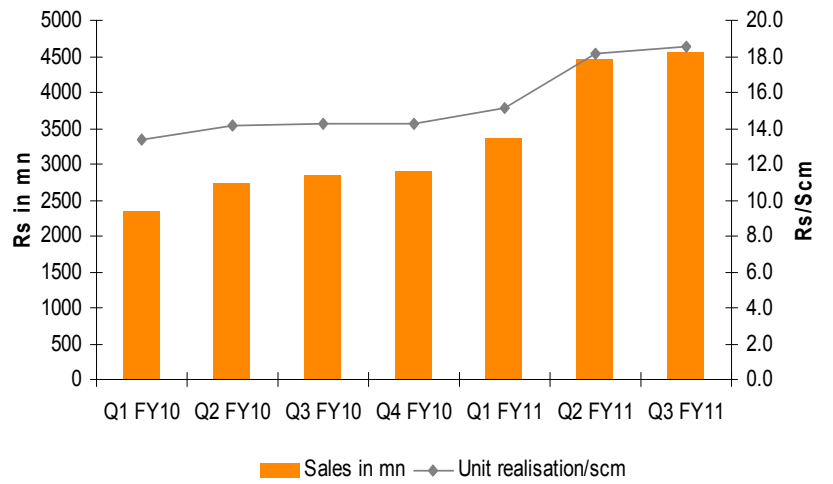
Q3 FY11 results were broadly inline with our estimates. Our EPS estimate of Rs.21 and Rs.22.41 for FY12E and FY13E respectively, imply earning CAGR of 13% over FY10-13E. We maintain ACCUMALATE on IGL with the target price of Rs.382, given its monopoly in NCR region, strong volume growth in CNG and PNG segment and robust business model with no commodity risk. We believe that concerns on pricing pressure and expansion in Ghaziabad have eased and any dip should be used as an opportunity to accumulate the stock. Presently stock trades at 15.7x one year forward P/E and 3.8x P/BV.

CNG & PNG volume growth



Source: Company, Emkay Research

Sales & Unit realisation/scm



Source: Company, Emkay Research

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
Net Sales	10838.3	17289.2	19782.7	21551.4
<i>Growth (%)</i>	26.5	59.5	14.4	8.9
Expenditure	6973	12411	14276	15585
Materials Consumed	4948.6	9625.8	11036.5	12120.3
Employee Cost	307.8	427.0	524.2	571.1
Other Exp	1717.0	2358.1	2715.7	2893.6
EBITDA	3865	4878	5506	5966
<i>Growth (%)</i>	27.0	26.2	12.9	8.4
EBITDA margin (%)	35.7	28.2	27.8	27.7
Depreciation	774.5	978.6	1100.4	1223.4
EBIT	3090.5	3899.7	4405.9	4743.1
EBIT margin (%)	29.9	23.0	23.0	22.7
Other Income	153.9	83.0	137.5	145.9
Interest expenses	0	80.2	130.0	170.0
PBT	3244.3	3902.5	4413.4	4719.0
Tax	1089.5	1302.3	1478.5	1580.9
<i>Effective tax rate (%)</i>	33.6%	33.4%	33.5%	33.5%
Adjusted PAT	2154.9	2600.2	2934.9	3138.1
<i>Growth (%)</i>	24.9	20.7	12.9	6.9
Net Margin (%)	19.9	15.0	14.8	14.6
(Profit)/loss from JVs/Ass/MI	-	-	-	-
Adjusted PAT After JVs/Ass/MI	2154.9	2600.2	2934.9	3138.1
E/O items	-	-	-	-
Reported PAT	2,154.9	2,600.2	2,934.9	3,138.1
PAT after MI	2,154.9	2,600.2	2,934.9	3,138.1
<i>Growth (%)</i>	24.9	20.7	12.9	6.9

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
PBT (Ex-Other income)	3244.3	3902.5	4413.4	4719.0
Depreciation	774.5	978.6	1100.4	1223.4
Interest Provided	0.0	80.2	130.0	170.0
Other Non-Cash items	1.0	2.0	3.0	3.0
Chg in working cap	150.1	1078.8	470.7	329.7
Tax paid	1089.5	1302.3	1478.5	1580.9
Operating Cash flow	3067.6	4737.7	4636.0	4861.2
Capital expenditure	-3485.3	-4500.0	-3500.0	-3500.0
Free Cash Flow	-417.7	237.7	1136.0	1361.2
Other income	0	0	0	0
Investments	0	0	0	0
Investing Cash flow	-3485.3	-4500	-3500	-3500
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	0	1500	500	500
Interest Paid	0	-80.1	-130	-170
Dividend paid (incl tax)	-737.1	-819	-900.9	-982.8
Income from investments	0	0	0	0
Others	0	0	0	0
Financing Cash flow	-737.1	600.8	-530.9	-652.8
Net chg in cash	-1154.8	838.6	605.1	708.4
Opening cash position	1461.7	306.9	1145.5	1750.6
Closing cash position	306.9	1145.5	1750.6	2459.0

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
Equity share capital	1400.0	1400.0	1400.0	1400.0
Reserves & surplus	6852.8	8634.0	10668.1	12823.4
Net worth	8252.8	10034.0	12068.1	14223.4
Minority Interest	0.0	0.0	0.0	0.0
Secured Loans	0.0	1500.0	2000.0	2500.0
Unsecured Loans	0.0	0.0	0.0	0.0
Loan Funds	0.0	1500.0	2000.0	2500.0
Net deferred tax liability	474.3	474.3	474.3	474.3
Total Liabilities	8727.1	12008.3	14542.4	17197.7
Gross Block	11053.2	13053.2	14553.2	16053.2
Less: Depreciation	4539.1	5517.7	6618.0	7841.4
Net block	6514.1	7535.5	7935.1	8211.8
Capital work in prog.	1420.6	3920.6	5920.6	7920.6
Investment	1041.8	1041.8	1041.8	1041.8
Current Assets	1594.7	2978.8	3812.9	4714.4
Inventories	317.2	397.8	455.5	505.0
Sundry debtors	402.9	642.7	735.4	801.2
Cash & bank balance	306.9	1145.5	1750.6	2459.0
Loans & advances	541.9	751.7	824.3	898.0
Other current assets	25.8	41.1	47.1	51.3
Current lia & Prov	1844.1	3468.3	4168.0	4690.9
Current liabilities	1007.3	1969.4	2439.2	2820.7
Provisions	836.8	1498.9	1728.8	1870.2
Net current assets	-249.3	-489.5	-355.1	23.5
Misc. exp	0.0	0.0	0.0	0.0
Total Assets	8727.2	12008.4	14542.4	17197.7

Key ratios

Y/E, Mar	FY10	FY11E	FY12E	FY13E
Profitability (%)				
EBITDA Margin	35.7	28.2	27.8	27.7
Net Margin	19.9	15.0	14.8	14.6
ROCE	40.5	38.4	34.2	30.8
ROE	28.6	28.4	26.6	23.9
RolC	62.1	65.8	75.1	81.7
Per Share Data (Rs)				
EPS	15.4	18.6	21.0	22.4
CEPS	20.9	25.6	28.8	31.2
BVPS	58.9	71.7	86.2	101.6
DPS	4.5	5.0	5.5	6.0
Valuations (x)				
PER	21.4	17.8	15.7	14.7
P/CEPS	15.8	12.9	11.4	10.6
P/BV	5.6	4.6	3.8	3.2
EV / Sales	4.1	2.6	2.3	2.1
EV / EBITDA	11.6	9.3	8.2	7.6
Dividend Yield (%)	2.1	1.5	1.7	1.8
Gearing Ratio (x)				
Net Debt/ Equity	-0.1	-0.1	-0.1	-0.1
Net Debt/EBITDA	-0.2	-0.1	-0.1	-0.2
Working Cap Cycle (days)	-9.7	-19.6	-23.0	-25.6

Recommendation History: Indraprastha Gas Ltd - IGL@IN**Recent Research Reports**

Date	Reports	Reco	CMP	Target
22/12/2010	Natural Gas Sector Report			
15/11/2010	IOCL Q2FY11 Result Update	Accumulate	403	458
15/11/2010	HPCL Q2FY11 Result Update	Buy	454	515
11/11/2010	Bharat Petroleum Corp Q2FY11 Result Update	Accumulate	756	805

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

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