

May 31, 2011

Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs.330	Rs.382
EPS change FY12E/13E (%)	0/4.9
Target Price change (%)	NA
Nifty	5,561
Sensex	18,503

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	15	1	40
Rel. to Nifty	10	12	9	31

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)	374/229
Market Cap (Rs bn/USD mn)	47/1,043
Daily Avg Vol (No of shares)	60221
Daily Avg Turnover (US\$ mn)	0.4

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	45.0	45.0	45.0
FII/NRI	16.8	17.3	15.9
Institutions	18.0	17.4	17.6
Private Corp	7.5	7.5	7.1
Public	12.8	12.8	14.4

Source: Capitaline

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- Volume increased by 32% from 205.5mmscm in Q4FY10 to 271.7mmscm in Q4 FY11
- CNG and PNG volumes increased by 16% to 157.5mnKg and 136% to 59.1 mmscm respectively, YoY
- Blended unit realisation stood at 19.2/scm, growth of 34.3% YoY and 3.3% 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, maintain Accumulate with PT of Rs.382

Highlights of the results

IGL reported results which were inline with our estimates at EBIDTA and PAT level. However, revenue were marginally ahead than our estimate mainly due to hike in prices of both CNG and PNG segment at the beginning of the quarter. Revenue for the quarter was at Rs.5108mn (against our expectation of Rs.4788mn), growth of 76% YoY, mainly on account of higher volume growth with better realization in both CNG and PNG segment. EBITDA during the quarter was at Rs.1371.9mn (against our estimate of Rs.1293mn), growth of 45.3%, mainly due to higher realisation in both CNG and PNG segment. Interest cost increased 2x on sequential basis to Rs.70.3mn, mainly on raising loans in the previous quarter for funding its capex plans in NCR region. During the quarter company reported net profit of Rs.691.8bn, (as against our estimate of Rs.693mn), growth of 34.4% on YoY basis.

CNG volumes and realisation/kg increased by 16.1% and 36% respectively, YoY

During the quarter CNG volumes has increased by 16.1% to 157.5mn kgs as against 135.7mn kgs. CNG realisation stood at Rs. 28.6/kg, growth of 36% YoY, on account of revision in the selling price of CNG of Rs.1.20/kg in 2nd January 2011. Currently CNG prices stands at 29.3/kg in Delhi and Rs.32.85/Kg in Noida, Greater Noida and Ghaziabad.

PNG volumes and realisation/scm increased by 136.4% and 25.8% respectively, YoY

During the quarter PNG volumes has increased by 136.4% to 59.1mmscm mainly due to increased offtake by commercial and industrial customers. PNG realisation stood at Rs. 19.6/scm as against Rs.15.6/scm, growth of 25.8% YoY, on account of revision in the selling price of PNG in 2nd January 2011. The company 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.

Outlook and Valuations

Q4 FY11 results were broadly inline with our estimates. Our EPS estimate of Rs.21 and Rs.23.5 for FY12E and FY13E respectively, imply earning CAGR of 15% over FY10-13E. We maintain ACCUMALATE on IGL with the target prices 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 14.1x FY13E EPS and 3.2x P/BV.

Valuation table

Rs Mn	Net Sales	EBIDTA (Core)	EBIDTA (%)	APAT	AEPS	EPS (%chg)	RoE (%)	P/E	EV/EBIDTA	P/BV
FY10	10838	3865	35.7	2154.9	15.4	24.9	28.6	21.6	11.7	5.6
FY11E	17504	4987	28.5	2598.0	18.6	20.6	28.4	17.9	9.3	4.6
FY12E	22168	5967	26.9	2944.0	21.0	13.3	26.6	15.8	7.9	3.8
FY13E	25333	6686	26.4	3289.3	23.5	11.7	24.9	14.1	7.1	3.2

Source: Company, Emkay Research

Financial Snapshot

Rs mn	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	YoY (%)	QoQ (%)	FY11	FY10	YoY (%)
Revenue	2897.6	3357.8	4467.9	4570.9	5108.0	76.3	11.8	17504.6	10838.4	61.5
Expenditure	1953.5	2283.0	3220.6	3278.1	3736.1	91.2	14.0	12517.9	6975.2	79.5
as % of sales	67.4	68.0	72.1	71.7	73.1			71.5		
Consumption of RM	1382.2	1667.1	2546.6	2597.8	3024	118.8	16.4	9835.2	4950.4	98.7
as % of sales	47.7	49.6	57.0	56.8	59.2			56.2		
Employee Cost	96.4	91.7	98.7	99.0	89.7	-7.0	-9.5	379.1	307.8	23.2
as % of sales	3.3	2.7	2.2	2.2	1.8			2.2		
Other expenditure	475.0	524.2	575.3	581.3	622.7	31.1	7.1	2303.5	1717.0	34.2
as % of sales	16.4	15.6	12.9	12.7	12.2			13.2		
EBITDA	944.1	1074.8	1247.3	1292.8	1371.9	45.3	6.1	4986.7	3863.2	29.1
Depreciation	198.2	230.9	238.9	261.5	297.3			1028.6	774.5	
EBIT	745.9	843.9	1008.4	1031.3	1074.6	44.1	4.2	3958.1	3088.7	28.1
Other Income	25.0	10.9	5.4	6.7	7.9			30.8	153.8	
Interest	0	0	20.1	41.16	70.3			131.6	0.0	
PBT	771.0	854.8	993.7	996.8	1012.2	31.3	1.5	3857.4	3242.6	19.0
Total Tax	256.1	283	331	324.8	320.4			1259.3	1089.5	
Adjusted PAT	514.9	571.4	662.9	672.0	691.8	34.4	2.9	2598.1	2153.1	20.7
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0.0	0.0	
APAT after MI	514.9	571.4	662.9	672.0	691.8			2598.1	2153.1	
Extra ordinary items	0	0	0	0	0			0.0	0.0	
Reported PAT	514.9	571.4	662.9	672.0	691.8			2598.1	2153.1	
Reported EPS	3.7	4.1	4.7	4.8	4.94	34.3	2.9	18.6	15.4	20.7

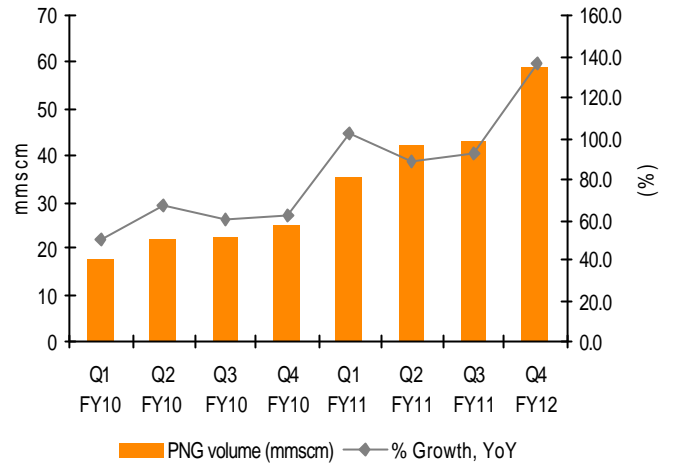
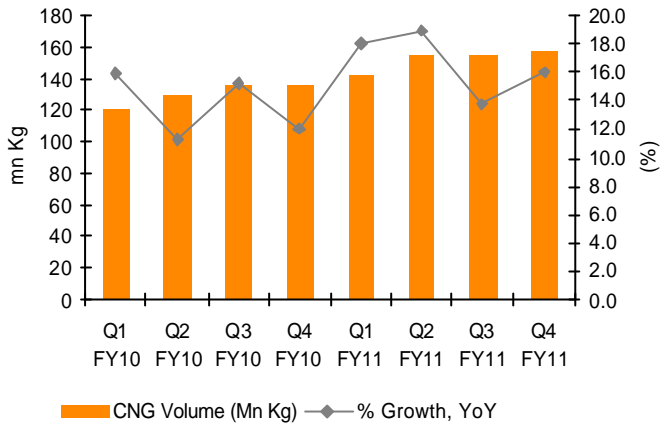
Margins (%)						(bps)	(bps)				(bps)
EBIDTA	32.6	32.0	27.9	28.3	26.9	-572.4	-142.5	28.5	35.6	-715.6	
EBIT	25.7	25.1	22.6	22.6	21.0	-470.6	-152.4	22.6	28.5	-588.6	
EBT	26.6	25.5	22.2	21.8	19.8	-679.1	-199.3	22.0	29.9	-788.1	
PAT	17.8	17.0	14.8	14.7	13.5	-422.6	-116.0	14.8	19.9	-502.3	
Effective Tax rate	33.2	33.2	33.3	32.6	31.7	-156.2	-92.7	32.6	33.6	-95.3	

Revised estimate

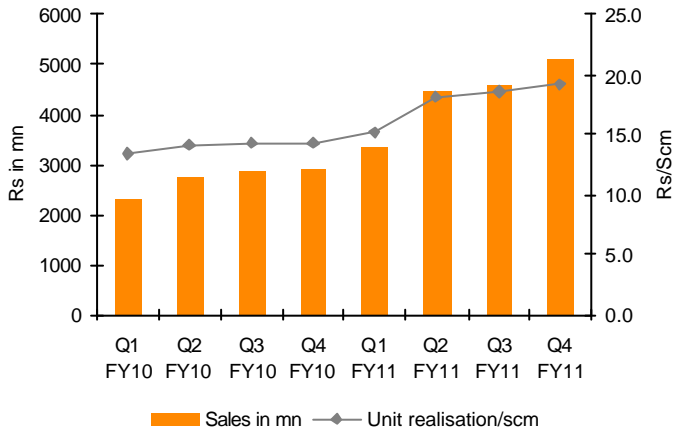
We have revised our FY12E and FY13E estimate by increasing the volume and CNG price. We have assumed volume of 3.1mmscmd (3mmscmd earlier) for FY12E and 3.4mmscmd (3.2mmscmd earlier) for FY13E. We have increased our CNG price assumption (Rs. 29.5/kg for FY12E and Rs.31/Kg in FY13E) mainly on account of expected rise in RLNG prices for FY12E and FY13E.

Rs. Mn	FY12E			FY13E		
	Old	New	% Change	Old	New	% Change
Net Sales	19782.7	22167.8	12.1	21551.4	25333.2	17.5
EBIDTA	5506.0	5966.7	8.4	5966	6685.6	12.1
EBIDTA %	27.8	26.9	-91.6	27.7	26.4	-129.2
PAT	2934.9	2944.0	0.3	3138.1	3289.3	4.8
EPS	21	21	0.0	22.4	23.5	4.9

CNG & PNG volume growth



Sales & Unit realisation/scm



Financials

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
Net Sales	10838.3	17504.4	22167.8	25333.2
<i>Growth (%)</i>	26.5	61.5	26.6	14.3
Expenditure	6973	12518	16201	18648
Materials Consumed	4948.6	9835.3	13089.1	15075.6
Employee Cost	307.8	379.1	435.4	506.7
Other Exp	1717.0	2303.5	2676.7	3065.3
EBITDA	3865	4987	5967	6686
<i>Growth (%)</i>	27.0	29.0	19.7	12.0
EBITDA margin (%)	35.7	28.5	26.9	26.4
Depreciation	774.5	1028.6	1298.1	1436.4
EBIT	3090.5	3958.0	4668.5	5249.2
EBIT margin (%)	29.9	22.8	21.2	20.9
Other Income	153.9	30.9	37.5	41.7
Interest expenses	0	131.5	312.0	381.5
PBT	3244.3	3857.4	4394.1	4909.3
Tax	1089.5	1259.3	1450.0	1620.1
<i>Effective tax rate (%)</i>	33.6%	32.6%	33.0%	33.0%
Adjusted PAT	2154.9	2598.0	2944.0	3289.3
<i>Growth (%)</i>	24.9	20.6	13.3	11.7
Net Margin (%)	19.9	14.8	13.3	13.0
(Profit)/loss from JVs/Ass/MI	-	-	-	-
Adj. PAT After JVs/Ass/MI	2154.9	2598.0	2944.0	3289.3
E/O items	-	-	-	-
Reported PAT	2,154.9	2,598.0	2,944.0	3,289.3
PAT after MI	2,154.9	2,598.0	2,944.0	3,289.3
<i>Growth (%)</i>	24.9	20.6	13.3	11.7

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E	FY13E
PBT	3244.3	3857.4	4394.1	4909.3
Depreciation	774.5	1028.6	1298.1	1436.4
Interest Provided	0.0	131.5	312.0	381.5
Other Non-Cash items	1.0	2.0	3.0	3.0
Chg in working cap	150.1	1158.9	874.3	549.2
Tax paid	1089.5	1259.3	1450.0	1620.1
Operating Cash flow	3067.6	4917.0	5428.4	5656.4
Capital expenditure	-3485.3	-5000.0	-5000.0	-5000.0
Free Cash Flow	-417.7	-83.0	428.4	656.4
Other income	0	0	0	0
Investments	0	0	0	0
Investing Cashflow	-3485.3	-5000	-5000	-5000
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	0	1500	1000	800
Interest Paid	0	-131.472	-312	-381.5
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	549.5	-212.9	-564.3
Net chg in cash	-1154.8	466.5	215.5	92.1
Opening cash position	1461.7	306.9	773.4	988.9
Closing cash position	306.9	773.4	988.9	1081.0

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	8631.8	10675.0	12981.4
Net worth	8252.8	10031.8	12075.0	14381.4
Minority Interest	0.0	0.0	0.0	0.0
Secured Loans	0.0	1500.0	2500.0	3300.0
Unsecured Loans	0.0	0.0	0.0	0.0
Loan Funds	0.0	1500.0	2500.0	3300.0
Net deferred tax liability	474.3	474.3	474.3	474.3
Total Liabilities	8727.1	12006.1	15049.3	18155.7
Gross Block	11053.2	13053.2	15053.2	17053.2
Less: Depreciation	4539.1	5567.7	6865.8	8302.2
Net block	6514.1	7485.5	8187.4	8750.9
Capital work in prog.	1420.6	4420.6	7420.6	10420.6
Investment	1041.8	1041.8	1041.8	1041.8
Current Assets	1594.7	2624.6	3253.2	3668.3
Inventories	317.2	397.8	463.8	529.8
Sundry debtors	402.9	650.7	824.1	941.8
Cash & bank balance	306.9	773.4	988.9	1081.0
Loans & advances	541.9	761.1	923.7	1055.6
Other current assets	25.8	41.7	52.8	60.3
Current lia & Prov	1844.1	3566.3	4853.6	5725.9
Current liabilities	1007.3	2048.4	2872.1	3488.2
Provisions	836.8	1517.9	1981.6	2237.7
Net current assets	-249.3	-941.7	-1600.5	-2057.6
Misc. exp	0.0	0.0	0.0	0.0
Total Assets	8727.1	12006.1	15049.3	18155.7

Key ratios

Y/E, Mar	FY10	FY11E	FY12E	FY13E
Profitability (%)				
EBITDA Margin	35.7	28.5	26.9	26.4
Net Margin	19.9	14.8	13.3	13.0
ROCE	40.5	38.5	34.8	31.9
ROE	28.6	28.4	26.6	24.9
RoIC	62.1	67.5	82.1	93.6
Per Share Data (Rs)				
EPS	15.4	18.6	21.0	23.5
CEPS	20.9	25.9	30.3	33.8
BVPS	58.9	71.7	86.2	102.7
DPS	4.5	5	5.5	6
Valuations (x)				
PER	21.6	17.9	15.8	14.1
P/CEPS	15.9	12.8	11.0	9.8
P/BV	5.6	4.6	3.8	3.2
EV / Sales	4.2	2.6	2.1	1.9
EV / EBITDA	11.7	9.3	7.9	7.1
Dividend Yield (%)	2.1	1.5	1.7	1.8
Gearing Ratio (x)				
Net Debt/ Equity	0.0	0.0	0.0	0.1
Net Debt/EBITDA	-0.1	-0.1	0.1	0.2
Work Cap Cycle (days)	-9.7	-20.9	-26.1	-29.1

Recommendation History: Indraprastha Gas Ltd – IGL IN

Date	Reports	Reco	CMP	Target
11/01/2011	Indraprastha Gas Q3FY11 Result Update	Accumulate	330	382
22/12/2010	Natural Gas Sector Report			

Recent Research Reports

Date	Reports	Reco	CMP	Target
31/05/2011	BPCL Q4FY11 Result Update	Accumulate	627	684
31/05/2011	IOCL Q4FY11 Result Update	Accumulate	320	381
27/05/2011	GSPL Q4FY11 Result Update	Buy	97	120
27/05/2011	HPCL Q4FY11 Result Update	Buy	356	463

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