

Indraprastha Gas

Under Review

Better than expected volumes, margins

CMP: Rs210

IGL's Q4FY12 net profit was 11% above our expectations (up 17% yoy at Rs808mn) due to better-than-estimated volumes and gross margin. Our rating on the stock is under review pending the court verdict on its case against PNGRB mainly about the latter's decision to cut network tariffs by 60% retrospectively from April 2008.

Net profit up 17% on 3% volume and 8% margin growth

Net profit was up 17% yoy at Rs808mn on a 3% rise in volumes to 3.52mmscmd (we expected 3.4mmscmd) and a 7.5% rise in gross margin to Rs8.2/scm vs. our expectation of Rs8/scm. Profits were 11% above our estimate due to higher volumes, higher than expected gross margin, and a lower-than-expected tax rate at 31.5% (we assumed 33%). Also, since IGL changed the estimated life of some of its assets (and the written-down value of these assets amortized over the remaining useful life), depreciation for Q4 fell by Rs34.8mn to Rs397mn.

Physical performance

Particulars	Q4FY12	Q4FY12E	Difference	Q4FY11	yoy %	Q3FY12	qoq %
Gross margin (Rs/scm)	8.2	8	2.9%	7.7	7.5%	7.6	7.7%
Gas volume mmscmd	3.52	3.4	3.4%	3.0	16.5%	3.4	3.1%

Source: Company, BRICS Research

We have kept our rating under review given uncertainty surrounding its dispute with PNGRB. According to our calculations, the stock price does not discount refund of excess charge on PNG/CNG from FY09, factors in a gross margin of ~Rs4/scm, and does not factor a further investment in network expansion.

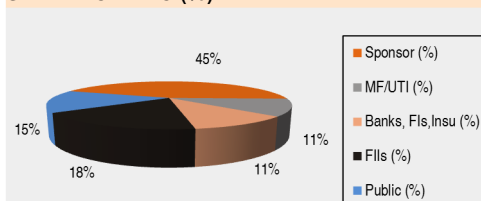
- Corporate development
- Earnings estimate change
- Target price change
- Rating change

KEY DATA

Bloomberg	IGL IN
Reuters	IGAS.BO
52-wk H/L (Rs)	454.0/170.0
6-m avg trd value	US\$8.3mn
Market cap	Rs29.4bn/US\$0.5bn
Shares o/s	140.0mn
Face value	Rs10

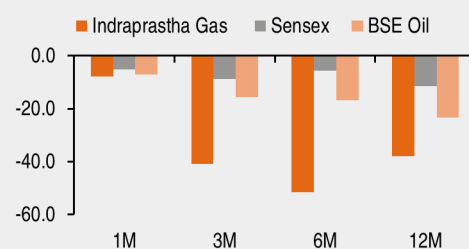
Source: Bloomberg

SHAREHOLDING (%)



Source: Ace equity

RELATIVE PRICE PERFORMANCE



Source: Bloomberg

KEY FINANCIALS	(Rs mn)			
Y/E 31 March	2011	2012E	2013E	2014E
Revenue	17,441	21,409	24,487	25,749
EBITDA	4,878	6,657	7,514	7,438
EBITDA margin (%)	28.0	31.1	30.7	28.9
PAT	2,490	3,429	3,693	3,378
FDEPS (Rs)	17.8	24.5	26.4	24.1
% growth	—	37.7	7.7	(8.5)
P/E (x)	11.8	8.6	7.9	8.7
RoCE avg (%)	38.1	31.0	27.9	22.9

Source: Company, BRICS Research

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Exhibit 1: Volume and margin assumptions

Particulars	FY13E	FY14E	FY15E	FY16E
Volume (mmscmd)	3.8	4.0	4.3	4.7
Gross margin (Rs/scm)	7.8	7.5	7.5	7.5

Source: BRICS Research

Exhibit 2: March 2012 quarter performance**(Rs mn)**

Particulars	Q4FY12	Q4FY12E	Difference %	Q4FY11	yoy %	Q3FY12	qoq %
	Actual	Estimate					
Sales	7,212	6,541	10.3%	5,108	41.2%	6,631	8.8%
EBITDA	1,695	1,620	4.6%	1,372	23.5%	1,504	12.6%
EBITDA %	23%	25%		27%		23%	
Depreciation	397	405	-1.8%	297	33.7%	368	8.0%
Other income	18	15	19.4%	8	127.7%	15	21.2%
PBT	1,179	1,085	8.7%	1,012	16.5%	1,016	16.1%
Tax	372	358	3.8%	320	15.9%	324	14.5%
PAT	808	727	11.1%	692	16.8%	692	16.8%
EPS	5.8	5.2	11.1%	4.9	16.8%	4.9	16.8%

Source: Company, BRICS Research

Financial summary

Income statement					Balance sheet				
(Rs mn)					(Rs mn)				
Y/E 31 March	2011	2012E	2013E	2014E	Y/E 31 March	2011	2012E	2013E	2014E
Revenue	17,441	21,409	24,487	25,749	Net fixed assets	11,712	14,413	16,669	18,455
Revenue growth (%)	61.8	22.8	14.4	5.2	Investments	(13)	2,341	3,096	2,824
Operating exp	12,562	14,752	16,973	18,312	Current assets	2,632	2,908	3,390	3,668
EBITDA	4,878	6,657	7,514	7,438	Inventories	429	554	637	672
EBITDA margin (%)	28.0	31.1	30.7	28.9	Sundry debtors	517	668	767	809
Depreciation	1,029	1,724	2,195	2,693	Cash & bank balance	1,000	1,000	1,300	1,500
EBIT	3,850	4,933	5,319	4,744	Loans & advances	686	686	686	686
MTM profit / (loss)	—	—	—	—	Other current assets	—	—	—	—
Other income	31	256	288	368	Total assets	14,331	19,662	23,155	24,946
Interest paid	132	20	40	20	Net worth	10,033	12,644	15,518	18,077
PBT	3,749	5,169	5,567	5,092	Share capital	1,400	1,400	1,400	1,400
Tax	1,259	1,740	1,874	1,714	Reserves & surplus	8,633	11,244	14,118	16,677
PAT	2,490	3,429	3,693	3,378	Minority interest	—	—	—	—
Minority interest	—	—	—	—	Total debt	1,003	3,055	3,280	2,399
EO income	—	—	—	—	Secured loans	—	500	500	—
APAT	2,490	3,429	3,693	3,378	Unsecured loans	1,003	2,555	2,780	2,399
PAT growth (%)	15.5	37.7	7.7	(8.5)	Current liabilities & prov	3,056	3,725	4,119	4,232
Shares o/s (mn)	140	140	140	140	Current liabilities	3,056	3,725	4,119	4,232
Fully diluted o/s shrs (mn)	—	—	—	—	Provisions	—	—	—	—
FDEPS (Rs) recurring	17.8	24.5	26.4	24.1	Net deferred tax liab	238	238	238	238
					Total liabilities	14,331	19,662	23,155	24,946
Cash flow statement					Key ratios				
(Rs mn)									
Y/E 31 March	2011	2012E	2013E	2014E	Y/E 31 March	2011	2012E	2013E	2014E
PBT	3,749	5,169	5,567	5,092	Valuation ratios				
Depreciation	1,029	1,724	2,195	2,693	PE (x)	11.8	8.6	7.9	8.7
Amortisation	—	—	—	—	CEPS (Rs)	25.1	36.8	42.1	43.4
Interest paid	132	20	40	20	PCE (x)	8.3	5.7	5.0	4.8
Tax paid	1,259	1,740	1,874	1,714	BVPS (Rs)	72	90	111	129
Chg in working capital	431	272	179	76	Price/Book (x)	2.9	2.3	1.9	1.6
Int/div in other income	—	—	—	—	EV/EBITDA (x)	6.0	4.7	4.2	4.1
Other operations	—	—	—	—	EV/Revenue (x)	1.7	1.5	1.3	1.2
CF from operations (a)	3,136	3,825	4,266	4,414	Dividend yield (%)	2.4	2.4	2.4	2.4
Capital expenditure	(4,400)	(4,425)	(4,451)	(4,479)	Cash flow yield (%)	(3.7)	(10.1)	(3.2)	0.7
Chg in investments	183	(2,353)	(755)	272	Performance ratios				
Other investing act	—	—	—	—	Raw material to sales (%)	65.7	63.2	63.9	65.5
Int/div in other income	—	—	—	—	SGA to sales (%)	4.1	3.7	3.5	3.5
CF from investments (b)	(4,217)	(6,778)	(5,206)	(4,207)	Effective tax rate (%)	33.6	33.7	33.7	33.7
Free cash flow (a+b)	(1,081)	(2,953)	(940)	207	PAT margin (%)	14.3	16.0	15.1	13.1
Equity raised/(repaid)	—	—	—	—	DPS (Rs)	5.0	5.0	5.0	5.0
Debt raised/(repaid)	451	2,052	225	(882)	Dividend payout ratio (%)	28	20	19	21
Interest paid	(132)	(20)	(40)	(20)	Return ratios				
Dividend (incl tax)	(819)	(819)	(819)	(819)	RoE avg (%)	27.2	30.2	26.2	20.1
Other fin activities	108	—	—	—	RoCE avg (%)	38.1	31.0	27.9	22.9
CF from financing (c)	(391)	1,213	(634)	(1,721)	Fixed asset turnover (x)	—	—	—	—
Net chg in cash (a+b+c)	(1,472)	(1,740)	(1,574)	(1,514)	Working capital ratios				
Opening balance	1,213	1,000	1,000	1,300	Inventory (days)	9	9	9	10
Closing balance	1,000	1,000	1,300	1,500	Payable (days)	60	65	65	64
					Receivable (days)	11	11	11	11
					Working capital (days)	(40)	(45)	(44)	(43)
					Leverage ratios				
					Interest cost (%)	—	—	—	—
					Net debt/equity (x)	—	0.2	0.1	—
					Interest coverage (x)	29.2	246.7	133.0	237.2

BRICS RECOMMENDATION SCALE

BUY:	More than 15% upside
ADD:	Upside up to 15% (between 0% and 15%)
REDUCE:	Downside up to 15% (between 0% and -15%)
SELL:	More than 15% downside

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