

Stable performance...

Adani Gas' (AGL) operating revenues fell 56.9% YoY to ₹ 206.6 crore in Q1FY21 due to sharp fall in sales volume during lockdown. Sales volume came in at 0.7 mmscmd, down 53.6% YoY. EBITDA for the quarter declined 42.6% YoY to ₹ 77.4 crore. Gross margins were strong at ₹ 19/scm, up ₹ 6.2/scm YoY due to lower gas prices. EBITDA/scm was at ₹ 12.1/scm, ₹ 2.3/scm higher YoY. Reported PAT stood at ₹ 46.3 crore, down 41.6% YoY.

Volume de-growth on account of lockdown

AGL reported sales volume decline of 53.6% YoY for Q1FY21. The extended lockdown resulted in a sharp decline of 66.2% YoY in CNG sales at 0.3 mmscmd. Similarly, PNG sales registered a decline of 40% YoY to 0.4 mmscmd mainly due to fall in volumes in the industrial and commercial segment. Only domestic PNG segment registered growth at ~17% YoY. During the quarter, sales increased MoM from April lows and were at 1.1 mmscmd by June end. The management said sales volume further improved in July and were at ~1.4 mmscmd. Going forward, we estimate sales volume at 1.4 mmscmd, 2.1 mmscmd in FY21E, FY22E, respectively.

Healthy gross margins outlook

Gross margins were at ₹ 19/scm YoY, an increase of ₹ 6.2/scm YoY and ₹ 2.2/scm QoQ as the company benefitted from low spot LNG prices. Adani Gas' strategy to focus on spot and mid term contracts in source mix will keep the margins healthy in medium term. We estimate gross margins at ₹ 15.5/scm and ₹ 14.5/scm for FY21E and FY22E, respectively, as gas prices remain low. EBITDA/scm increased by ₹ 2.3/scm YoY and was at ₹ 12.1/scm. Due to favourable cost economics, we estimate AGL's EBITDA/scm to remain stable at ₹ 11.4/scm, ₹ 10.8/scm for FY21E, FY22E, respectively.

Valuation & Outlook

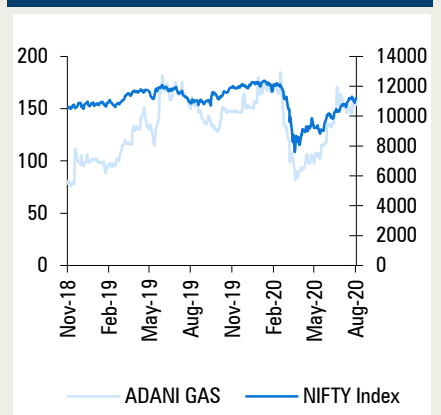
AGL's sales volume took a hit due to lockdown mainly in the CNG and industrial/commercial PNG segments. During Unlock phases, gradual recovery was witnessed with volumes at 85-90% of normal levels. The continued strong capex in existing, new GAs along with favourable regulatory scenario is expected to lead to long term stable volume growth. With lower domestic gas & global LNG prices, the company is comfortably placed on margins front and also enjoys competitive advantage against other fuels. Its plan to develop integrated CGD model along with auto fuel retailing under the JV Total Adani fuel marketing will also lead to creation of long term shareholder value. We have a positive outlook on the stock from a long term perspective as AGL is well poised to benefit from India's growing CGD sector. We maintain **BUY** with a revised target price of ₹ 190.



Particulars

Particular	Amount
Market Capitalization (₹ Cr)	17,926.7
Total Debt (FY 20) (₹ Crore)	681.7
Cash and Investments (FY	89.5
EV (₹ Crore)	18,518.9
52 week H/L	194/76
Equity capital (₹ Crore)	110.0
Face value (₹)	1.0

Price Performance



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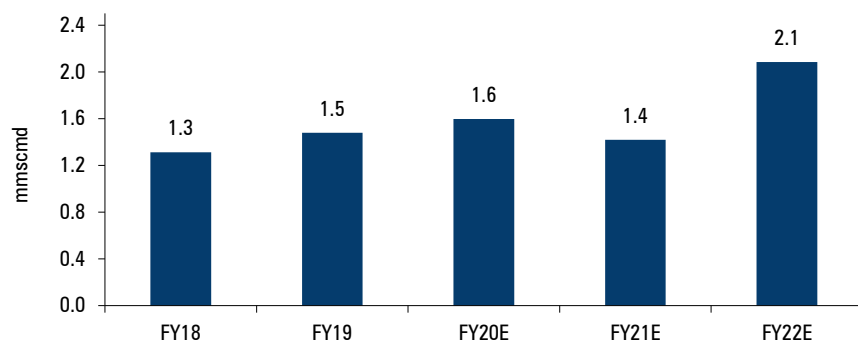
Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Revenues (₹ crore)	1,457.7	1,823.5	1,990.9	1,574.4	2,261.9	6.6
EBITDA (₹ crore)	365.3	454.6	594.8	590.8	821.9	17.6
Net Profit (₹ crore)	164.6	228.7	436.2	379.4	462.8	3.0
EPS (₹)	1.5	2.1	4.0	3.4	4.2	
P/E (x)	108.9	78.4	41.1	47.3	38.7	
Price / Book (x)	20.4	16.1	12.1	9.8	8.3	
EV/EBITDA (x)	53.3	40.5	31.1	32.3	23.9	
RoCE (%)	18.7	20.6	29.5	20.8	21.5	
RoE (%)	12.4	21.8	25.2	15.3	15.2	

Source: Company, ICICI Direct Research

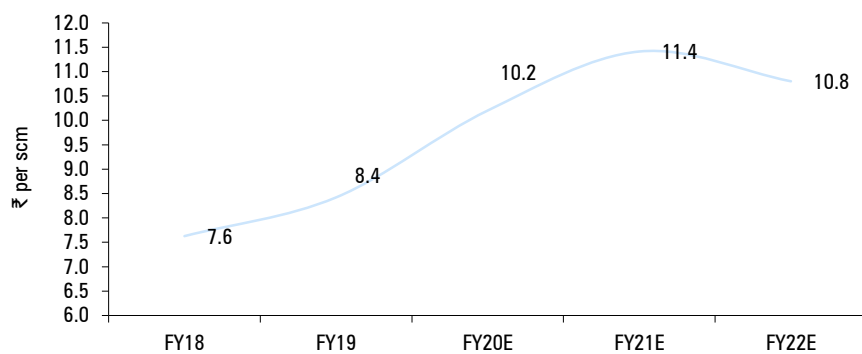
Story in charts

Exhibit 1: Volume trajectory



Source: Company, ICICI Direct Research

Exhibit 2: EBITDA/scm trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Revenue	1823.5	1990.9	1574.4	2261.9
Growth (%)	0.3	0.1	-0.2	0.4
Raw material Costs	1092.7	1060.0	678.2	1021.5
Employee Costs	42.0	47.5	46.2	56.5
Other Expenditure	129.7	172.4	167.7	226.2
Op. Expenditure	1368.9	1396.1	983.7	1439.9
EBITDA	454.6	594.8	590.8	821.9
Growth (%)	24.5	30.8	-0.7	39.1
Depreciation	67.3	50.7	84.1	156.7
EBIT	387.3	544.1	506.7	665.2
Interest	89.9	41.1	38.8	98.5
Other Income	86.7	44.4	39.9	52.0
PBT	356.5	547.4	507.8	618.7
Growth (%)	37.7	53.5	-7.2	21.8
Tax	127.8	111.2	128.5	155.9
Reported PAT	228.7	436.2	379.4	462.8
Growth (%)	39.0	90.7	-13.0	22.0
Adjustments	0.0	0.0	0.0	0.0
Adj. Net Profit	228.7	436.2	379.4	462.8
EPS	2.1	4.0	3.4	4.2

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit after Tax	228.7	436.2	379.4	462.8
Add: Depreciation	67.3	50.7	84.1	156.7
Add: Others	2.4	-11.8	61.7	0.0
Cash Profit	298.5	475.2	525.2	619.5
Increase/(Decrease) in CI	-79.4	56.6	-8.6	100.6
(Increase)/Decrease in C/	1,061.2	-26.7	85.7	-184.2
CF from Operating Acti	1280.3	505.1	602.3	535.9
Purchase of Fixed Assets	242.6	416.9	767.0	796.0
(Inc)/Dec in Investments	3.8	-105.5	-350.0	-200.0
Others	0.0	0.0	0.0	0.0
CF from Investing Acti	-238.9	-522.4	-1,117.0	-996.0
Inc/(Dec) in Loan Funds	-910.0	14.5	800.0	750.0
Inc/(Dec) in Sh. Cap. & Re	35.2	-28.6	0.0	0.0
Less: Dividend Paid	31.3	38.8	38.8	128.9
Others	0.0	0.0	0.0	0.0
CF from financing activ	-906.2	-52.9	761.2	621.1
Change in cash Eq.	135.3	-70.3	246.5	161.1
Op. Cash and cash Eq.	24.5	159.8	89.5	335.9
CI. Cash and cash Eq.	159.8	89.5	335.9	497.0

Source: Company, ICICI Direct Research; *calculated

Exhibit 5: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Source of Funds				
Equity Capital	110.0	110.0	110.0	110.0
Preference capital	0.0	0.0	0.0	0.0
Reserves & Surplus	1,001.5	1,370.3	1,710.9	2,044.9
Shareholder's Fund	1,111.5	1,480.3	1,820.9	2,154.8
Loan Funds	667.2	681.7	1,481.7	2,231.7
Deferred Tax Liability	102.0	90.3	152.0	152.0
Minority Interest	0.0	0.0	0.0	0.0
Source of Funds	1880.7	2252.2	3454.6	4538.5
Application of Funds				
Gross Block	1,214.1	1,483.3	2,433.3	3,191.3
Less: Acc. Depreciation	230.8	285.3	402.3	571.0
Net Block	983.4	1,198.0	2,031.0	2,620.3
Capital WIP	190.5	342.1	192.1	242.1
Total Fixed Assets	1,173.8	1,540.1	2,223.0	2,862.3
Investments	185.5	291.0	641.0	841.0
Inventories	44.0	41.3	45.3	65.1
Debtor	82.8	61.2	73.3	105.3
Cash	159.8	89.5	335.9	497.0
Loan & Advance, Other C	411.8	462.8	360.8	493.3
Total Current assets	698.3	654.7	815.4	1160.7
Current Liabilities	170.3	224.3	215.7	309.8
Provisions	6.7	9.2	9.2	15.7
Total CL and Provisions	177.0	233.5	224.9	325.5
Net Working Capital	521.3	421.2	590.5	835.2
Miscellaneous expense	0.0	0.0	0.0	0.0
Application of Funds	1880.7	2252.2	3454.6	4538.5

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Book Value	10.1	13.5	16.6	19.6
Cash per share	1.5	0.8	3.1	4.5
EPS	2.1	4.0	3.4	4.2
Cash EPS	2.7	4.4	4.2	5.6
DPS	0.3	0.3	0.3	1.0
Profitability & Operating Ratios				
EBITDA Margin (%)	24.9	29.9	37.5	36.3
PAT Margin (%)	12.5	21.9	24.1	20.5
Fixed Asset Turnover (x)	1.6	1.3	0.7	0.8
Inventory Turnover (Days)	8.8	10.5	10.5	10.5
Debtor (Days)	16.6	17.0	17.0	17.0
Current Liabilities (Days)	34.1	35.0	50.0	50.0
Return Ratios (%)				
RoE	20.6	29.5	20.8	21.5
RoCE	21.8	25.2	15.3	15.2
RoC	23.9	26.3	17.1	17.1
Valuation Ratios (x)				
PE	78.4	41.1	47.3	38.7
Price to Book Value	16.1	12.1	9.8	8.3
EV/EBITDA	40.5	31.1	32.3	23.9
EV/Sales	10.1	9.3	12.1	8.7
Leverage & Solvency Ratios				
Debt to equity (x)	0.6	0.5	0.8	1.0
Interest Coverage (x)	4.3	13.3	13.1	6.8
Debt to EBITDA (x)	1.5	1.1	2.5	2.7
Current Ratio	3.9	2.8	3.6	3.6
Quick ratio	3.7	2.6	3.4	3.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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