

Play on India's growing gas demand...

Adani Total Gas' (ATGL) operating revenues increased 25.3% YoY to ₹ 614.5 crore in Q4FY21 owing to an increase in realisation as well as sales volume. On a QoQ basis, revenues grew 17.7%. Total sales volume was 1.8 mmscmd, up ~14% YoY, ~11% QoQ. EBITDA for the quarter increased 21.9% YoY to ₹ 204.7 crore. Gross margins remained healthy at ₹ 17/scm, up ₹ 0.4/scm YoY due to better realisation. EBITDA/scm was at ₹ 12.3/scm, ₹ 0.7/scm higher YoY. Reported PAT was at ₹ 144.8 crore, up 18.6% YoY.

Strong capex to drive volume growth

ATGL reported sales volume growth of ~14% YoY for Q4FY21. CNG sales were up ~7% YoY to 0.8 mmscmd on a lower base while PNG sales reported an increase of ~21% YoY to 1 mmscmd mainly due to sharp growth in the industrial segment. Due to lockdown restrictions, sales volume in Q1FY22E will be affected. ATGL has commenced work in 14 new geographical areas (GAs) that were awarded in the ninth and tenth bidding round. Planned capex of ₹ 5500-6000 crore in the next five years would drive volume growth. We estimate sales volume CAGR of 16% in FY20-23E and expect strong volume growth, going ahead, as sales volume from new regions pick up.

Healthy margins outlook

Gross margins were at ₹ 17/scm YoY, up ₹ 0.2/scm YoY, down ₹ 0.2/scm QoQ due to increase in gas costs. While spot LNG prices are higher, the company had taken price hikes in Q4FY21 that will support margins. We estimate gross margins at ₹ 17.9/scm and ₹ 18/scm for FY22E and FY23E, respectively. EBITDA/scm increased by ₹ 0.7/scm YoY to ₹ 12.3/scm. While EBITDA/scm is likely to be impacted in the short-term, we expect it to normalise from Q3FY22E onwards. We estimate AGL's EBITDA/scm at ₹ 13.3/scm and ₹ 13.4/scm for FY22E and FY23E, respectively.

Valuation & Outlook

ATGL's sales volume continued to increase sequentially over FY21. The company added 102 CNG stations (90 stations in new GAs) in FY21 while volume mix of new GAs increased to 10% in FY21 from 4% in FY20 indicating growth potential. The continued strong capex in existing, new GAs along with favourable regulatory scenario is expected to lead to healthy volume growth over long term. ATGL also enjoys competitive advantage against traditional fuels as petrol, diesel prices saw a sharp increase in the current quarter. ATGL's plan to develop an integrated CGD model and auto fuel retailing under the JV Total Adani Fuels Marketing is a step in the right direction. ATGL is well poised to benefit from India's growing CGD sector. We roll over to FY23E valuations and value the stock using DCF method. Due to a sharp run-up in stock price, we maintain **HOLD** rating with a revised target price of ₹ 1085 (earlier ₹ 230).



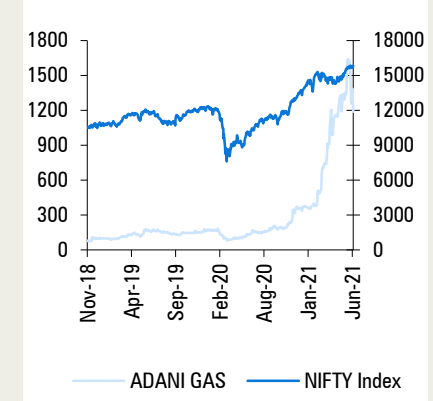
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	1,24,277.4
Total Debt (FY21) (₹ Crore)	756.9
Cash and Investments (FY21)	10.9
EV (₹ Crore)	1,25,023.4
52 week H/L	1680/142
Equity capital (₹ Crore)	110.0
Face value (₹)	1.0

Key risks to our call

- Stronger than expected growth in sales volume to lead to higher earnings
- Further increase in gas prices can impact margin, thereby lower profitability

Price Performance



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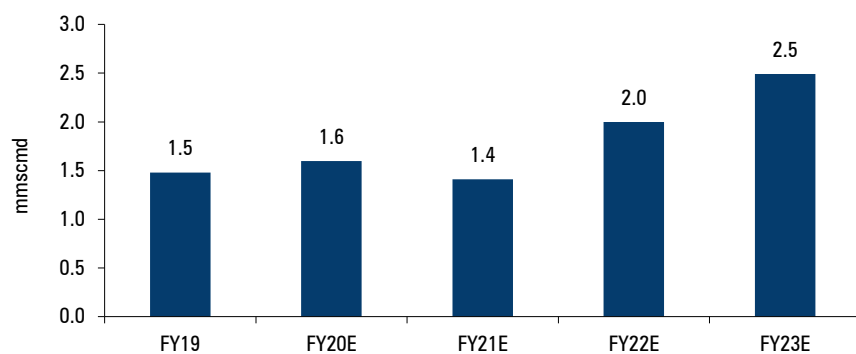
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Key Financial Summary

(Year-end March)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Revenues (₹ crore)	1,823.5	1,990.9	1,784.5	2,713.1	3,383.6	19.3
EBITDA (₹ crore)	454.6	594.8	704.3	970.2	1,215.1	26.9
Net Profit (₹ crore)	228.7	436.2	472.0	653.7	789.0	21.8
EPS (₹)	2.1	4.0	4.3	5.9	7.2	
P/E (x)	543.4	284.9	263.3	190.1	157.5	
Price / Book (x)	111.8	84.0	63.7	50.2	39.6	
EV/EBITDA (x)	274.5	209.9	177.5	128.9	103.2	
RoCE (%)	20.6	29.5	24.2	26.4	25.1	
RoE (%)	21.8	25.2	23.7	23.1	22.1	

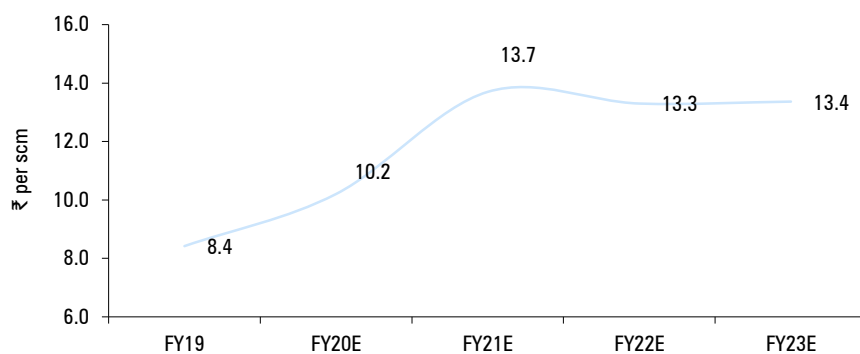
Story in charts

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)	FY20	FY21E	FY22E	FY23E
Revenue	1990.9	1784.5	2713.1	3383.6
Growth (%)	0.1	-0.1	0.5	0.2
Raw material Costs	1060.0	769.6	1240.9	1542.5
Employee Costs	47.5	51.5	67.8	84.6
Other Expenditure	172.4	170.1	271.3	338.4
Op. Expenditure	1396.1	1080.2	1742.9	2168.4
EBITDA	594.8	704.3	970.2	1215.1
Growth (%)	30.8	18.4	37.8	25.2
Depreciation	50.7	62.5	119.8	157.7
EBIT	544.1	641.8	850.4	1057.4
Interest	41.1	40.5	28.6	54.6
Other Income	44.4	44.4	52.0	52.0
PBT	547.4	631.2	873.9	1054.9
Growth (%)	53.5	15.3	38.4	20.7
Tax	111.2	159.3	220.2	265.8
Reported PAT	436.2	472.0	653.7	789.0
Growth (%)	90.7	8.2	38.5	20.7
Adjustments	0.0	0.0	0.0	0.0
Adj. Net Profit	436.2	472.0	653.7	789.0
EPS	4.0	4.3	5.9	7.2

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
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	1,370.3	1,842.4	2,367.3	3,027.4
Shareholder's Fund	1,480.3	1,952.4	2,477.2	3,137.4
Loan Funds	681.7	756.9	1,206.9	1,656.9
Deferred Tax Liability	90.3	110.5	152.0	152.0
Minority Interest	0.0	0.0	0.0	0.0
Source of Funds	2252.2	2819.8	3836.1	4946.3
Application of Funds				
Gross Block	1,483.3	1,727.7	2,677.7	3,627.7
Less: Acc. Depreciation	285.3	348.4	480.2	669.9
Net Block	1,198.0	1,379.3	2,197.5	2,957.8
Capital WIP	342.1	696.5	746.5	796.5
Total Fixed Assets	1,540.1	2,075.8	2,944.0	3,754.3
Investments	291.0	435.9	635.9	835.9
Inventories	41.3	52.0	78.0	97.3
Debtor	61.2	103.7	126.4	157.6
Cash	89.5	10.9	402.2	591.5
Loan & Advance, Other CA	462.8	544.0	114.8	134.0
Total Current assets	654.7	710.5	721.4	980.4
Current Liabilities	224.3	391.4	446.0	602.6
Provisions	9.2	11.0	19.2	21.7
Total CL and Provisions	233.5	402.4	465.2	624.3
Net Working Capital	421.2	308.1	256.2	356.1
Miscellaneous expense	0.0	0.0	0.0	0.0
Application of Funds	2252.2	2819.8	3836.1	4946.3

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	436.2	472.0	653.7	789.0
Add: Depreciation	50.7	62.5	119.8	157.7
Add: Others	-11.8	20.2	41.5	0.0
Cash Profit	475.2	554.7	815.0	946.8
Increase/(Decrease) in CL	56.6	168.9	62.8	159.1
(Increase)/Decrease in CA	-26.7	-134.4	380.5	-69.7
CF from Operating Activities	505.1	589.2	1258.2	1036.1
Purchase of Fixed Assets	416.9	598.2	988.0	968.0
(Inc)/Dec in Investments	-105.5	-144.9	-200.0	-200.0
Others	0.0	0.0	0.0	0.0
CF from Investing Activities	-522.4	-743.2	-1,188.0	-1,168.0
Inc/(Dec) in Loan Funds	14.5	75.3	450.0	450.0
Inc/(Dec) in Sh. Cap. & Res.	-28.6	32.5	0.0	0.0
Less: Dividend Paid	38.8	32.3	128.9	128.9
Others	0.0	0.0	0.0	0.0
CF from financing activities	-52.9	75.4	321.1	321.1
Change in cash Eq.	-70.3	-78.6	391.4	189.3
Op. Cash and cash Eq.	159.8	89.5	10.9	402.2
Cl. Cash and cash Eq.	89.5	10.9	402.2	591.5

Source: Company, ICICI Direct Research; *calculated

Exhibit 6: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (?)				
Book Value	13.5	17.8	22.5	28.5
Cash per share	0.8	0.1	3.7	5.4
EPS	4.0	4.3	5.9	7.2
Cash EPS	4.4	4.9	7.0	8.6
DPS	0.3	0.3	1.0	1.0
Profitability & Operating Ratios				
EBITDA Margin (%)	29.9	39.5	35.8	35.9
PAT Margin (%)	21.9	26.4	24.1	23.3
Fixed Asset Turnover (x)	1.3	0.9	0.9	0.9
Inventory Turnover (Days)	7.6	10.6	10.5	10.5
Debtor (Days)	11.2	21.2	17.0	17.0
Current Liabilities (Days)	41.1	80.1	60.0	65.0
Return Ratios (%)				
RoE	29.5	24.2	26.4	25.1
RoCE	25.2	23.7	23.1	22.1
RoIC	26.3	23.8	25.9	25.2
Valuation Ratios (x)				
PE	284.9	263.3	190.1	157.5
Price to Book Value	84.0	63.7	50.2	39.6
EV/EBITDA	209.9	177.5	128.9	103.2
EV/Sales	62.7	70.1	46.1	37.0
Leverage & Solvency Ratios				
Debt to equity (x)	0.5	0.4	0.5	0.5
Interest Coverage (x)	13.3	15.9	29.8	19.4
Debt to EBITDA (x)	1.1	1.1	1.2	1.4
Current Ratio	2.8	1.8	1.6	1.6
Quick ratio	2.6	1.6	1.4	1.4

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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