

Indraprastha Gas (IGL IN)

Rating: BUY | CMP: Rs513 | TP: Rs662

June 25, 2021

Q4FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	662		662	
Sales (Rs. m)	62,158	74,023	69,650	80,887
% Chng.	(10.8)	(8.5)		
EBITDA (Rs. m)	20,454	23,671	21,966	24,491
% Chng.	(6.9)	(3.3)		
EPS (Rs.)	19.4	21.8	21.3	23.1
% Chng.	(8.7)	(5.6)		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	64,853	49,408	62,158	74,023
EBITDA (Rs. m)	15,197	14,830	20,454	23,671
Margin (%)	23.4	30.0	32.9	32.0
PAT (Rs. m)	11,366	10,057	13,596	15,277
EPS (Rs.)	16.2	14.4	19.4	21.8
Gr. (%)	44.5	(11.5)	35.2	12.4
DPS (Rs.)	3.3	3.6	3.9	4.4
Yield (%)	0.6	0.7	0.8	0.9
RoE (%)	24.7	18.4	21.2	20.2
RoCE (%)	27.6	21.8	26.0	25.2
EV/Sales (x)	5.2	6.7	5.3	4.4
EV/EBITDA (x)	22.2	22.4	16.3	13.7
PE (x)	31.6	35.7	26.4	23.5
P/BV (x)	7.1	6.1	5.2	4.4

Key Data

IGAS.BO | IGL IN

52-W High / Low	Rs.595 / Rs.364
Sensex / Nifty	52,925 / 15,860
Market Cap	Rs.359bn/ \$ 4,836m
Shares Outstanding	700m
3M Avg. Daily Value	Rs.2317.48m

Shareholding Pattern (%)

Promoter's	45.00
Foreign	23.80
Domestic Institution	15.93
Public & Others	15.27
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.8	4.8	15.1
Relative	(3.5)	(7.0)	(24.2)

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Tough year ends on strong note

Quick Pointers:

- Q4 volume recovery continues to gather pace, but margins taper off.
- Move towards private vehicle ownership to increase CNG volumes.

We lower our FY22-23e earnings estimate by 8.7%/5.6% to factor in lower volume assumption even as we increase our margins. FY21 was a difficult year for IGL as pandemic restrictions on vehicle movement hit CNG volumes. However, easing of restrictions along with rising vaccination coverage will limit incidence of lockdown, going ahead. IGL remains an enviable business model with high volume growth due to geographical expansion and addition of new buses and taxis. Also, shift to private vehicle ownership post pandemic will drive CNG volumes. Reiterate "BUY" with DCF-based PT of Rs662 (unchanged), as we increase our medium term growth assumptions.

- Volumes recovery continues albeit at slower pace:** Indraprastha Gas' (IGL's) Q4FY21 volumes continue to gather pace at 614mscm (+7% QoQ; PLe 632). For Q4FY21, CNG and PNG volumes were at 307m kgs (+6% QoQ) and 176mscm (+7%QoQ), respectively.
- For FY21, overall volumes were at 1,944mscm (-18%YoY) with CNG and PNG volumes at 956m kgs (-22% YoY) and 587mscm (-5% YoY), respectively. CNG volumes were hit by pandemic restrictions on vehicular movement. However, easing of restrictions will likely lift volumes going ahead.
- Q4 EBITDA and PAT were at Rs4.9bn (-2%QoQ; PLe: Rs5.5bn) and Rs3.3bn (-1%QoQ; PLe: Rs3.9bn). For Q4, EBITDA/scm was at Rs8.0 (Q3 8.7; PLe Rs8.7) due to lower gross margin (Q4 Rs16.2 vs Rs17.2 in Q3) and sharp spike in spot LNG gas prices.
- Rising preference for private transport to fuel CNG demand:** IGL's Q4FY21 volumes recovered due to shift towards private vehicles. We model 32%/15% volumes for FY22/23E. Also, benign domestic gas and stabilizing spot LNG prices will support earnings; we factor in EBITDA/scm of ~Rs8 for FY22/23E.
- Limited threat from EV:** We see limited threat to IGL's growth prospects as favorable fuel economics (65% cheaper to petrol) along with supply of low cost domestic gas will drive earnings. Also, strained state financials post pandemic leaves little room for state government to introduce high cost EV buses (~Rs7.5mn post 40% subsidy) vis-à-vis Rs3.5mn for CNG variant.
- State government subsidy will increase two wheeler penetration of EV who do not use CNG. Accordingly, we see limited hindrance to IGL's prospects

Exhibit 1: Q4FY21 Result Overview (Rs mn)

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Sales	17,103	17,112	(0.1)	15,951	54,387	71,655	(24.1)
Operating Costs	12,186	13,345	(8.7)	10,944	39,557	56,459	(29.9)
Material Costs	7,139	8,262	(13.6)	6,069	22,296	36,794	(39.4)
Personnel Costs	343	350	(2.1)	375	1,344	1,517	(11.4)
Other Overheads	3,107	3,146	(1.2)	3,012	10,939	11,346	(3.6)
Excise duty	1,597	1,587	0.6	1,489	4,979	6,802	(26.8)
EBITDA	4,918	3,767	30.5	5,007	14,830	15,196	(2.4)
Other Income	280	313	(10.5)	259	1,502	1,564	(3.9)
PBDIT	5,197	4,080	27.4	5,266	16,332	16,760	(2.6)
Depreciation	761	655	16.2	750	2,904	2,523	15.1
Interest	36	27	36.0	31	114	81	39.8
Pre-tax Profit	4,400	3,398	29.5	4,485	13,315	14,156	(5.9)
Tax	1,090	865	26.1	1,137	3,259	2,791	16.8
Profit After Tax	3,310	2,534	30.6	3,349	10,056	11,365	(11.5)

Source: Company, PL

Exhibit 2: IGL quarterly details

Sales volume	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
CNG - mn kg	256.0	273.0	290.0	291.5	294.0	305.0	320.0	317.8	291.0	105.0	255.0	289.0	307.2
PNG - mmscm	124.0	129.0	136.0	138.3	149.0	145.0	152.0	163.8	158.0	101.0	146.0	164.0	176.0
Total mscm	482.0	505.0	542.0	543.4	567.0	569.0	605.0	616.0	567.0	247.0	506.0	576.0	614.0
Sales Rs mn													
CNG	10,220	10,760	11,740	12,480	12,630	13,400	14,380	12,477	12,477	3,750	9,440	10,290	10,860
PNG	3,250	3,420	3,900	4,130	4,310	3,980	4,280	4,129	4,129	2,580	3,550	4,090	4,550
Realisation													
CNG Rs/kg	39.9	39.4	40.5	42.8	43.0	43.9	44.9	39.3	42.9	35.7	37.0	35.6	35.3
PNG Rs/scm	26.2	26.5	28.7	29.9	28.9	27.4	28.2	25.2	26.1	25.5	24.3	24.9	25.9
Cost of gas (Rs/scm)	14.0	14.7	15.5	16.7	16.0	16.2	16.4	15.3	14.6	12.1	12.0	10.5	11.6
Opex (Rs/scm)	5.1	5.0	5.0	5.2	5.4	5.2	5.1	5.4	6.2	10.4	5.7	5.9	5.6
EBITDA (Rs/scm)	6.0	5.8	5.7	5.8	5.8	6.3	6.5	6.4	6.6	3.4	8.0	8.7	8.0
Gross margin (Rs/scm)	13.7	13.5	13.4	13.9	14.0	14.5	14.6	14.6	15.6	15.9	16.4	17.2	16.2

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	64,853	49,408	62,158	74,023
YoY gr. (%)	12.5	(23.8)	25.8	19.1
Cost of Goods Sold	36,794	22,295	29,592	36,037
Gross Profit	28,059	27,113	32,566	37,986
Margin (%)	43.3	54.9	52.4	51.3
Employee Cost	1,517	1,344	1,545	1,731
Other Expenses	-	-	-	-
EBITDA	15,197	14,830	20,454	23,671
YoY gr. (%)	20.9	(2.4)	37.9	15.7
Margin (%)	23.4	30.0	32.9	32.0
Depreciation and Amortization	2,523	2,904	3,754	4,605
EBIT	12,674	11,926	16,700	19,067
Margin (%)	19.5	24.1	26.9	25.8
Net Interest	81	113	125	135
Other Income	1,564	1,502	1,601	1,492
Profit Before Tax	14,157	13,315	18,176	20,424
Margin (%)	21.8	26.9	29.2	27.6
Total Tax	2,791	3,258	4,580	5,147
Effective tax rate (%)	19.7	24.5	25.2	25.2
Profit after tax	11,366	10,057	13,596	15,277
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	11,366	10,057	13,596	15,277
YoY gr. (%)	44.5	(11.5)	35.2	12.4
Margin (%)	17.5	20.4	21.9	20.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,366	10,057	13,596	15,277
YoY gr. (%)	44.5	(11.5)	35.2	12.4
Margin (%)	17.5	20.4	21.9	20.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,366	10,057	13,596	15,277
Equity Shares O/s (m)	700	700	700	700
EPS (Rs)	16.2	14.4	19.4	21.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	42,299	52,090	67,090	79,090
Tangibles	42,299	52,090	67,090	79,090
Intangibles	-	-	-	-
Acc: Dep / Amortization	8,132	11,036	14,790	19,394
Tangibles	8,132	11,036	14,790	19,394
Intangibles	-	-	-	-
Net fixed assets	34,167	41,055	52,300	59,696
Tangibles	34,167	41,055	52,300	59,696
Intangibles	-	-	-	-
Capital Work In Progress	7,767	8,469	6,000	6,000
Goodwill	-	-	-	-
Non-Current Investments	2,716	2,719	2,733	2,748
Net Deferred tax assets	(2,119)	(2,422)	(3,331)	(4,352)
Other Non-Current Assets	694	521	574	631
Current Assets				
Investments	-	15,677	15,677	15,677
Inventories	511	456	501	551
Trade receivables	1,704	2,607	1,633	1,945
Cash & Bank Balance	21,799	11,323	10,698	17,631
Other Current Assets	329	232	255	280
Total Assets	70,321	83,720	91,098	1,05,959
Equity				
Equity Share Capital	1,400	1,400	1,400	1,400
Other Equity	49,224	57,319	68,200	80,427
Total Network	50,624	58,719	69,600	81,827
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	235	256	-	-
Other non current liabilities	9	120	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	2,250	4,186	-	-
Other current liabilities	15,705	19,336	17,332	18,945
Total Equity & Liabilities	71,723	85,874	91,098	1,05,959

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	14,157	13,315	18,176	20,424
Add. Depreciation	2,523	2,904	3,754	4,605
Add. Interest	81	113	125	135
Less Financial Other Income	1,564	1,502	1,601	1,492
Add. Other	-	-	-	-
Op. profit before WC changes	16,760	16,332	22,055	25,163
Net Changes-WC	16,190	(10,229)	(4,884)	2,102
Direct tax	(2,791)	(3,258)	(4,580)	(5,147)
Net cash from Op. activities	30,159	2,845	12,591	22,118
Capital expenditures	(12,309)	(11,246)	(10,376)	(12,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(12,309)	(11,246)	(10,376)	(12,000)
Issue of share cap. / premium	253	558	5	5
Debt changes	-	-	-	-
Dividend paid	(2,293)	(2,520)	(2,719)	(3,055)
Interest paid	(81)	(113)	(125)	(135)
Others	-	-	-	-
Net cash from Fin. activities	(2,122)	(2,075)	(2,839)	(3,185)
Net change in cash	15,729	(10,477)	(625)	6,933
Free Cash Flow	17,850	(8,401)	2,214	10,118

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	6,386	13,054	14,462	17,081
YoY gr. (%)	(59.5)	(22.9)	(13.1)	10.0
Raw Material Expenses	2,991	6,097	6,069	7,476
Gross Profit	3,395	6,957	8,393	9,605
Margin (%)	53.2	53.3	58.0	56.2
EBITDA	834	4,071	5,007	5,605
YoY gr. (%)	(76.7)	3.7	27.8	48.8
Margin (%)	13.1	31.2	34.6	32.8
Depreciation / Depletion	682	711	750	900
EBIT	153	3,360	4,257	4,705
Margin (%)	2.4	25.7	29.4	27.5
Net Interest	24	23	31	40
Other Income	306	657	259	500
Profit before Tax	435	3,994	4,485	5,165
Margin (%)	6.8	30.6	31.0	30.2
Total Tax	117	915	1,137	1,302
Effective tax rate (%)	26.9	22.9	25.3	25.2
Profit after Tax	318	3,079	3,349	3,863
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	318	3,079	3,349	3,863
YoY gr. (%)	(85.4)	(19.2)	32.7	52.5
Margin (%)	5.0	23.6	23.2	22.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	318	3,079	3,349	3,863
YoY gr. (%)	(85.4)	(19.2)	32.7	52.5
Margin (%)	5.0	23.6	23.2	22.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

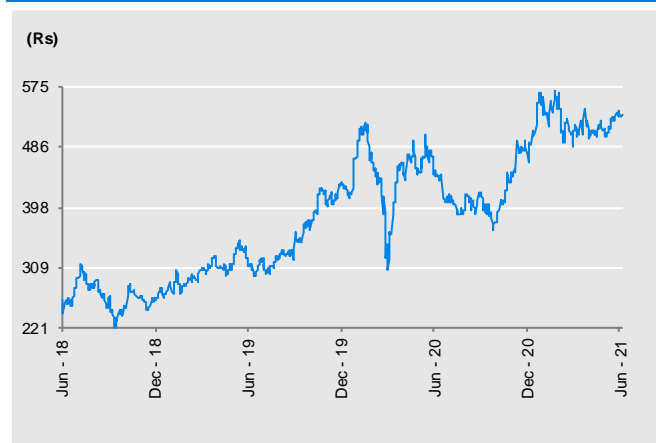
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	16.2	14.4	19.4	21.8
CEPS	19.8	18.5	24.8	28.4
BVPS	72.3	83.9	99.4	116.9
FCF	25.5	(12.0)	3.2	14.5
DPS	3.3	3.6	3.9	4.4
Return Ratio(%)				
RoCE	27.6	21.8	26.0	25.2
ROIC	26.1	21.0	25.8	26.2
RoE	24.7	18.4	21.2	20.2
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.4)	(0.4)
Net Working Capital (Days)	0	(8)	-	-
Valuation(x)				
PER	31.6	35.7	26.4	23.5
P/B	7.1	6.1	5.2	4.4
P/CEPS	25.8	27.7	20.7	18.0
EV/EBITDA	22.2	22.4	16.3	13.7
EV/Sales	5.2	6.7	5.3	4.4
Dividend Yield (%)	0.6	0.7	0.8	0.9

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Total sales volumes (mscm)	2,357	1,944	2,568	2,957
CNG sales volumes (mscm)	1,738	1,357	1,818	2,098
PNG sales volumes (mscm)	619	587	750	859
CNG retail price (Rs/kg)	39	36	38	39
PNG retail price (Rs/scm)	28	25	27	28

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	5-Apr-21	BUY	662	505
2	10-Feb-21	BUY	662	557
3	8-Jan-21	BUY	603	540
4	11-Nov-20	BUY	603	448
5	7-Oct-20	BUY	590	384
6	26-Aug-20	BUY	590	413
7	20-Jul-20	BUY	597	412
8	7-Jul-20	BUY	597	416

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	1,628	1,666
2	Bharat Petroleum Corporation	BUY	581	472
3	GAIL (India)	BUY	184	164
4	Gujarat Gas	BUY	666	540
5	Hindustan Petroleum Corporation	BUY	404	276
6	Indian Oil Corporation	BUY	135	105
7	Indraprastha Gas	BUY	662	505
8	Mahanagar Gas	BUY	1,296	1,139
9	NOCIL	BUY	251	209
10	Oil & Natural Gas Corporation	BUY	114	103
11	Oil India	UR	-	122
12	Petronet LNG	BUY	351	228
13	Reliance Industries	BUY	2,256	1,995

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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