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Q4FY20 result review
and earnings revision

Oil & Gas and Petrochemicals

Target price: Rs340

Earnings revision

(%)		FY21E
Sales	↓	8.8
EBITDA	↓	26.0
PAT	↓	26.9

Target price revision

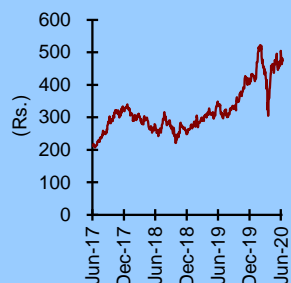
Rs340 from Rs360

Shareholding pattern

	Sep '19	Dec '19	Mar '20
Promoters	45.0	45.0	45.0
Institutional investors	39.7	40.2	39.5
MFs and others	7.1	6.7	7.5
FIs/ Banks	0.1	0.0	0.1
Insurance	8.7	9.0	9.1
FII	23.8	24.5	22.8
Others	15.3	14.8	10.5

Source: www.nseindia.com

Price chart



Indraprastha Gas

SELL

Maintain

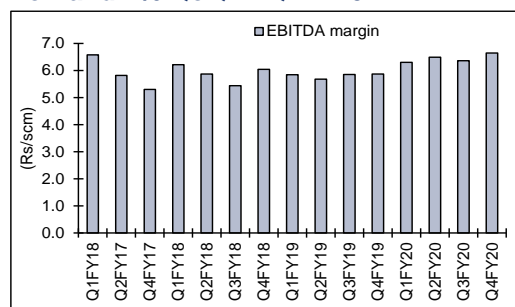
Rs474

Risk of competition in lockdown-hit FY21E

Indraprastha Gas' (IGL) Q4FY20 standalone EPS is up 12% YoY despite flat volumes, driven by jump in EBITDA margin and lower tax rate. Q4 consolidated EPS rise is stronger at 27% YoY as share of profit of associates is up 208% YoY. We expect IGL to be badly hit by the lockdown in FY21. We are assuming 19% YoY decline in FY21E volumes, which has led to 27% YoY cut in FY21E EPS (down 15% YoY). We are assuming volume driven earnings recovery in FY22E (EPS up 26% YoY), but a gradual fall in margins from FY22E. Margin decline may be earlier and steeper than estimated if competition is allowed. Reiterate SELL.

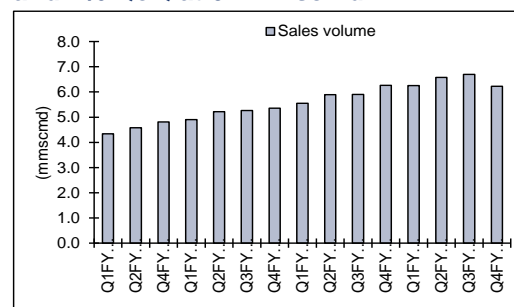
- Q4FY20 EPS up despite flat volumes, driven by rise in EBITDA margin and fall in tax rate:** Q4FY20 standalone EPS is up 12% YoY despite 1% YoY fall in sales volumes, driven by 13% YoY rise in EBITDA margin to Rs6.64/scm and lower tax rate of 25%. Q4FY20 CNG volumes were down 1% YoY (impacted by lockdown), but domestic PNG volumes were up 17% YoY and industrial & commercial up 9% YoY. Q4FY20 consolidated EPS rise was stronger at 27% YoY as share of profit of associates rose 208% YoY. FY20 standalone and consolidated recurring EPS are both up – by 36% and 41% YoY. Standalone EPS rise was driven by 11% YoY rise in EBITDA margin, 9% YoY rise in volumes and fall in tax rate to 25% from 34%.

EBITDA margin at Rs6.64/scm up 13% YoY and 4% QoQ in Q4FY20



Source: Company data, I-Sec research

Q4FY20 sales volumes down 1% YoY and 7% QoQ at 6.2mmscmd



Source: Company data, I-Sec research

- Cut FY21E EPS and target price:** We are assuming decline in CNG volumes by 20% YoY and industrial and commercial volumes by 25% YoY, but 15% YoY rise in PNG volumes implying 19% YoY fall in total gas volumes. Steep volume estimate cut has meant 27% cut in FY21E EPS. We estimate FY22E EPS to be up 26% YoY driven by 25% YoY higher volumes. We assume gradual fall in EBITDA margin from Rs6.45/scm in FY21E to Rs5.71/scm in FY24E. These changes have meant 7% cut in target price to Rs340 (28% downside). Decline in margin and profit would be earlier and steeper than estimated if competition is allowed.

Market Cap	Rs332bn/US\$4.4bn
Reuters/Bloomberg	IGAS.BO/IGL IN
Shares Outstanding (mn)	700.0
52-week Range (Rs)	522/297
Free Float (%)	55.0
FII (%)	22.8
Daily Volume (US\$/'000)	20,701
Absolute Return 3m (%)	25.6
Absolute Return 12m (%)	43.3
Sensex Return 3m (%)	9.9
Sensex Return 12m (%)	(13.1)

Year to March	FY19	FY20	FY21E	FY22E
Revenue (Rs mn)	63,619	71,655	58,763	71,248
Net Income (Rs mn)	8,421	11,860	10,029	12,613
EPS (Rs)	12.0	16.9	14.3	18.0
% Chg YoY	17%	41%	-15%	26%
P/E (x)	39.5	28.0	33.1	26.3
CFPS (Rs)	9.7	17.9	6.9	9.5
EV/E (x)	26.0	20.4	24.7	19.6
Dividend Yield (%)	0%	1%	0%	0%
RoCE (%)	27%	27%	19%	20%
RoE (%)	21%	24%	17%	19%

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Table 1: IGL's Q4FY20 standalone EPS was up 12% YoY driven by 13% YoY rise in EBITDA margin and fall in tax rate

(Rs mn)

	Q4FY20	Q4FY19	Change	FY20	FY19	Change	Q3FY20	Change
Net sales	17,112	17,011	1%	71,655	63,570	13%	18,374	-7%
RM cost	8,262	9,058	-9%	36,798	33,978	8%	9,410	-12%
Other expenses	5,083	4,641	10%	19,661	17,071	15%	5,046	1%
Total expenditure	13,345	13,699	-3%	56,459	51,049	11%	14,456	0%
EBDITA	3,767	3,312	14%	15,196	12,521	21%	3,918	-4%
EBITDA margin	22.0%	19.5%		21.2%	19.7%		21.3%	
Depreciation	655.1	522	25%	2,523	2,011	25%	641	2%
Interest	26.7	0	NM	81	21	296%	20	33%
Other Income	312.6	513	-39%	1,564	1,510	4%	508	-38%
PBT	3,398	3,303	3%	14,156	12,000	18%	3,764	-10%
Total tax	865	1,048	-17%	3,421	4,134	-17%	926	-7%
Recurring PAT	2,534	2,255	12%	10,736	7,867	36%	2,839	-11%
Add: Extraordinary items	-	-	NM	630	-	NM	-	0%
Reported PAT	2,534	2,255	12%	11,365	7,867	44%	2,839	-11%
Recurring EPS	3.6	3.2	12%	15.3	11.2	36%	4.1	-11%
Reported EPS	3.6	3.2	12%	16.2	11.2	44%	4.1	-11%
EBITDA margin (Rs/scm)	6.6	5.9	13%	6.4	5.8	11%	6.4	4%
Sales volume (mmscm)								
CNG	409	415	-1%	1,738	1,602	8%	452	-10%
PNG	158	149	6%	619	553	12%	164	-4%
Domestic	41	35	17%	141	120	18%	36	14%
Industry/commercial	75	69	9%	298	252	18%	82	-9%
Other CGD companies	42	45	-7%	180	181	-1%	46	-8%
Total	567	564	1%	2,357	2,155	9%	616	-8%
Total (mmscmd)	6.2	6.3	-1%	6.4	5.9	9%	6.7	-7%

Source: Company data, I-Sec research

Table 2: IGL's Q4FY20 consolidated EPS growth at 41% YoY was stronger than standalone EPS growth as profit growth of associates was stronger at 208% YoY

	Q4FY20	Q4FY19	Change	FY20	FY19	Change	Q3FY20	Change
Net sales	17,112	17,011	1%	71,655	63,619	13%	18,374	-7%
RM cost	8,262	9,058	-9%	36,798	33,978	8%	9,410	-12%
Other expenses	5,083	4,641	10%	19,661	17,071	15%	5,046	1%
Total expenditure	13,345	13,699	-3%	56,459	51,049	11%	14,456	0%
EBDITA	3,767	3,312	14%	15,196	12,570	21%	3,918	-4%
EBITDA margin	22.0%	19.5%		21.2%	19.8%		21.3%	
Depreciation	655	522	25%	2,523	2,011	25%	641	2%
Interest	27	0.2	NM	81	21	296%	20	33%
Other Income	313	381	-18%	1,432	1,285	11%	376	-17%
PBT	486	158	208%	1,541	870	77%	294	65%
Share of profit of associates	3,884	3,328	17%	15,565	12,693	23%	3,927	-1%
Total tax	977	1,047	-7%	3,705	4,272	-13%	953	2%
Recurring PAT	2,908	2,281	27%	11,860	8,421	41%	2,974	-2%
Add: Extraordinary items	-	-		630	-		-	
Reported PAT	2,908	2,281	27%	12,490	8,421	48%	2,974	-2%
Recurring EPS	4.2	3.3	27%	16.9	12.0	41%	4.2	-2%
Reported EPS	4.2	3.3	27%	17.8	12.0	48%	4.2	-2%

Source: Company data, I-Sec research

Financial summary

Table 3: Profit and loss statement*(Rs mn, year ending March 31)*

	FY19	FY20	FY21E	FY22E
Operating Income (Sales)	63,619	71,655	58,763	71,248
Operating Expenses	51,049	56,459	46,441	56,185
EBITDA	12,570	15,196	12,322	15,063
<i>% margins</i>	<i>20%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>
Depreciation & Amortisation	2,011	2,523	2,873	3,195
Gross Interest	21	81	75	75
Other Income	1,285	1,432	1,861	2,420
Recurring PBT	11,823	14,024	11,236	14,213
Less: Taxes	4,272	3,075	2,828	3,577
Net Income (Reported)	8,421	12,490	10,029	12,613
Recurring Net Income	8,421	11,860	10,029	12,613

Source: Company data, I-Sec research

Table 4: Balance sheet*(Rs mn, year ending March 31)*

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	10,667	24,976	33,038	43,187
<i>of which cash & cash eqv.</i>	<i>6,071</i>	<i>21,799</i>	<i>28,056</i>	<i>37,351</i>
Total Current Liabilities & Provisions	15,307	18,971	19,441	20,143
Net Current Assets	(4,640)	6,005	13,597	23,045
Investments	18,039	7,131	7,131	7,131
Net Fixed Assets	33,549	43,327	44,454	46,309
<i>Capital Work-in-Progress</i>	<i>4,781</i>	<i>7,767</i>	<i>3,100</i>	<i>3,100</i>
Total Assets	46,948	56,464	65,182	76,485
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	3,369	2,884	2,884	2,884
Equity Share Capital	1,400	1,400	1,400	1,400
<i>Face Value per share (Rs)</i>	<i>10</i>	<i>10</i>	<i>10</i>	<i>11</i>
Reserves & Surplus*	42,180	52,180	60,898	72,201
Net Worth	43,580	53,580	62,298	73,601
Total Liabilities	46,948	56,464	65,182	76,485

Source: Company data, I-Sec research

Table 5: Quarterly trend*(Rs mn, year ending March 31)*

	Jun'19	Sep'19	Dec'19	Mar'20
Net sales	17,441	18,728	18,374	17,112
% growth (YoY)	23	19	10	1
EBITDA	3,585	3,926	3,918	3,767
Margin (%)	20.6	21.0	21.3	22.0
Other income	354	390	508	313
Add: Extraordinaries	-	695	-	-
Net profit	2,184	3,810	2,839	2,534

Source: Company data, I-Sec research

Table 6: Cashflow statement*(Rs mn, year ending March 31)*

	FY19	FY20	FY21E	FY22E
Operating Cashflow before working capital chg	9,147	13,581	11,041	13,389
Working Capital Changes	4,483	11,534	(1,336)	(153)
Net cashflow from operations	13,630	25,114	9,705	13,236
Capital Commitments	(5,431)	(14,232)	(4,000)	(5,050)
Free Cashflow	8,199	10,882	5,705	8,186
Cashflow from Investing Activities	1,285	1,432	1,861	2,420
Inc (Dec) in marketable investments	(4,185)	10,908	-	-
Dividend paid	(1,311)	(2,294)	(1,311)	(1,311)
Cash flow from Financing Activities	(1,311)	(2,490)	(1,311)	(1,311)
Chg. in Cash & Bank balance	3,987	20,732	6,256	9,295

Source: Company data, I-Sec research

Table 7: Key ratios*(Year ending March 31)*

	FY19	FY20E	FY21E	FY22E
Per Share Data (in Rs.)				
Recurring EPS	12.0	16.9	14.3	18.0
Recurring Cash EPS	14.9	20.5	18.4	22.6
Dividend per share (DPS)	1.6	2.8	1.6	1.6
Book Value per share (BV)	62.3	76.5	89.0	105.1
Growth Ratios (%)				
Operating Income	39%	13%	-18%	21%
EBITDA	13%	21%	-19%	22%
Recurring Net Income	17%	41%	-15%	26%
Recurring EPS	17%	41%	-15%	26%
Recurring CEPS	16%	38%	-10%	23%
Valuation Ratios (x)				
P/E	39.5	28.0	33.1	26.3
P/BV	7.6	6.2	5.3	4.5
EV / EBITDA	26.0	20.4	24.7	19.6
Operating Ratios				
Other Income / PBT (%)	11%	10%	17%	17%
Effective Tax Rate (%)	36%	22%	25%	25%
D/E Ratio (x)	0%	0%	0%	0%
Net D/E Ratio	-51%	-51%	-54%	-58%
Return/Profitability Ratios (%)				
Recurring Net Income Margins	13%	17%	17%	18%
RoCE	27%	27%	19%	20%
RoNW	21%	24%	17%	19%
Dividend Payout Ratio	63%	37%	37%	25%
Dividend Yield	0.3%	0.6%	0.3%	0.3%
EBITDA Margins	20%	21%	21%	21%

Source: Company data, I-Sec research

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