

Market Cap.
Rs.10,707.5 Cr.
52 Week H/L
Rs.1,247/666
CMP
Rs.1,084
Target Price
Rs.1,296
PETRO
STOCK DATA
Hold

 Reuters Code **MGAS BO**
 Bloomberg Code **MAHGL IN**

 BSE Code **539957**
 NSE Symbol **MGL**

 Face Value **Rs.10**

 Shares Outstanding* **9.88 Cr.**

 Avg. Daily Volume (6m) **930,448 Shares**
Price Performance (%)

1M	3M	6M
17	19	(3)

200 days EMA Rs.963
SHARE HOLDING (%)

Promoters	32.5
FII	31.3
FI / Banks	17.0
Bodies Corporate	0.8
Public & Others	18.3

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Mahanagar Gas Ltd. has reported numbers for the quarter ended Mar'20. Following are the highlights of the result.

Particulars	Q4FY20	Q4FY19	YoY	Q3FY20	QoQ
Net Sales	752.67	793.24	(5.11%)	819.07	(8.11%)
EBITDA	243.83	213.95	13.97%	258.86	(5.81%)
EBITDA Margin	32.40%	26.97%	542 Bps	31.60%	79 Bps
Profit before Tax	224.72	204.86	9.69%	244.36	(8.04%)
Profit after Tax	166.59	133.46	24.82%	186.05	(10.46%)
PAT Margin	22.13%	16.82%	531 Bps	22.71%	(58 Bps)
EPS	16.93	13.45	25.84%	18.74	(9.67%)

Highlights from the Quarter (Q4FY20):

Net Sales for Q4FY20 stood at Rs.752.67 Cr as against Rs.793.24Cr in Q3FY19 (down by 5.11% YoY) and against Rs. 819.07 Cr (down 8.11% QoQ).

EBITDA for the quarter stood at Rs. 243.83 Cr as against Rs. 213.95 Cr in the corresponding quarter last year (increase of 13.97% YoY) and against Rs. 258.86 Cr in the previous quarter (decrease of 5.81% QoQ). The EBITDA margin for Q4FY20 was 32.4%, up 542 bps over Q4FY19, mainly due to reduced cost of natural gas and traded items- which decreased from 46.2% of revenue in Q4FY19 to 39.7% in Q4FY20.

Net Income for Q4FY20 was Rs. 166.59 Cr as against Rs. 133.46 Cr in Q4FY19 (increase of 24.82% YoY) and against Rs. 186.05 Cr in the previous quarter (decline of 10.46% QoQ). The PAT Margin for Q4FY20 stood at 22.13%, an increase of 531 bps YoY.

Volumes (SCM Million)	Q4FY20	Q4FY19	YoY	Q3FY20	QoQ
CNG	180.17	197.57	(8.8%)	204.64	(12.0%)
% of total Volumes	71%	73%	(194 Bps)	73%	(178 Bps)
Domestic PNG	38.16	35.21	8.4%	37.90	0.7%
% of total Volumes	15%	13%	204 Bps	13%	156 Bps
Commercial PNG	35.06	37.71	(7.0%)	38.25	(8.3%)
% of total Volumes	14%	14%	(10 Bps)	14%	21 Bps
Total Volumes	253.39	270.49	(6.3%)	280.79	(9.8%)

The volumes for the Quarter stood at 253.39 SCM Million, a decline of 6.3% YoY and a decline of 9.8% QoQ. The CNG volumes comprised of 71% of the total volumes, followed by Domestic PNG at 15% and Commercial PNG at 14% during the quarter.

In the conference call, the company indicated that the total sales volumes were affected due to the Coronavirus pandemic towards the end of March (~10 days) and the volumes in the months of April and May were at ~25% and ~42% respectively. The CNG volumes were the worst hit, followed by the Commercial PNG. The Domestic PNG volumes have not seen any decline in volumes. The company added 32,500 new customers in the Domestic PNG segment and the Commercial and Industrial segment saw net additions of 24 customers along with 8 CNG stations being added as well. The total tally of customers now stands at 1.3 Mn Domestic, 4.021 Commercial/Industrial customers and 256 CNG Stations.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY19	3,057	885	546	18%	55.3	19.6	0.35	4.46
FY20	3,264	1,053	794	24%	80.3	13.5	0.33	3.63
FY21E	2,486	760	532	21%	53.8	20.1	0.44	3.31
FY22E	3,540	1,138	826	23%	83.7	13.0	0.31	2.88

Highlights from the Year FY2020:

For the full year, MGL had sales of Rs. 3,264.49 Cr, an increase of 6.8% YoY over Rs. 3,056.79 Cr in FY19. The company had an EBITDA of Rs. 1,052.84 Cr translating to an EBITDA Margin of 32.3%, up from 29.0% in the previous year. This was mainly due to favorable cost of Natural Gas and Traded goods, which fell from 45.8% of revenue in FY19 to 42.3% in FY20.

The company earned a net income of Rs. 793.5 Cr at a net margin of 24.3%. The net margin increased from 17.9% in FY19 due to greater other income and lower tax rate. The company delivered an EPS of Rs. 80.33 in FY20 against Rs. 55.31 in FY19. Total Dividend paid in FY20 is Rs. 35 per share.

On the balance sheet front, the company continues to stay debt free. Additions to PPE were to the tune of Rs. ~450 Cr (including CWIP). Investments on the balance sheet stand at Rs. 1,121.47 Cr along with cash and other bank balances of Rs. 229.48 Cr as of 31st March 2020.

OUTLOOK AND VALUATION

Mahanagar Gas derives more than 70% of its sales by volume from the CNG business. This has led to sales in the months of April and May being hit as vehicles weren't commuting due to the lockdown in MGLs CGD Geographical Area (GA) of Mumbai. However, with the lockdown easing gradually, the company expects the volumes to normalize quickly as vehicular transport comes back to life. The opening up of restaurants and other industrial establishments is expected to drive the commercial volumes back up as well. So while Q1FY21E is expected to see a huge dip in sales, things should look better post that.

Operationally, the company continues to remain strong with its margins improving, balance sheet strengthening and consistent additions to its client base in its GAs. However, some uncertainty looms the CGD sector, as the GA marketing and exclusivity case is still pending in the Supreme Court.

MGLs performance for the year was better than our expectations, however, due to the uncertainty of exclusivity benefits and the actual impact of the pandemic on sales, we maintain our earlier EPS forecast where we have factored in these headwinds. Due to the recent run up in the stock price, we change our recommendation to HOLD, with a target price of Rs, 1,296 which is an upside of ~19.5% from the current price of Rs. 1,084 over an investment horizon of 18-24 months.



Profit & Loss Statement

(Rs. Cr)

Y/E Mar.	FY19	FY20	FY21E	FY22E
Revenue	3,057	3,264	2,486	3,540
Raw Material Cost	1,399	1,379	1,075	1,496
Employee Cost	71	81	76	83
Other Expenses	436	459	350	496
EBITDA	885	1,053	760	1,138
<i>EBITDA Margin (%)</i>	<i>29%</i>	<i>32%</i>	<i>31%</i>	<i>32%</i>
Depreciation	126	162	167	166
EBIT	760	891	594	971
<i>EBIT Margin (%)</i>	<i>25%</i>	<i>27%</i>	<i>24%</i>	<i>27%</i>
Finance Costs	0	7	0	1
Other Income	78	99	115	131
Profit before Tax	837	984	709	1,102
Tax Expense	291	190	177	275
Net Profit	546	794	532	826
<i>Net Margin (%)</i>	<i>18%</i>	<i>24%</i>	<i>21%</i>	<i>23%</i>
EPS	55.31	80.33	53.81	83.66

Balance Sheet

(Rs. Cr)

Y/E Mar.	FY19	FY20	FY21E	FY22E
PP&E (incl. CWIP)	2,128	2,413	2,619	2,913
Other Non-Current	137	92	115	145
Inventories	19	19	18	27
Trade Receivables	100	68	83	89
Cash and Bank Balances	299	229	245	272
Other Current Assets	758	1,189	1,188	1,385
Total Assets	3,441	4,129	4,386	4,949
Equity Share Capital	99	99	99	99
Reserves & Surplus	2,300	2,854	3,138	3,616
Borrowings (LT)	-	-	-	-
Other Non-Current Liabilities	221	180	180	180
Trade Payables	152	132	98	150
Other Financial Liabilities	99	159	175	192
Other Current Liabilities	562	628	619	635
Current Tax Liab & Provisions	8	11	11	11
Total Liabilities	3,441	4,129	4,386	4,949

Source: Company, Sushil Finance Research

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	FY19	FY20	FY21E	FY22E
PBT	837	984	709	1,098
Depreciation	126	162	167	166
Interest	0	7	0	1
CFO before Working Cap chg	963	1,152	876	1,265
Chg in Inventories	5	1	1	(9)
Chg in Investments	34	(467)	3	(191)
Chg in Trade Receivables	(8)	31	(14)	(6)
Chg in Other Current Assets	(1)	5	(2)	(6)
Chg in Trade Payables	42	(21)	(34)	52
Chg in Other Fin Liabilities	(26)	60	16	17
Chg in Other Current Liabilities	5	2	(9)	16
Income Taxes Paid	(291)	(190)	(177)	(274)
Other Adjustments	(93)	294	-	-
Cash Flow from Operations	684	983	659	863
Interest Paid	(0)	(7)	(0)	(1)
Dividend Paid	(233)	(398)	(247)	(346)
Other Adjustments	(31)	155	-	-
Cash Flow from Financing	(235)	(242)	(247)	(346)
Capital Expenditure	(370)	(446)	(373)	(460)
Investments	(1)	(9)	3	(3)
Other Non-Current Assets	0	61	(27)	(26)
Other Adjustments	(82)	(233)	-	-
Cash Flow from Investing	(438)	(752)	(396)	(490)
Opening Cash	15	27	15	30
Total Cash Flow	12	(11)	15	28
Closing Cash	27	15	30	58

Financial Ratio Statement

Y/E Mar.	FY19	FY20	FY21E	FY22E
Growth (%)				
Revenue	24.6%	6.8%	-23.8%	42.4%
EBITDA	13.5%	18.9%	-27.8%	49.1%
Net Profit	14.3%	45.2%	-33.0%	54.9%
Profitability (%)				
EBITDA Margin	29.0%	32.3%	30.6%	32.1%
Net Profit Margin	17.9%	24.3%	21.4%	23.3%
ROCE	29.0%	28.0%	17.1%	24.6%
ROE	22.8%	26.9%	16.4%	22.2%
Per Share Data (Rs.)				
EPS	55	80	54	84
BVPS	243	299	328	376
Valuation (x)				
P/E	14.7	10.1	15.1	9.7
P/BV	3.4	2.7	2.5	2.2
EV/EBITDA	9.1	7.6	10.5	7.0
P/SALES	0.27	0.25	0.33	0.23
Turnover				
Inventory days	5	5	6	7
Debtor days	12	8	12	9
Creditor days	40	35	33	37
Free Cash Flow to the Firm	326	472	437	542
Free Cash Flow to Equity	118	536	422	511

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
30 March 2020	Initiating Coverage	Buy	814	1296

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%
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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No