

Market Cap.

Rs.11,557 Cr.

52 Week H/L

Rs.1,240/666

CMP

Rs.1,170

Target Price

Rs.1,296

PETRO

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

STOCK DATA

HOLD

Reuters Code	MGAS BO
Bloomberg Code	MAHGL IN
BSE Code	539957
NSE Symbol	MGL

Face Value	Rs.10
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Shares Outstanding	9.88 Cr.
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Avg. Daily Volume (6m)	10,67,620 Shares
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Price Performance (%)

1M	3M	6M
1	32	17

200 days EMA Rs.985

SHARE HOLDING (%)

Promoters	32.5
FII	29.6
FI / MF	28.1
Bodies Corporate	0.6
Public & Others	9.2

RESEARCH ANALYST

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Particulars	Q3FY21	Q3FY20	YoY	Q2FY21	QoQ
Net Sales	727.33	819.07	-11.2%	548.95	32.5%
EBITDA	337.11	258.86	30.2%	239.52	40.7%
EBITDA Margin	46.35%	31.60%	1474 Bps	43.63%	272 Bps
Profit before Tax	291.27	244.36	19.2%	195.03	49.3%
Profit after Tax	217.21	186.05	16.7%	144.34	50.5%
PAT Margin	29.86%	22.71%	715 Bps	26.29%	357 Bps
EPS	21.99	18.74	17.3%	14.61	50.5%

Highlights from the Quarter (Q3FY21):

Net Sales for Q3FY21 stood at Rs. 727.33 Cr as against Rs.819.07 Cr in Q3FY20 (down by 11.2% YoY) and against Rs. 548.95 Cr in Q2FY21 (up 32.5% QoQ).

EBITDA for the quarter stood at Rs. 337.11 Cr as against Rs.258.86 Cr in the corresponding quarter last year (increase of 30.2% YoY) and against Rs.239.52 Cr in the previous quarter (increase of 40.7% QoQ). The EBITDA margin for Q3FY21 was 46.35%, up 1474 bps over Q3FY20, which is a new high for the company. This was mainly on account of lower gas costs which reduced from ~43.3% of revenue to 29.5% of revenue on a YoY basis.

Net Income for Q3FY21 was Rs. 217.21 Cr as against Rs. 186.05 Cr in Q3FY20 (increase of 16.7% YoY) and against Rs. 144.34 Cr in the previous quarter (increase of 50.5% QoQ). The PAT Margin for Q3FY21 stood at 29.86% and EPS stood at Rs. 21.99.

Volumes (SCM Million)	Q3FY21	Q3FY20	YoY	Q2FY21	QoQ
CNG	173.26	204.64	-15.3%	117.40	47.6%
<i>% of total Volumes</i>	<i>68%</i>	<i>73%</i>	<i>-490 Bps</i>	<i>62%</i>	<i>642 Bps</i>
Domestic PNG	46.82	37.90	23.5%	42.60	9.9%
<i>% of total Volumes</i>	<i>18%</i>	<i>13%</i>	<i>487 Bps</i>	<i>22%</i>	<i>-397 Bps</i>
Commercial PNG	34.80	38.25	-9.0%	30.73	13.2%
<i>% of total Volumes</i>	<i>14%</i>	<i>14%</i>	<i>3 Bps</i>	<i>16%</i>	<i>-246 Bps</i>
Total Volumes	254.88	280.79	-9.2%	190.73	33.6%

The volumes for the quarter stood at 173.26 SCM Million, a decline of 15.3% YoY and an increase of 47.6% QoQ. The CNG volumes comprised of 68% of the total volumes, followed by Domestic PNG at 18% and Commercial PNG at 14% during the quarter.

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	18.6	0.34	4.2
FY20	3,264	1,053	794	24%	80.3	12.8	0.32	3.4
FY21E	2,486	760	532	21%	53.8	19.1	0.41	3.1
FY22E	3,540	1,138	826	23%	83.7	12.3	0.29	2.7

OUTLOOK AND VALUATION

Mahanagar Gas' business is steadily inching towards normalcy as economic activity across the country resumes and volumes start to ramp up. A healthy tailwind for the company's operations came in the form of increased Petrol and Diesel prices, which coupled with increase in consumption, has led to preference of CNG vehicles which saw CNG volumes jump 47.6% on a QoQ basis.

Another positive for the company, and the CGD Industry as a whole has come in the form of the Hon' Finance Minister Nirmala Sitharaman stating that the government plans to add 100 more districts in the CGD Network over the next 3 years. This presents an additional growth opportunity for the company along with ample headroom for growth in its existing GAs.

The company's performance for the quarter was in line with our expectations, with the margins being better than expected due to reduced gas prices. Therefore we maintain our estimates and outlook for MGL. With the recent run up in the stock price, we revise our rating to HOLD for a target price of Rs. 1,296 which is an upside of ~10.8% from the current price of Rs. 1,170 over an investment horizon of 12-18 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 Statement

(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	275
Other Current Assets	758	1,189	1,188	1,385
Total Assets	3,441	4,129	4,386	4,952
Equity Share Capital	99	99	99	99
Reserves & Surplus	2,300	2,854	3,138	3,619
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	4,952

Source: Company, Sushil Finance Research

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	FY19	FY20	FY21E	FY22E
PBT	837	984	709	1,102
Depreciation	126	162	167	166
Interest	0	7	0	1
CFO before Working Cap chg	963	1,152	876	1,269
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)	(275)
Other Adjustments	(93)	294	-	-
Cash Flow from Operations	684	983	659	866
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	30
Closing Cash	27	15	30	61

Financial Ratio Statement

Y/E Mar.	FY19	FY20	FY21E	FY22E
<u>Growth (%)</u>				
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%
<u>Profitability (%)</u>				
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%
<u>Per Share Data (Rs.)</u>				
EPS	55	80	54	84
BVPS	243	299	328	376
<u>Valuation (x)</u>				
P/E	18.6	12.8	19.1	12.3
P/BV	4.2	3.4	3.1	2.7
EV/EBITDA	11.4	9.6	13.3	8.9
P/SALES	0.34	0.32	0.41	0.29
<u>Turnover</u>				
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.)
8-Dec-20	Q2FY21 Update	Buy	1,036	1,296
10-Aug-20	Q1FY21 Update	Buy	969	1,296
18-Jun-20	Q4FY20 Update	Hold	1,084	1,296
30-Mar-20	Initiating Coverage	Buy	814	1,296

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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Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
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