

Market Cap.
Rs.11,992 Cr.
52 Week H/L
Rs.1,215/1,168
CMP
Rs.1,211
Target Price
Rs.1,378

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) 8,43,153 Shares

Price Performance (%)

1M	3M	6M
8	3	28

200 days EMA Rs.1062

SHARE HOLDING (%)

Promoters	32.5
FII	31.2
FI / MF	27.1
Bodies Corporate	0.6
Public & Others	8.6

RESEARCH ANALYST

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Mahanagar Gas Ltd. reported results for the quarter ended Mar'21. Following are the highlights of the performance.

Particulars	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
Net Sales	784.04	752.67	4.2%	727.33	7.8%
EBITDA	316.16	243.83	29.7%	316.72	(0.2%)
EBITDA Margin	40.32%	32.40%	793 Bps	43.55%	(322 Bps)
Profit before Tax	286.57	224.72	27.5%	291.27	(1.6%)
Profit after Tax	212.77	166.59	27.7%	217.21	(2.0%)
PAT Margin	27.14%	22.13%	500 Bps	29.86%	(273 Bps)
EPS	21.54	16.86	27.7%	21.99	(2.0%)

Highlights from the Quarter (Q4FY21):

Net Sales for Q4FY21 stood at Rs. 784.04 Cr as against Rs.752.67 Cr in Q4FY20 (up 4.2% YoY) and against Rs. 727.33 Cr in Q3FY21 (up 7.8% QoQ).

EBITDA for the quarter stood at Rs. 316.16 Cr as against Rs.243.83 Cr in the corresponding quarter last year (increase of 29.7% YoY) and against Rs.316.72 Cr in the previous quarter (decrease of 0.2% QoQ). The EBITDA margin for Q4FY21 was 40.3%, up 793 bps over Q4FY20 largely due to lower gas costs. Net Income for Q4FY21 was Rs. 212.77 Cr as against Rs. 166.59 Cr in Q4FY20 (increase of 27.7% YoY) and against Rs. 217.21 Cr in the previous quarter (decrease of 2.0% QoQ) on account of lower other income due to reduction in interest rates on investments. The PAT Margin for Q4FY21 stood at 27.1% and EPS stood at Rs. 21.54.

For the full year, MGL's revenue stood at Rs. 2,337.79 Cr with an EBITDA of Rs. 933.96 Cr, translating to an EBITDA Margin of 40.0% due to lower gas cost. The Net Profit for the year was Rs. 619.57 Cr at a Net Margin of 26.5%. EPS for the year stood at Rs. 62.72.

Volumes (SCM Million)	Q4FY21	Q4FY20	YoY	Q3FY21	QoQ
CNG	182.14	180.17	1.1%	173.26	5.1%
<i>% of total Volumes</i>	<i>70%</i>	<i>71%</i>	<i>(112 Bps)</i>	<i>68%</i>	<i>201 Bps</i>
Domestic PNG	41.10	38.16	7.7%	46.82	(12.2%)
<i>% of total Volumes</i>	<i>16%</i>	<i>15%</i>	<i>73 Bps</i>	<i>18%</i>	<i>(258 Bps)</i>
Commercial PNG	37.01	35.06	5.6%	34.79	6.4%
<i>% of total Volumes</i>	<i>14%</i>	<i>14%</i>	<i>38 Bps</i>	<i>14%</i>	<i>57 Bps</i>
Total Volumes	260.25	253.39	2.7%	254.87	2.1%

The volumes for the quarter stood at 182.14 SCM Million, flat YoY and an increase of 5.1% QoQ. The CNG volumes comprised of 70% of the total volumes, followed by Domestic PNG at 16% and Commercial PNG at 14% during the quarter. The CNG volumes recovered well once the lockdown was eased.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY20	3,264	1,053	794	24%	80.3	15.0	0.37	4.0
FY21	2,338	934	620	27%	62.7	19.3	0.52	3.7
FY22E	3,006	1,134	773	26%	78.3	15.4	0.40	3.3
FY23E	3,770	1,348	938	25%	95.0	12.7	0.32	2.6

OUTLOOK AND VALUATION

After Covid-19 adversely affected volumes in Q1FY21, Mahanagar Gas did well to recover during the rest of the quarters to end the year on a decent note. While revenues declined ~30% for the year, reduced prices of gas helped the company improve its margins, and while the CNG volumes were down during the lockdown, the PNG volumes remained strong.

While the situation still remains uncertain with the 2nd wave of Covid-19 affecting the company's Geographical Areas (GAs), the company has a strong balance sheet with ample cash to deal with any downturn in demand. The company was able to continue expanding its network of customers and pipeline, albeit at a relatively slower pace. The management is certain that once the lockdown is lifted, the CNG volumes will recover speedily.

The company's performance for the quarter and the year was better than our previous estimates. With a strong outlook for the growth of City Gas Distribution (CGD) services across the country, and enough headroom in the company's existing GAs, we are optimistic about the company's future. We have revised our estimates taking into consideration the FY21 performance and the management guidance for the next few quarters. The company delivered an EPS of Rs. 62.72 and has declared Dividend of Rs. 23 for FY21.

We are introducing our estimates for FY23E. We estimate FY23E revenue at Rs. 3,769.82 Cr, EBITDA at Rs. 1,348.03 Cr at an EBITDA Margin of 35.8% and Net Income of Rs. 938.44 Cr at a Net Margin of 24.9%. We expect FY23E EPS to come at Rs. 95. Assigning a P/E multiple of 14.5x we are revising our target price upwards to Rs. 1,378, which is an upside of 14% from yesterday's closing price of Rs. 1,211. Therefore we maintain HOLD on MGL over an investment horizon of 18-24 months.



Profit & Loss Statement

(Rs. Cr)

Y/E Mar.	FY20	FY21	FY22E	FY23E
Revenue	3,264	2,338	3,006	3,770
Raw Material Cost	1,672	933	1,279	1,736
Employee Cost	81	88	89	97
Other Expenses	459	384	503	589
EBITDA	1,053	934	1,134	1,348
<i>EBITDA Margin (%)</i>	<i>32%</i>	<i>40%</i>	<i>38%</i>	<i>36%</i>
Depreciation	162	174	184	189
EBIT	891	760	951	1,159
<i>EBIT Margin (%)</i>	<i>27%</i>	<i>33%</i>	<i>32%</i>	<i>31%</i>
Finance Costs	7	7	7	8
Other Income	99	81	87	100
Profit before Tax	984	834	1,031	1,251
Tax Expense	190	214	258	313
Net Profit	794	620	773	938
<i>Net Margin (%)</i>	<i>24%</i>	<i>27%</i>	<i>26%</i>	<i>25%</i>
EPS	80.33	62.72	78.29	95.00

Financial Ratio Statement

Y/E Mar.	FY20	FY21	FY22E	FY23E
Growth (%)				
Revenue	6.8%	-28.4%	28.6%	25.4%
EBITDA	18.9%	-11.3%	21.5%	18.8%
Net Profit	45.2%	-21.9%	24.8%	21.3%
Profitability (%)				
EBITDA Margin	32.3%	40.0%	37.7%	35.8%
Net Profit Margin	24.3%	26.5%	25.7%	24.9%
ROCE	28.0%	21.8%	24.3%	26.0%
ROE	26.9%	19.2%	21.1%	22.3%
Per Share Data (Rs.)				
EPS	80	63	78	95
BVPS	299	327	371	468
Valuation (x)				
P/E	15.0	19.3	15.4	12.7
P/BV	4.0	3.7	3.3	2.6
EV/EBITDA	11.3	12.7	10.4	8.8
P/SALES	0.37	0.52	0.40	0.32
Turnover				
Inventory days	5	11	10	7
Debtor days	8	20	15	12
Creditor days	35	76	52	46
Free Cash Flow to the Firm	472	525	554	612
Free Cash Flow to Equity	536	238	440	611

Source: Company, Sushil Finance Research

Balance Sheet Statement

(Rs. Cr)

Y/E Mar.	FY20	FY21	FY22E	FY23E
PP&E (incl. CWIP)	2,413	2,601	2,808	3,072
Other Non-Current Assets	210	246	265	288
Inventories	19	22	29	28
Trade Receivables	68	128	120	126
Cash and Bank Balances	229	512	621	616
Other Current Assets	1,189	1,093	1,182	1,503
Total Assets	4,129	4,601	5,026	5,632
Equity Share Capital	99	99	99	99
Reserves & Surplus	2,854	3,134	3,561	4,105
Borrowings	-	-	-	-
Other Non-Current Liabilities	229	258	258	258
Trade Payables	132	156	146	177
Other Financial Liabilities	159	227	249	269
Other Current Liabilities	656	728	713	724
Total Liabilities	4,129	4,601	5,026	5,632

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	FY20	FY21	FY22E	FY23E
PBT	984	834	1,031	1,251
Depreciation	162	174	184	189
Interest	7	7	7	8
CFO before Working Cap chg	1,152	1,014	1,221	1,448
Chg in Inventories	1	(4)	(7)	1
Chg in Investments	(467)	96	(87)	(320)
Chg in Trade Receivables	31	(59)	7	(5)
Chg in Other Current Assets	5	1	(2)	(0)
Chg in Trade Payables	(21)	24	(10)	31
Chg in Other Fin Liabilities	60	68	23	20
Chg in Other Current Liabilities	2	14	(15)	11
Income Taxes Paid	(190)	(214)	(258)	(313)
Other Adjustments	294	(192)	-	-
Cash Flow from Operations	983	806	872	872
Interest Paid	(7)	(7)	(7)	(8)
Dividend Paid	(398)	(227)	(346)	(395)
Other Adjustments	155	(144)	-	-
Cash Flow from Financing	(242)	(349)	(352)	(403)
Capital Expenditure	(446)	(362)	(391)	(452)
Investments	(9)	(5)	(9)	(11)
Other Non-Current Assets	61	(16)	(11)	(11)
Other Adjustments	(233)	(46)	-	-
Cash Flow from Investing	(752)	(444)	(411)	(475)
Opening Cash	27	15	28	137
Total Cash Flow	(11)	13	109	(5)
Closing Cash	15	28	137	132

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
11-Feb-21	Q3FY21 Update	Hold	1,170	1,296
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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Merchant Banking Market Making activities / projects	No
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Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No