

## Muted realisations dents margins

**CMP:** Rs.264  
**Target Price:** Rs 318  
**Recommendation:** **Buy**

### Stock Info

BSE Group	A
BSE Code	532514
NSE Symbol	IGL
Bloomberg	IGLIN
Reuters	IGL.BO
BSE Sensex	20334
NSE Nifty	6053

### Market Info

Market Capital	Rs.3700cr
Equity Capital	Rs.140 cr
Avg. Trading Vol.	725160
52 Wk High/ Low	329/236
Face Value	Rs.10

### Net Sales up 20% yoy

IGL's net sales during the quarter rose 20% yoy and 3% qoq to Rs 1040cr largely on account of higher sales volumes PNG segment, while CNG volumes declined qoq. CNG volumes during the quarter declined 2.9% qoq to 193mn kgs, while that of PNG were up by 4.1% yoy to 89.2mn scm. On yoy basis PNG volumes jumped by 30.8%, while CNG volumes grew by 8.8%. Realisations increased qoq and yoy, however quantum of increases was not sync with hike in raw material costs; PNG realisations in particular. PNG and CNG realisations were up by 1.0% qoq and 7.1% qoq as compared to 3.3% qoq increase in raw material costs. CNG realisations during the quarter was at Rs 45.4/kg and that of PNG was at Rs 30.8/scm.

### Lower realisations drags EBITDA margin down

IGL's EBITDA margins dipped qoq by ~120bps due to weak realisations. Company posted EBITDA margin of 18.7% during the quarter compared to 19.9% in 2QFY14 and 21.5% during 3QFY13. Consequently, EBITDA for 2QFY14 stood at Rs 195cr reporting 4% yoy growth and 3% qoq decline.

### PAT down 4% qoq

IGL reported 4% qoq decline in PAT at Rs 89cr (Rs 93cr) primarily on account of dip in operating profit.

### Recent Updates:

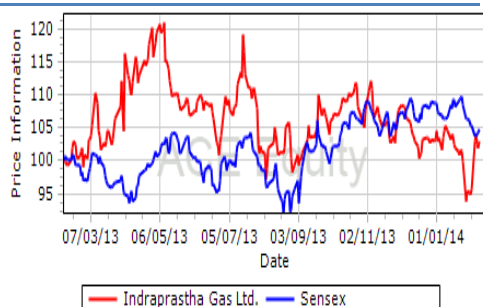
In an important decision Ministry of Petroleum and Natural Gas (MoPNG) has decided to reallocate domestic gas to city gas distribution companies. We believe this is positive for IGL as this decision will help it to replace costlier imported LNG with cheaper domestic gas thereby improving operating margins. Further, reallocation of gas will bring CNG and PNG prices down in NCR region and may result in incremental volumes through higher demand for CNG vehicle and PNG connections.

### Valuations:

IGL continues to deliver stable volume growth and pricing power in weak micro economic environment. We believe company will benefit from MoPNG's decision to reallocate gas CGD companies which can improve volumes and margins going forward. We have valued IGL at 5.5x EV/EBITDA(x) (average 1 year forward multiple of last four years) and have arrived at price target of Rs 318 per share.

### Financials

Y/E March, (₹ in Cr)	FY12	FY13	FY14E	FY15E
Net Revenue	2518.7	3367.0	3945.4	4588.6
EBIDTA	634.5	758.1	783.6	897.6
PAT	306.4	354.1	356.4	420.9
EPS	21.9	25.3	25.5	30.1
RONW (%)	24.9	23.56	20.1	19.9
P/E (X)	12.1	10.5	10.4	8.8
EV/EBITDA(X)	5.3	4.4	4.3	3.8



**Date: 10-02-2014**

**3QFY14 Results (standalone)**

Rs in Crore	3QFY14	3QFY13	YoY (%)	2QFY14	QoQ (%)
Net Sales	1041	869	19.8	1010	3.1
Expenditure	715	576	24.2	693	3.3
EBITDA	195	187	4.3	201	-3.0
EBITDA Margins (%)	18.7%	21.5%		19.9%	
Other Income	7	3	169.8	4	82.8
Interest	12	14	-15.8	10	21.2
Depreciation	56	47	17.7	55	1.9
Exceptional Items (Loss)	-	-	-	-	-
PBT after exceptional items	134	128	4.9	140	-4.2
Tax	45	42	7.6	48	-5.5
Tax rate (%)	33%	33%		34%	
PAT after extraordinary items	89	86	3.6	93	-3.6
Net Profit Margin (%)	8.6%	9.9%		9.2%	



## Profit &amp; Loss Account

Y/E Mar. (Rs. in cr)	FY12	FY13	FY14E	FY15E
<b>Total Income</b>	<b>2519</b>	<b>3367</b>	<b>3945</b>	<b>4589</b>
YoY%	44	34	17	16
Operating Exp	1884	2609	3162	3691
<b>EBITDA</b>	<b>635</b>	<b>758</b>	<b>784</b>	<b>898</b>
YoY%	28	19	3	15
Finance Cost	48	56	43	38
<b>Depreciation</b>	<b>143</b>	<b>187</b>	<b>217</b>	<b>241</b>
<b>Other income</b>	<b>7</b>	<b>13</b>	<b>16</b>	<b>18</b>
<b>PBT</b>	<b>450</b>	<b>528</b>	<b>539</b>	<b>637</b>
Tax	144	174	183	217
<b>PAT</b>	<b>306</b>	<b>354</b>	<b>356</b>	<b>421</b>
YoY%	18	16	1	18

## Cash Flow Statement

Y/E Mar. (Rs. in cr)	FY12	FY13	FY14E	FY15E
<b>Profit Before tax</b>	<b>450</b>	<b>528</b>	<b>539</b>	<b>637</b>
<b>Depreciation</b>	<b>143</b>	<b>187</b>	<b>217</b>	<b>241</b>
<b>OPAT before WC change</b>	<b>593</b>	<b>715</b>	<b>756</b>	<b>878</b>
<b>WC change</b>	<b>71</b>	<b>-107</b>	<b>1</b>	<b>-59</b>
<b>Cash from Operating act</b>	<b>710</b>	<b>651</b>	<b>785</b>	<b>839</b>
<b>Tax Paid</b>	<b>-98</b>	<b>-174</b>	<b>-183</b>	<b>-217</b>
<b>Cash flow from Operating</b>	<b>612</b>	<b>477</b>	<b>601</b>	<b>622</b>
<b>Cash flow from investing</b>	<b>-662</b>	<b>-437</b>	<b>-434</b>	<b>-431</b>
<b>Cash flow from financing</b>	<b>65</b>	<b>-48</b>	<b>-174</b>	<b>-169</b>
<b>increase/ decrease in cash</b>	<b>15</b>	<b>-7</b>	<b>-7</b>	<b>22</b>
<b>Opening cash</b>	<b>17</b>	<b>32</b>	<b>25</b>	<b>18</b>
<b>Closing cash</b>	<b>32</b>	<b>25</b>	<b>18</b>	<b>39</b>

## Balance sheet

Y/E Mar. (Rs. in cr)	FY12	FY13	FY14E	FY15E
<b>Equity</b>	<b>1229</b>	<b>1502</b>	<b>1777</b>	<b>2116</b>
Share capital	140	140	140	140
Reserves and surplus	1089	1362	1637	1976
<b>Noncurrent Liab</b>	<b>598</b>	<b>724</b>	<b>657</b>	<b>591</b>
Long term Debt	338	438	388	338
Deferred tax	63	63	63	63
Other long term Liab	193	219	202	186
Long term Prov	5	5	5	5
<b>Current liabilities</b>	<b>495</b>	<b>397</b>	<b>452</b>	<b>475</b>
ST borrowings	52	42	42	42
Trade payables	181	181	235	258
Other current	181	94	94	94
Short term prov	82	82	82	82
<b>Equity + Liability</b>	<b>2323</b>	<b>2623</b>	<b>2886</b>	<b>3182</b>
<b>Noncurrent assets</b>	<b>1960</b>	<b>2224</b>	<b>2457</b>	<b>2666</b>
Fixed assets	1955	2218	2451	2661
LT loans and Adv	5	5	5	5
<b>Current assets</b>	<b>363</b>	<b>400</b>	<b>429</b>	<b>516</b>
<b>Total Assets</b>	<b>2323</b>	<b>2623</b>	<b>2886</b>	<b>3182</b>

## Key Ratios

Y/E Mar. (Rs. in cr)	FY12	FY13	FY14E	FY15E
<b>Per Share data (Rs)</b>				
<b>EPS</b>	<b>21.9</b>	<b>25.3</b>	<b>25.5</b>	<b>30.1</b>
<b>Cash EPS</b>	<b>32.1</b>	<b>38.6</b>	<b>41.0</b>	<b>47.3</b>
<b>DPS</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Book value</b>	<b>87.8</b>	<b>107.3</b>	<b>126.9</b>	<b>151.2</b>
<b>Capital, liquidity Ratio</b>				
<b>Debt/ Equity (X)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
<b>Current Ratio (X)</b>	<b>0.7</b>	<b>1.0</b>	<b>0.9</b>	<b>1.1</b>
<b>ROE (%)</b>	<b>24.9</b>	<b>23.6</b>	<b>20.1</b>	<b>19.9</b>
<b>ROCE (%)</b>	<b>21.2</b>	<b>21.8</b>	<b>19.6</b>	<b>20.6</b>
<b>Dividend Yield (%)</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<b>Valuation Ratio (X)</b>				
<b>P/E</b>	<b>12.1</b>	<b>10.5</b>	<b>10.4</b>	<b>8.8</b>
<b>P/BV</b>	<b>3.0</b>	<b>2.5</b>	<b>2.1</b>	<b>1.7</b>
<b>EV/ Sales</b>	<b>1.3</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>
<b>EV/EBITDA</b>	<b>5.3</b>	<b>4.4</b>	<b>4.3</b>	<b>3.8</b>



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**Stock Rating Scale****Absolute Return**

BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
NEUTRAL	:	0-5%
REDUCE	:	< 0%

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