



## Higher NG cost dents margin

<b>CMP:</b>	Rs.287
<b>Target Price:</b>	Rs 318
<b>Recommendation:</b>	<b>Hold</b>

### Stock Info

BSE Group	A
BSE Code	532514
NSE Symbol	IGL
Bloomberg	IGLIN
Reuters	IGL.BO
BSE Sensex	20895
NSE Nifty	6215

### Market Info

Market Capital	Rs.4018cr
Equity Capital	Rs.140 cr
Avg. Trading Vol.	725160
52 Wk High/ Low	329/236
Face Value	Rs.10

### Shareholding Pattern (%) (30<sup>th</sup> Sep 2013)

Promoter	45.0
Domestic Institutions	19.9
Foreign Institutions	18.9
Non Promoters Corp.	3.6
Public & Others	7.6
Govt	5.0

#### Net Sales up 18% yoy

IGL's net sales during the quarter rose 18% yoy and 12% qoq to Rs 1010cr largely on account of higher sales volumes both in CNG and PNG segment. CNG volumes during the quarter increased 2.6%yoy to 198.7mn kgs, while that of PNG was up by 10% yoy to 89.5mn scm. On sequential basis too PNG volumes jumped by 4.1%, while CNG volumes grew by 4.0%. IGL continues to post good show on realisation front with 11.9% yoy and 16% yoy jump in realisation of CNG and PNG respectively. CNG realisations during the quarter was at Rs 42.4/kg and that of PNG was at Rs 30.5/scm.

#### Higher natural gas cost drags EBITDA margin down

IGL's EBITDA margins dipped qoq by 160bps due to higher cost of imported LNG. Raw material cost incidence during the quarter was at 69% compared to 66.0% during 1QFY14. Company posted EBITDA margin of 19.9% during the quarter compared to 21.5% in 1QFY14 and 24.2% during 2QFY13. Consequently, EBITDA for 2QFY14 stood at Rs 201cr reporting 3% yoy decline.

#### PAT down 7% yoy

IGL reported 7% yoy decline in PAT at Rs 93cr (Rs 99cr) primarily on account of dip in operating profit.

#### Valuations:

IGL continues to deliver and show stable volume growth and pricing power helping it to ward-off impact of higher NG costs, which has increased due to weak rupee and fall in gas supply from KG-D6 basin. Nonetheless, uncertainty continues to linger over the stock as PNGRB and IGL case on tariff determination is still sub-judies. Given the regulatory uncertainty prevailing at this point of time we have valued IGL on 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	23.6	20.1	19.9
P/E (X)	13.1	11.3	11.3	9.5
EV/EBITDA(X)	5.8	4.8	4.7	4.2

Date: 07-11-2013

**2QFY14 Results (standalone)**

Rs in Crore	2QFY14	2QFY13	YoY (%)	1QFY14	QoQ (%)
Net Sales	1010	855	18.1	903	11.9
Expenditure	693	547	26.7	596	16.3
EBITDA	201	207	-2.6	194	3.7
EBITDA Margins (%)	19.9%	24.2%		21.5%	
Other Income	4	3	16.1	4	0.8
Interest	10	14	-30.1	13	-23.4
Depreciation	55	48	14.9	53	3.1
Exceptional Items (Loss)	-	-	-	-	-
PBT after exceptional items	140	148	-5.3	132	6.5
Tax	48	49	-2.7	44	7.7
Tax rate (%)	34%	33%		34%	
PAT after extraordinary items	93	99	-6.5	88	5.9
Net Profit Margin (%)	9.2%	11.6%		9.7%	



Profit & 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>13.1</b>	<b>11.3</b>	<b>11.3</b>	<b>9.5</b>
<b>P/BV</b>	<b>3.3</b>	<b>2.7</b>	<b>2.3</b>	<b>1.9</b>
<b>EV/ Sales</b>	<b>1.5</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>
<b>EV/EBITDA</b>	<b>5.8</b>	<b>4.8</b>	<b>4.7</b>	<b>4.2</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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