

## Indraprastha Gas Limited

CMP Rs. 103.5  
BUY | Target Rs. 154.5

Q2 FY2009  
Result Update

Indraprastha Gas Limited (IGL) came out with its Q209 results this week. The company has yet again posted a strong set of numbers, yet again revalidating our point where the company's business sustainability is concerned.

For the quarter ended 30th September, 2008 Indraprastha Gas Limited (IGL) has posted 24.5% growth in net sales to Rs. 2,166.7 Mn as compared to Rs. 1,740.96 Mn for the quarter ended 30th September 2007. The bottom line of the company stands at Rs. 501.8 Mn verses Rs. 428.5 Mn the corresponding quarter last year; this translated into an increase 17.1%.

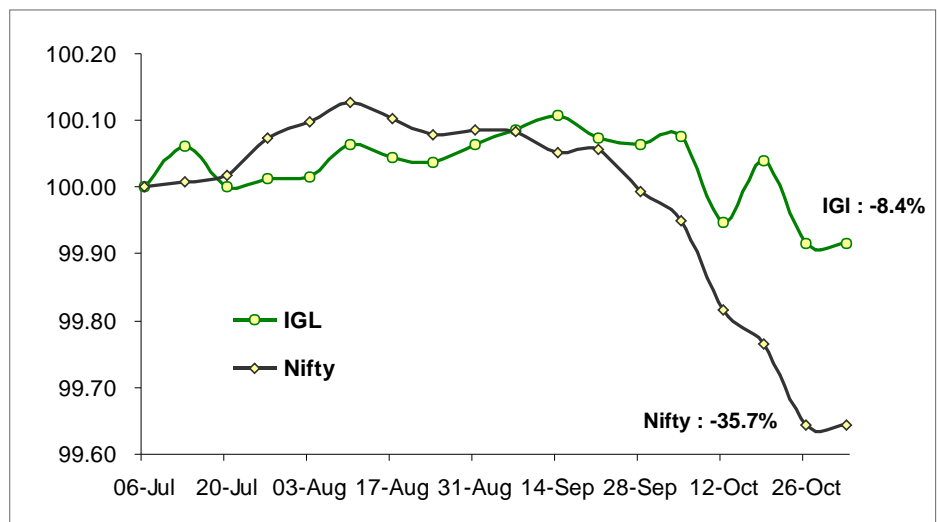
During Q2 of FY08-09, CNG sales volume has increased by 23% and PNG (including RLNG) sales volumes increased by 27% over Q2 of FY07-08. On an overall basis there is 23% growth in sales volume during this quarter over the corresponding quarter of FY07-08.

Total gross sales value during this quarter is Rs. 243.10 crores registering a growth of 22% over sales turnover of Rs.200.04 crores shown in Q2 of FY07-08. Product wise, CNG recorded sales of Rs. 219.63 crores, registering a growth of 21% and PNG recorded sales of 23.47 crores registering a growth of 27%.

If one looks at the numbers on a YOY basis one sees a sharp increase in the costs of the company. These increases are normal and one should understand that these increases that are taken by the company once a year. Going forward the company will be able to maintain the margins for the full year.

The global equity markets in the past four months have nosedived sharply and our Indian markets have not been any different with

this respect. If one evaluates the performance of the stock (IGL) vs. the nifty for the period i.e. July 3rd 2008 till date (July 3rd 2008 being the date of our recommendation for the stock) one sees a clear cut outperformance that the stock shows vs. the border index. IGL from the date of recommendation till date has showed a return of (8.36%) where as the nifty has been clobbered down by (35.66%).



The key reasons for the stocks outperformance in our view has been the inherent quality of the business that the company is in. The company's business is not affected by the fluctuations in the commodity markets; the company is in a business that is close to a monopoly. Going forward as well we see steady returns from the stock.

We have valued the company on DCF as well as PE multiple basis and recommend a BUY for the scrip at the current levels with a price target of Rs. 154.5 giving an upside of 49.20%. At our target price, the stock will trade at 11.5x FY09 earnings.

## IGL : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q209	Q208	Y-Y(%)	Q109	Q-Q(%)	H109	H108	Y-Y(%)
Net Revenues	2166.7	1740.96	24.5%	1907.3	13.6%	4074.1	3358.49	21.31%
Cost of Materials	959.1	745.6	28.6%	844.2	13.6%	1803.3	1438.748	25.34%
Gross Profit	1207.7	995.4	21.3%	1063.1	13.6%	2270.8	1919.7	18.28%
Staff Costs	53.7	34.74	54.7%	53.6	0.2%	107.3	70.47	52.31%
Other Expenses	288.2	210.53	36.9%	254.4	13.3%	542.6	412.2	31.63%
Total Expenditure	1301.0	990.9	31.3%	307.8	322.6%	1608.8	1921.476	-16.27%
Operating Profit	865.8	750.1	15.4%	755.3	14.6%	1621.0	1437.0	12.81%
OPM (%)	40.0%	43.08%	-7.3%	39.60%	0.9%	39.8%	42.8%	-7.01%
Other Income	53.9	47.48	13.5%	62.6	-13.9%	116.5	87.46	33.15%
EBITDA	919.7	797.6	15.3%	817.8	12.5%	1737.5	1524.5	13.97%
Depreciation	168.6	158.23	6.5%	163.5	3.1%	332.1	313.87	5.80%
EBIT	751.1	639.3	17.5%	654.3	14.8%	1405.4	1210.6	16.09%
PBT	751.1	639.3	17.5%	654.3	14.8%	1405.4	1210.6	16.09%
Tax	249.3	210.84	18.3%	217.5	14.6%	466.8	398.012	17.29%
PAT	501.8	428.5	17.1%	436.8	14.9%	938.6	812.6	15.50%
Equity Capital	1400.0	1400.00	0.0%	1400.0	0.0%	1400.0	1400.0	
EPS	3.6	3.1	17.1%	3.1	14.9%	6.7	5.8	15.50%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q209	Q208	Y-Y bps	Q109	Q-Q bps	H109	H108	Y-Y(%)
OPM (%)	39.96%	43.08%	(312.7)	39.60%	36.04	39.79%	42.79%	29.7
EBITDA (%)	42.44%	45.81%	(336.8)	42.88%	(43.35)	0.02%	0.03%	4578.2
EBIT (%)	34.66%	36.72%	(205.8)	34.31%	35.96	5.13%	4.56%	3216.8
PAT (%)	23.16%	24.61%	(145.5)	22.90%	25.55	23.04%	24.20%	41.8
Operational Parameters								
YE March (Rs. Mn.)	Q209	Q208	Y-Y bps	Q109	Q-Q bps	H109	H108	Y-Y(%)
RM Consumed	44.26%	42.83%	143.7	44.26%	0.09	44.26%	42.84%	(1.2)
Staff Cost	2.48%	2.00%	48.4	2.81%	(33.05)	2.63%	2.10%	(10.3)
Other Expenditure	13.30%	12.09%	120.6	13.34%	(3.97)	13.32%	12.27%	(18.1)
Effective Tax Rate	33.20%	32.98%	21.9	33.24%	(4.47)	33.22%	32.88%	10.1



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