



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Richa Singh (022) 67141444

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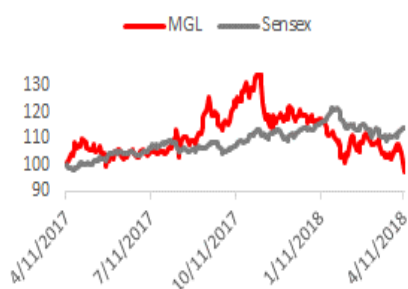
BUY

Current Price	919
Target Price	1114
Upside	22%
52 Week Range	Rs 1345/Rs 874

Key Share Data

Market Cap (Rs.bn)	90.8
Market Cap (US\$ mn)	1389
No of o/s shares (mn)	98.9
Face Value	10
Monthly Avg. Vol(BSE+NSE) Nos ('000)	1076
BSE Code	539957
NSE Code	MGL
Bloomberg	MAHGL:IN

Price performance



% Shareholding	Mar-18	Dec-17
Promoters	65.00	65.00
Public	15.24	15.63
Others	19.76	19.37
Total	100	100

Financial (Rs in Mn)

Year	Net Sales	% Growth	EBIDTA	OPM %	PAT	% Growth	EPS	P/E (x)	ROE %	RoCE %
2016A	20,783.0	0%	5,092.8	25%	3,108.9	3%	34.8	26.6	18.0%	29.9%
2017A	20,339.7	-2%	6,440.7	32%	3,933.4	27%	39.8	23.2	21.4%	35.1%
2018E	22,024.7	8%	7,180.3	33%	4,465.3	14%	45.2	20.5	21.6%	35.4%
2019E	24,014.1	9%	7,999.4	33%	5,021.1	12%	50.8	18.2	21.7%	35.6%
2020E	26,209.0	9%	8,875.3	34%	5,624.1	12%	56.9	16.2	21.7%	35.7%

Inorganic growth through CGD bidding rounds will help MGL going forward: - Government of India plans to develop CGD infrastructure across India by inviting bids from interested developers. PNGRB has identified 223 areas where they invite bids through multiple CGD bidding rounds. Also NITI Aayog has planned to expand CGD in 326 cities by 2022, from the existing 87 authorized geographical areas. Participation in further bidding rounds to expand its area of operations could help to expand its presence in new cities, and also help report organic growth, going forward.

PNG-domestic volumes to increase at 12% CAGR over FY17-20: - MGL's PNG volumes have grown at 7% CAGR during FY11-17, led by domestic PNG volumes, which grew at 9% during the same time. Commercial and industrial PNG volumes grew at 6% and 5%, respectively. Management expects total PNG volumes to grow at 11% CAGR during FY17-22E. While industrial PNG volumes are expected to grow at just 2% CAGR in existing areas, rest addition growth of Raigad 0.05mmscmd of industrial volumes by FY20 which would take the growth in industrial segment to 10% CAGR during FY17-20

MGL is in process of expanding the CGD network in new geographical areas: - MGL has lagged by IGL mainly on an account of regulatory factor such as city buses in Delhi are required to run on CNG while there is no such rule in Mumbai. Management expects total volume would grow at 6% CAGR over the FY18-20E as compare to 4% CARG over FY15-18E as government is focusing on clean fuel adoption in metros and adjoining cities. MGL focusing more in GA2 and GA3 (Thane and Raigad) in opening new CNG station which would drive growth forward. Raigad is expected to witness exponential growth, led by upcoming International Airport and Trans-Harbor link. Successfully commenced one CNG station three more in pipeline.

Q3FY18 results review:-MGL reported better-than-expected results in Q3FY18. Revenue grew by 15 % (YoY) to Rs 5814 mn led by 6.8 % (YoY) volume growth. CNG volumes grew by 6.6 % (YoY), and stood at 184.5scm, whereas PNG volumes grew by 7.3 % (YoY) and came in at 67.6scm. Total volume (mmscmd) was at 2.74 compared to 2.57 in Q3FY17. EBITDA margin ramped up 190bps (YoY) to 34.6% in Q3FY18. Volume growth, going ahead, may be better given steady conversion rate of vehicles to CNG (5000-6000 per month) and MGL's plans to aggressively set up CNG stations with 20 additions in FY18E (50% company-owned, which typically generates higher throughput and better margins). It plans to add 1.4 lakh households in FY18E. Gradual expansion of its geographical area (including Raigarh District) will also help MGL going forward.

Valuations and Outlook:-We believe that MGL is likely to maintain its current EBITDA margins of 32-34%, given increasing penetration and cost benefits for consumers. MGL has healthy return ratios, as well as ROCE at ~33% and ROE at ~21% in FY17. It's a debt-free company and has been paying consistent dividend, maintaining pay out at ~50% mark, with free cash flows for the past five years. At CMP of Rs 919 stock is trading at 18.2x its FY19 E EPS of Rs 50.8 and 16.2x its FY20 E EPS of Rs. 56.9



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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141439	Mid Cap



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Richa Singh (022) 67141444

Retail note @ Dalal&Broacha

Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092

E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com