

# **RESEARCH REPORT**

ADANI TOTAL GAS LTD



**PREPARED BY:**

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# About

AGL is engaged in City Gas Distribution (CGD) business and supplies natural gas to domestic, commercial, industrial and vehicle users.

## Revenue Breakup

- CNG Sales - 54%
- PNG Sales - 45%
- Other-1%

## Synopsis of Financials

- CNG volumes grew by 24% in Q3 and 21% in the nine-month period
- PNG volumes grew by 15% in Q3 and 1% in the nine-month period
- Revenue from operations increased by 5% in Q3
- EBITDA increased by 26% in Q3 to Rs. 301 crores
- Profit before tax increased by 15% and profit after tax increased by 16% in Q3
- EBITDA increased by 20% to Rs. 846 crores in the nine-month period
- PBT and PAT grew by 14% and 15% respectively in the nine-month period

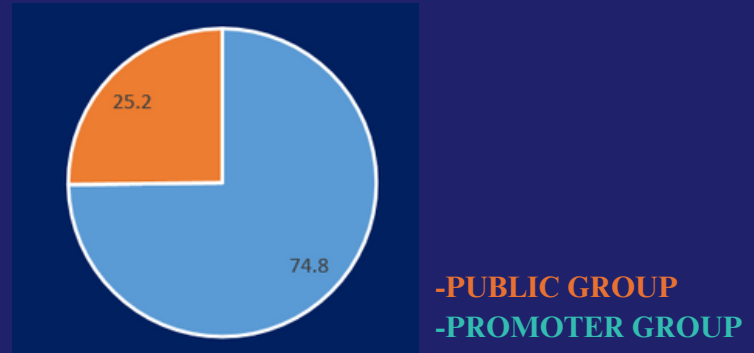
## Stock data (as 24th Dec 2024)

Nifty Price	: 23,804
52 week High (in Rs.)	: 1,198
52 week Low (in Rs.)	: 546
Market Cap. (in Crore)	: ₹ 74,072 Cr.
NSE Code	: ATGL



-NIFTY50  
-ATGL

## Shareholding Pattern (March 2024)



## Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	3,038	4,378	4,475
Sales Growth %	79.16%	44.12%	2.21%
Expenses	2,265	3,508	3,371
Operating Profit	773	870	1,104
OPM %	25%	20%	25%
Net Profit	509	546	668
EPS in Rs	4.63	4.97	6.07

# Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	1,116	1,106	1,115	1,056	1,096	1,156	1,167
Expenses	889	876	926	808	816	868	879
Operating Profit	226	230	189	248	280	288	288
OPM %	20%	21%	17%	23%	26%	25%	25%
Other Income	31	10	9	10	15	18	19
Interest	21	6	32	24	27	31	29
Depreciation	27	31	31	33	38	39	49
Profit before tax	208	203	136	201	230	236	229
Tax %	23%	26%	28%	25%	25%	25%	27%
Net Profit	160	150	98	150	173	177	168

Source: Screener

## Key Ratios

Particulars	Current FY ended March 31, 2024	Previous FY ended March 31, 2023	Changes between current FY and previous FY	Reason for change
Debtors' Turnover	13.31	17.66	-24.63%	
Inventory Turnover	363.70	328.33	10.77%	
Interest Coverage Ratio	8.92	10.11	-11.80%	
Current Ratio	0.58	0.39	46.83%	During the year, Company has repaid short-term borrowing which resulted in reduction of current liabilities.
Debt-Equity Ratio	0.41	0.47	-11.56%	
Operating Profit Margin (%)	22.9%	18.6%	23.40%	
Net Profit Margin (%) or sector-specific equivalent ratios, as applicable	13.4%	11.2%	19.72%	
Return on Net Worth (%)	20.1%	19.7%	1.78%	

Source: Annual Report

# Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	110	110	110
Reserves	2,831	3,470	3,801
Borrowings	1,422	1,557	1,457
Other Liabilities	1,282	1,454	1,474
Total Liabilities	5,645	6,592	6,842
Fixed Assets	2,335	3,174	3,421
CWIP	1,619	1,502	1,527
Investments	682	706	922
Other Assets	1,010	1,209	974
Total Assets	5,645	6,592	6,842

# Synopsis Quater Results

## Key Highlights

### Expansion and Infrastructure:

- Adani Total Gas has crossed 500 CNG stations milestone
- Expansion of steel pipe infrastructure to 11,712-inch kilometer
- Added 22,700 PNG connections in Q3 and 77,697 in the nine-month period
- Joint venture with Indian Oil Adani Gas Private Limited covering 33 geographical areas and 94 districts
- Expansion of EV charging stations in 10 states and 46 cities

### Renewable Energy Initiatives:

- Setting up India's largest 600 tonne feedstock per day CBG plant in Barsana
- Awarded concession for a 500 tonne municipal solid waste based CBG plant in Ahmedabad
- Embarking on opportunities in the LNG segment for transport fuel
- Plans to set up LNG station network across the country
- Focus on offering a wider range of sustainable energy fuels

### Awards and Recognition:

- Awarded Climate Action Program (CAP) committed category by CII
- Golden Peacock award for HR Excellence

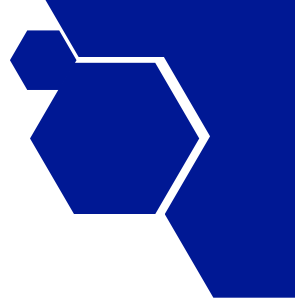
### Market Strategy and Recovery:

- Competitive pricing strategy for PNG industrial segment
- Recovery of industrial volumes to 81-82% post Russia Ukraine war
- Aim to reach 100% volume recovery
- Gross margin slightly lower due to passing on lower gas costs to end consumers
- Restoration of volumes on both CNG and PNG sides due to effective pricing strategy.

### New Products:

- Added 126 new CNG stations, bringing the total tally to 460.
- Connected 1.24 lakh new homes with pipe gas, bringing the total tally to 7.04 lakh consumers.
- Added 867 new industrial and commercial consumers, bringing the total tally to over 7000 consumers.
- Formed two SPVs for EV and biomass.
- Set up 104 EV charging points at 26 strategic locations.
- Largest biomass project in Uttar Pradesh is in progress.

# Revenue Highlights



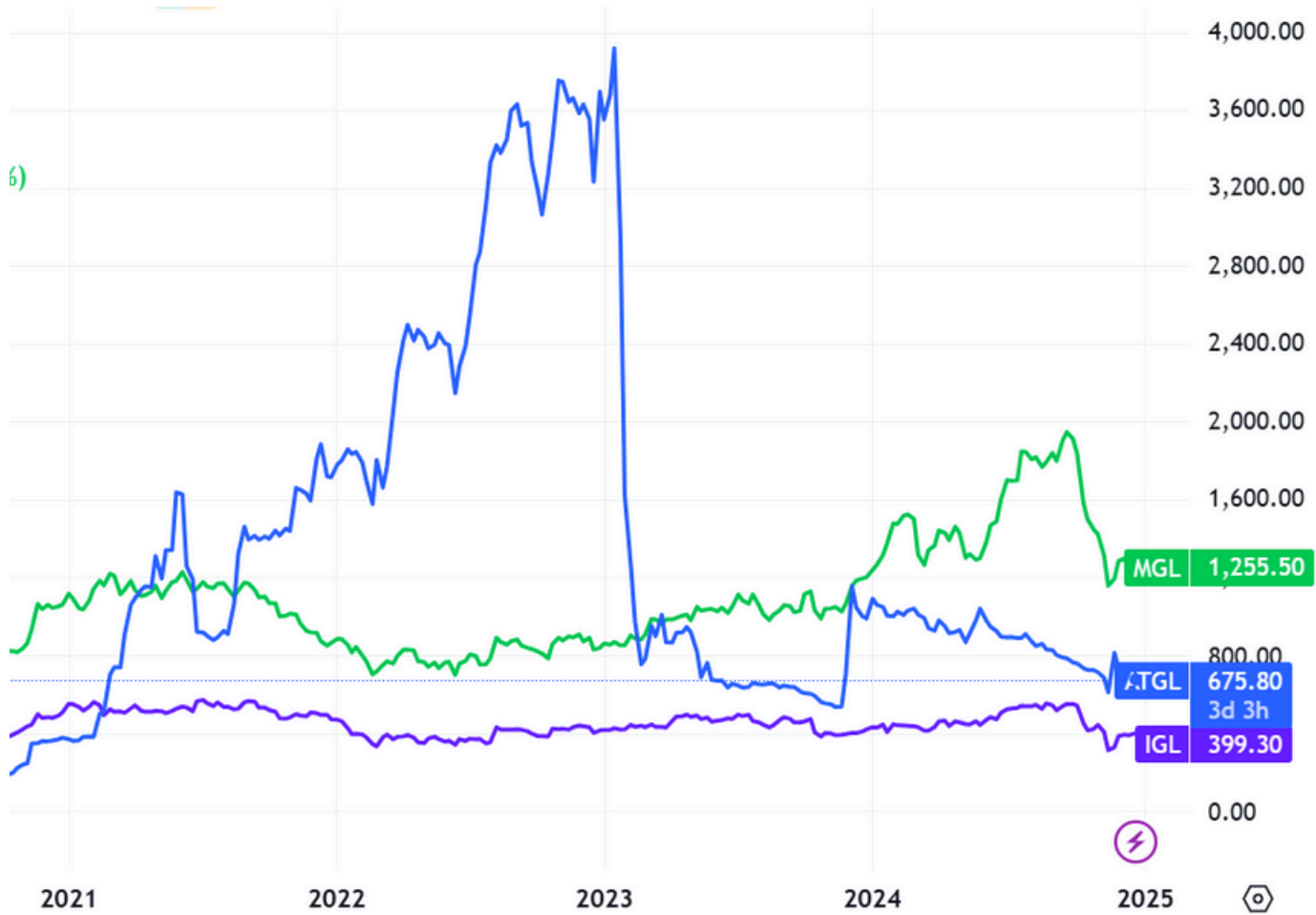
## Revenue from Operations (₹crore)



On account of lower gas prices

# Peer Comparison

## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Adani Total Gas	674.80	105.70	74215.20	0.04	185.60	7.48	1218.65	11.23	21.20
Indraprastha Gas	400.55	17.42	28038.53	2.23	431.09	-19.39	3697.29	6.90	28.76
Mahanagar Gas	1261.00	10.87	12455.88	2.42	282.80	-16.45	1711.62	8.96	36.60

Source: Screener

# Final Outlook

ATGL: BUY | LTP: 675

## Key Financial Metrics:

**Revenue Growth:** Adani Total Gas has shown consistent growth in revenue over the past years, but more recently, it has been facing challenges. For FY23, revenue was approximately ₹4,167 crores, indicating solid business expansion.

**Earnings per Share (EPS):** For FY2023, the company reported an EPS of ₹4.97, up from ₹4.63 in FY2022. This shows steady earnings growth despite external challenges.

**Profit Margins:** The company has maintained strong profit margins, particularly in its gas distribution segment. However, there has been some pressure in the margins due to regulatory changes and increased cost of gas acquisition.

**Return on Capital Employed (ROCE):** Adani Total Gas' ROCE stands at an impressive 21%, signaling the company's ability to generate returns efficiently on the capital employed, which is higher than the industry average.

## Valuation:

**Price-to-Earnings (P/E) Ratio:** The current P/E ratio for Adani Total Gas is high, reflecting premium valuations due to investor confidence in its growth prospects. However, this could also be a risk if earnings do not meet expectations.

**Valuation Concerns:** Given the recent stock volatility linked to global gas price fluctuations and sector-specific regulatory changes, the stock appears overvalued compared to peers in the CGD industry.

**Expansion:** Adani Total Gas continues to expand its city gas distribution network, benefiting from government policies encouraging the use of cleaner fuels.

**Government Support:** India's push for clean energy adoption underpins future growth, as natural gas is seen as a bridge fuel to achieve lower carbon emissions.

## Conclusion Based on Combined Fundamental and Technical Analysis:

From a technical perspective, the stock is currently in a bearish phase. Combined with its high valuation, it may not be the best time for entry unless it shows strong support around current levels. On a broader scale, long-term investors with a high-risk tolerance could view this as a buying opportunity, provided the stock stabilizes and fundamentals remain intact.

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