

## Mahanagar Gas Limited : Very Good Issue

**IPO Note: Good dividend paying record, zero debt, Offer price at a P/E of 13.4 makes attractive :Ranking\*\*\*\***



### Issue details

Price band (Rs)	Rs. 380-421
IPO Opening Date	21-06-2016
IPO Closing Date	23-05-2016
Issue Size	Rs.1039.64 Cr.

### Recommendation

Total revenues grew at a CAGR of 12.42% from Rs.1328 Crore for the financial year 2012 to Rs.2121 for the financial year 2016. Net profit after tax grew from Rs.307.74 Cr. for the financial year 2012 to 308.68 crore for the financial year 2016. Post IPO its current paid up equity capital will stand to around Rs. 98.77 crore. For last three fiscals it has been posted an average diluted EPS of Rs.30.89. Thus the asking price is at a P/E of 12.3 on the equity as on 31.03.16 and if we consider current equity with FY 16 earnings, then the asking price is at a P/E of 13.4 plus which is justified compared to composite industry P/E of 30 plus. Peers have the lowest P/E of 17 and the highest P/E of 44 as stated in RHP. The listed peer IGL is trading at a P/E of 20. **Looking to its overall performance and fundamentals and zero debt and offer price at a P/E of 13.4 looks attractive.**

### Highlights

- Mahanagar Gas Ltd (MGL) is a joint venture between Indian gas transmission player GAIL and British Gas (BG Group) plc. Both holds 49.75% stake and the government of Maharashtra holds the balance.
- The company currently operates in Mumbai , Thane, Navi Mumbai and has recently won Raigadh district distribution rights for CNG and PNG through competitive bidding
- MGL has a network of 180 CNG filling stations currently (Mumbai+Thane+Navi Mumbai) which it has grown 7-10 stations per year for last few years.
- The company has paid dividends every year during the last five years. It has paid Rs.17.50 per share dividend for last three years
- It is a almost zero debt company having Rs.13.8 crore debt and debt equity ratio is 0.01%.

### Company Introduction Company Profile

Incorporated in 1995, Mahanagar Gas Limited is a city gas distribution company. Information in this paragraph is copied from chittorgarh.com. Mahanagar Gas supply natural gas in Mumbai and its surrounding areas. Company is sole authorized distributor of compressed natural gas (CNG) and piped natural gas (PNG) in Mumbai. CNG is used in motor vehicles and PNG for domestic household use as well as for commercial and industrial use.

Company supply CNG though its network of 180 CNG filling



[www.mahanagargas.com](http://www.mahanagargas.com)

### Financial Summary (Rs. In Crore)

Particulars	FY2016	FY2015	FY2014	FY2013
Total Income	2121.62	2135.63	1919.64	1546.23
Net Profit	308.68	301.01	297.24	298.5
EPS (Rs)	31.36	30.54	30.15	30.28

Source:RHP

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

stations which includes stations owned and operated by the company, oil marketing companies and private parties. Content in this paragraph is copied from chittorgarh.com. CNG and PNG businesses accounted for 65.10% and 34.90%, respectively, of total gas sales revenue.

Company distribute natural gas through an extensive CGD network of pipelines, for which Mahanagar Gas have the exclusive authorization to lay, build, expand and operate the city gas distribution network. Company have a supply network of over 4,464 kms of pipelines.

### Issue details

To explore the value for the stakeholders and listing benefits, the company is coming out with an Initial public offer of up to 24,694,500 equity shares of face value of Rs. 10 each through an offer for sale via book building route within a price band of Rs. 380-421. Issue opens for subscription on 21.06.16 and will close on 23.06.16. Minimum application is to be made for 35 shares and in multiples thereon, thereafter. Both the promoters i.e. GAIL and BG Asia are selling equal quantity of 12347250 shares to dilute around 25% of the post issue paid up equity capital. With this IPO the company is trying to mobilize Rs. 938.39 cr. / 1,039.64 cr. based on the lower and upper price band. BRLM to the offer are Citigroup Global Markets India Pvt Ltd and Kotak Mahindra Capital Company Ltd. Link Intime India Pvt Ltd is the registrar to the issue. Post allotment, shares will be listed on BSE and NSE.

### Peer Comparison at a glance

Company	CMP	EPS	PE
MAHANAGAR GAS	Rs.421	31.36	13.42
IGL	Rs.518	Rs.29.73	20.68

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