

INVESTMENT IDEAS

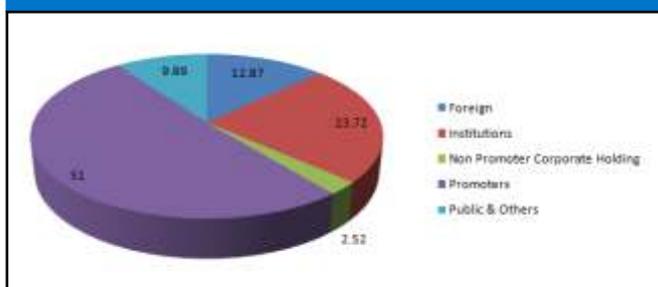


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VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	993.45/611.75
M.Cap (Rs. in Cr.)	21934.84
EPS (Rs.)	26.26
P/E Ratio (times)	30.13
P/B Ratio (times)	5.33
Dividend Yield (%)	0.02
Stock Exchange	BSE

SHAREHOLDING PATTERN



P/E CHART



FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
Revenue	4981.64	5563.26	6232.43
Ebit	638.53	705.35	817.36
Pre-tax Profit	840.77	1038.18	1168.54
Net Income	655.70	770.79	873.62
EPS	23.65	27.52	31.31
BVPS	148.58	153.24	162.21
RoE	16%	18%	20%

Source: Company's Website, Reuters & Capitaline

Investment Rationale:

- Cummins India Limited is a subsidiary of Cummins Inc. It manufactures a variety of engines operating on diesel, natural gas and duel fuel, provides innovative solutions across industrial business, power-generation and service support. It currently has a manufacturing capacity of over 75,000 engines.
- Exports business of the company is showing continuous improvement. It grew by 21% YoY after recovery in the certain global powergen market like Middle East and Africa. The management guided that there are a lot of new products in the pipeline which will drive the future growth.
- All segments of the company are performing well and it was able to gain market share during Q2 FY19. Of the total domestic sales, Rs 410 crores was from powergen segment, Rs 240 crore was from industrial and Rs 350 crores from distribution. Railways segment is growing significantly and is showing strong traction. The management is of the view that government's efforts on infra sector is helping the overall growth.
- Owing to a robust demand outlook from powergen, railways and industrial segments, the company has revised its domestic sales growth to 10-12% compared to an earlier guidance of 8-10% for FY 19. As against flat exports growth, growth has now been guided at 3-5%. The company has planned for a capex of around Rs. 400 crore in FY 19. This includes capex on high Horse Power capacity for new CPCV 3 criteria which will be made in India. On the marine and construction side too the company was able to improve market share.
- Net sales of the company stood Rs. 1,452 crores, which grew by 30% YoY. Net profit before tax was at a record high of Rs. 298 crores which came 53% higher YoY. The company saw its margins improve by 1.5% due to forex gains, cost control and better realizations. Ebitda margins stood at 16.9%.

Risk

- Increasing competition
- Commodity price fluctuation

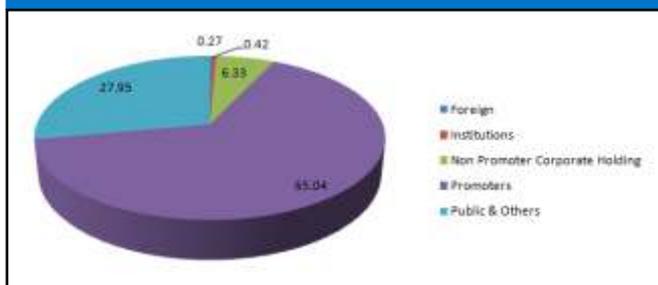
Valuation

In this quarter, the company was able to overcome certain execution constraints that it had encountered in the previous quarters. The management is confident on the medium to long term outlook for domestic sales as underlying demand remains positive, arising from sustained investments by the government in creating infrastructure for the Indian economy. The company is positioned to outperform in the industry and is investing judiciously in product enhancements, increasing customer focus while maintaining strong controls over cost of operations and improved productivity. It is expected that the stock will see a price target of Rs. 983 in 8 to 10 months time frame on a target P/E of 31 times and FY20 EPS of Rs. 31.7.

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	344.20/215.20
M.Cap (Rs. in Cr.)	18256.02
EPS (Rs.)	9.92
P/E Ratio (times)	26.29
P/B Ratio (times)	5.01
Dividend Yield (%)	0.15
Stock Exchange	BSE

SHAREHOLDING PATTERN



P/E CHART



FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
Revenue	4592.14	5622.29	6638.06
Ebitda	1114.39	1247.15	1431.94
Ebit	933.10	1052.81	1211.18
Pre-Tax Profit	1095.94	1198.19	1377.11
Net Income	721.72	850.90	988.97
EPS	10.31	12.06	14.07
BVPS	52.10	60.04	71.28
RoE	21.68	22.20	21.98

Source: Company's Website, Reuters & Capitaline

Investment Rationale:

- Indraprastha Gas Limited (IGL) is into retail gas distribution business and provides Compressed Natural Gas (CNG) to vehicles and Piped Natural Gas (PNG) to domestic and industrial/commercial consumers in Delhi and NCR.
- During Q2 of FY19, CNG sales volume has increased by 13% and PNG sales volumes increased by 14% over Q2 of FY18. On an overall basis there is 13% increase in sales volume during this quarter over corresponding quarter of FY18.
- Total gross sales value during quarter ended September 2018 is Rs. 1564 crores registering a growth of 28% over sales turnover of Rs. 1227 crores shown in Q2 of FY18. Product wise, CNG recorded sales of Rs. 1174 crores, registering a growth of 24% and PNG recorded sales of Rs. 390 crores registering a growth of 40% over previous year.
- The company got city gas licences for Rewari and Karnal in Haryana. New markets, increasing curbs on diesel vehicles, ban on the use of pet coke, and focus on domestic PNG connections will help the company sustain 11-12 per cent volume growth.
- Environmental concerns in Delhi have brought to the fore the urgency of using cleaner fuels, which would better for the company. IGL has a unique identity of a company with a rare mix of volume growth and strong margins, supported by relatively lower natural gas prices and supportive governmental initiatives.
- The management is confident about maintaining business momentum and delivering a strong performance in the coming years, with continuous expansion of business in new geographical areas and increasing consumer base. Besides expansion, the company is also focused to customer needs and is continuously making efforts to improve its services.

Risk

- Promotion of electric and hybrid vehicles in India
- Non-availability of Natural Gas

Valuation:

Volume trajectory for IGL is likely to remain strong, given rising pollution concerns and addition of new buses and expansion of its pipeline network in the new areas- Karnal, Rewari and part of Gurugram will add volumes 2HFY19 onwards. The company has also been able to maintain EBITDA margins, implying it has higher pricing power and that the company has been able to pass on any hike in input costs. It is expected that the stock will see a price target of Rs. 324 in 8-10 months time frame on a target P/E 23 of and FY20 EPS of Rs.14.07.



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Above calls are published in “Wise Money Issue No. 663”

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