

The Trick Is To Spot Them At The Larval Stage



BSE Code : 526829

Time Duration : 1 year

CMP : ₹36.35 (as on 27 June, 2019)

Target Price : ₹47

Confidence Petroleum India Ltd. Drive your portfolio growth with Confidence

Our Tiny Treasure for the month of June is Confidence Petroleum Limited. The company is India's leading private sector Liquefied Petroleum Gas (LPG) retailer. It mainly operates through four divisions : steel cylinder manufacturing (41% of revenue), bottling (4%), packed cylinder (26%) and auto LPG stations (29%).

it operates 196 stations at present and plans to increase them up to 500 stations by FY21. For this segment, the company plans to incur capex of Rs 300 crore. The expansion of auto LPG stations is progressing at a faster pace, whereby it is setting up almost 10 stations every month.

Segmental Updates

Steel cylinders manufacturing: The company's LPG cylinders have demand across PSUs and private companies like Hindustan Petroleum, Indian Oil, Reliance Industries, etc. It has strong order pipeline from PSUs, led by the two new repairing units set up by the company at Dhanbad and Coimbatore. Also, the Pradhan Mantri Gram Ujjwala Yojana is expected to boost this segment over the near term.

LPG Bottling: The company currently has 58 bottling plants across 22 states, which it plans to expand till FY21. These bottling plants fulfil two key aspects. First, these plants act as storage points for its auto LPG pumps, where storage capacity is limited due to city restrictions. Second, they provide filling services for its packed cylinder division. Due to their logistic advantage and cost-efficiency, PSU oil companies demand has grown for LPG bottling assistance.

Packed LPG retailing: The company sells retail LPG to domestic/commercial/industrial consumers through its wide dealer and distributor network spread all over India.

Auto LPG stations: Currently, the company operates 196 stations predominantly in southern India under the brand name 'Go Gas'. Auto LPG is much cheaper than petrol and diesel for autorickshaws and automobiles. Also, as it is heavier than CNG cylinders, LPG is a better and viable option.

Co-operation agreement with Time Technoplast

In February 2019, Confidence Petroleum entered into co-operation agreement with Time Technoplast Limited with a view to giving a major thrust to retail LPG under the brand name 'Go-Gas Elite'. This will help make safe use of LPG in Indian kitchens across the nation at the flick of a finger. The 'GoGas Elite' brand was launched providing world class blast proof, light-weight, translucent composite cylinders. Through this partnership, Confidence Petroleum aims to spread its wings in more cities and towns across India.

Management commentary

The company's management has extensive expansion plans. It is optimistic about the company's growth over the next two years. It has estimated growth of 40-45% both in the topline and bottomline in FY20. It expects to clock revenue of Rs 1400-1500 crore in FY20.

Industry – Auto & Domestic LPG

Under the 'Ujjwala' scheme, the current government has promised to bring every household in the BPL (Below Poverty Line) category to use cleaner fuel of LPG. In the Union Budget of 2018-19, the government had proposed to provide free LPG to 8 crore households, a substantial increase from the target of 5 crore households. Minimum two cylinders are needed to regularly refill, and an additional 0.5 cylinders are assumed as 'cylinders in transit'. Once a BPL household holds two cylinders, the total cylinder circulating in India would be more than 40 crore. Cylinder needs to be refurbished after every 6 years and completely replaced after 10 years, which ensures replacement demand to peak after 10 years and then remain stable thereon. Also, several

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cities in South India like Bangalore, Chennai, Hyderabad, among others, have taken up initiatives to curb vehicular air pollution. The respective state governments are granting subsidies to three-wheeler users to convert to LPG. Considering these initiatives, the demand and consumption for LPG is expected to grow in double digits in the upcoming years.

last year, an increase of 179% yoy.

Looking at the FY19 numbers, the revenue jumped by 65.6% to Rs 1004.53 crore, while EBITDA rose by 78.1% to Rs 126.45 crore. Further, the company reported net profit of Rs 66.83 crore, up 149.3% yoy.

Financial performance

The company's standalone revenue for Q4FY19 came in at Rs 286.06 crore as against Rs 184.70 crore in the corresponding quarter last year, registering 54.9% yoy increase. The EBITDA for the quarter rose by 65.3% yoy to Rs 33.83 crore as against Rs 20.46 crore in the corresponding quarter last year, with a corresponding margin expansion of 460 bps. EBITDA margin for the quarter stood at 11.8%. The PAT for the quarter came in at Rs 18.83 crore as against Rs 6.75 crore in the corresponding quarter

Valuation

The company is trading at TTM P/E of 14.35x with TTM EPS of Rs 2.44. Auto LPG is the segment which is going to perform better than its other segments, led by the growing demand and consumption seen in various states by the three-wheeler and four-wheeler users. Also, the bottling segment will contribute the growth, led by the extensive expansion planned by the company. We see a potential upside of 30% with a target price of Rs 47 over a period of one year.

Inc/Exp Statement(Consolidated) (Rs in Crore)

Description	201903	201803	201703	201603	201503
Net Sales	1004.53	606.75	496.90	354.69	306.48
Total Income	1009.20	609.91	498.68	356.16	308.20
Total Expenditure	878.07	534.52	454.83	320.05	274.27
PBIDT	131.13	75.38	43.85	36.12	33.93
PAT	64.34	26.57	4.84	1.08	-22.97
Dividend %	0.00	5.00			
Adj. EPS(Rs)	2.44	1.04	0.19	0.04	-0.89

Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201903	201812	Q on Q Var%	201803	Y on Y Var%
Net Sales	286.06	283.04	1.07	184.71	54.87
Total Expenditure	252.22	247.74	1.81	164.24	53.57
PBIDT (Excl OI)	33.85	35.30	-4.12	20.47	65.31
PAT	16.95	18.58	-8.81	6.41	164.37
PBIDTM% (Excl OI)	11.83	12.47	-5.13	11.08	6.77
PBIDTM%	12.64	12.76	-0.94	12.00	5.33
PATM%	5.92	6.57	-9.89	3.47	70.61
Adj. EPS(Rs)	0.69	0.68	1.47	0.26	165.38

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