

Titas Gas Transmission and Distribution Co. Ltd. (DSE: TITASGAS)

Current Price (February 04, 2016)	44.0
Total Number of Share (Mn)	989.22
Free Float (%)	25.0%
Annualized PE – TITASGAS	11.6x
Trailing PE – TITASGAS	6.7x
Annualized PE – Fuel & Power Sector	13.6x

* Based on earnings of HY, 2016

Financials (BDT Mn)	2014	2015	HY 2016** (Unaudited)
Revenue	78,321	82,711	51,791
Gross Profit	13,305	11,791	2,747
Operating Profit	9,601	7,733	505
Net Profit After Tax	10,269	8,886	1,871
Total Asset	90,390	98,337	108,625
Total Equity	52,557	57,733	58,120

**Year ends on June. 30

YoY Growth (%)	2014	2015	HY 2016
Revenue	4.7%	5.6%	38.5%
Net Profit After Tax	12.9%	-13.5%	-55.5%

Per Share (BDT)	2014	2015	HY 2016
Restated EPS	10.4	9.0	1.9
Book Value Per Share	53.1	58.4	58.8

Others (%)	2014	2015	HY 2016
Gross Profit Margin	17.0%	14.3%	5.3%
Operating Profit Margin	12.3%	9.3%	1.0%
Net Profit Margin	13.1%	10.7%	3.6%
ROA	12.0%	9.4%	1.8%
ROE	20.9%	16.1%	3.2%
Stock Dividend	-	-	-
Cash Dividend	38.0%	15.0%	-

Source: DSE; Quarterly & Annual Reports of TITASGAS and Research, IDLC Investments Ltd.

Terminologies

Free Float : % of total shares not owned by Sponsors/ Directors, and Govt.

Annualized PE: Based on Annualized Earnings of the latest declared quarter

Trailing PE: Based on Latest 12 Months Earnings

Company Profile

Titas Gas Transmission and Distribution Company Limited (DSE: TITASGAS), the oldest and leading gas supplier company was incorporated in November, 1964. The company works under Bangladesh Oil, Gas, & Mineral Corporation (Petrobangla) following administrative guidelines from Ministry of Power, Energy and Mineral Resources. It started its commercial operation in April, 1968 after the discovery of a large gas field on the bank of river Titas in 1962. Government, being the sole shareholder of the company offloaded 25% of shares through direct listing in DSE and CSE in June, 2008.

Key Revenue Drivers & Company Insight

TITASGAS is the market leader in gas distribution industry with a customer base of 1.9 Mn as of June, 2015. Its customer base includes 7 power stations of PDB, 28 private power stations and 3 fertilizer factories in the bulk category. Currently, TITASGAS had 62.1% market share.

As a gas transmission and distribution company, 97.8% of total Revenue comes from gas sales.

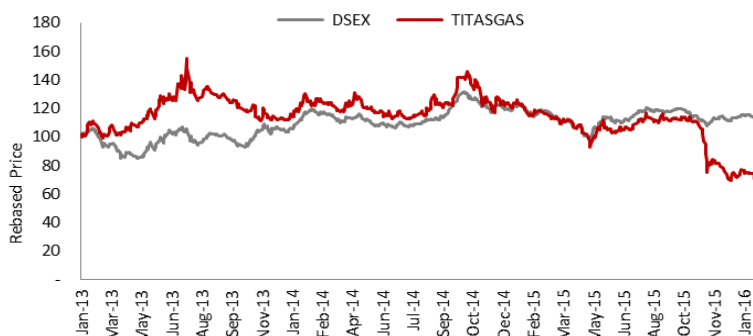
During 2014-2015, the company sold 15,416.9 MMCM gas, 4.6% higher than that of 2014. However, system loss spiked due to low pressure problem as well as illegal gas connections to 3.9%, which put a drag on Gross Profit Margin.

Financial Performance

TITASGAS had an upward topline growth of 5.6% YoY in FY 2015. However, bottom line shrank by 13.5% as profit margins eroded. Higher system loss trimmed Gross Profit Margin down to 14.3% in 2015, compared to 17.0% in 2014. Increased operating expenditure decelerated Operating Profit Margin further to 9.3%, as against 12.3% in 2014. Lowered cash base as well as declining interest rate scenario flattened Non-operating income growth. Resultantly, Net Profit Margin stood at 10.7%, compared to 13.1% in 2014.

Recently, BERC revised distribution margin for gas distribution companies, which took a massive toll in profitability of TITASGAS in 2016. Gross Profit Margin crumbled down to mere 5.3%, while Operating Profit Margin was meager 1.0%. Low interest rate regime heavily curtailed the support from Non-operating income, causing Net Profit Margin to settle at mere 3.6%. As a result, despite 38.5% YoY Revenue growth, Net profit imploded, shrinking by 55.5% YoY.

Recently, the company has reported net profit after tax of BDT 1,870.6 million with EPS of BDT 1.9 for the period of six months (July'15 to Dec'15) as against BDT 4,203.0 million and BDT 4.25, respectively for the same period of the previous year.



Source: DSE and Research, IDLC Investments Limited