

# Indraprastha Gas

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	IGL IN
Equity Shares (m)	700
M.Cap.(INRb)/(USDb)	266.9 / 3.2
52-Week Range (INR)	515 / 322
1, 6, 12 Rel. Per (%)	-9/-2/-20
12M Avg Val (INR M)	1159

## Financials & Valuations (INR b)

	FY22	FY23E	FY24E
Sales	77.1	121.0	115.5
EBITDA	18.8	20.5	20.5
Adj. PAT	13.1	13.9	14.2
Adj. EPS (INR)	18.8	19.8	20.2
EPS Gr. (%)	30.8	5.4	2.2
BV/Sh.(INR)	99.1	113.1	127.4

## Ratios

Net D:E	-0.2	-0.4	-0.4
RoE (%)	26.2	18.7	16.8
RoCE (%)	25.4	18.1	16.4
Payout (%)	29.3	29.3	29.3

## Valuation

P/E (x)	20.3	19.3	18.9
P/BV (x)	3.9	3.4	3.0
EV/EBITDA (x)	13.5	11.6	11.5
Div. Yield (%)	1.4	1.5	1.6
FCF Yield (%)	6.4	7.6	2.2

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	45.0	45.0	45.0
DII	21.8	21.9	19.8
FII	20.3	19.9	23.9
Others	12.9	13.2	11.3

FII Includes depository receipts

**CMP: INR381 TP: INR406 (+6%) Neutral**

## Weak quarter led by margin decline; volumes remain stable

- IGL misses our EBITDA estimate, driven by higher-than-expected gas costs with EBITDA/scm at INR7.1 (down 11% YoY and down 18% QoQ). Total volumes stood at 8.1mmscmd (+12% YoY, +3% QoQ) with an all-time high CNG volumes of 6.1mmscmd (+15% YoY) and modest PNG volumes of 2mmscmd (+3% QoQ).
- **However, the challenges remain overwhelming for IGL:**
  - With the rise in domestic gas prices to USD8.6/mmBtu for 2HFY23, CGDs will have to take a CNG price hike of ~INR4/kg (excluding taxes) per USD1/mmBtu rise in gas price to maintain margins around its current levels.
  - Aggregators account for 30-40% of total CNG sales for IGL and the onslaught of EVs may challenge volume growth in medium-long term.
  - Although the company has already taken a few CNG price hikes in FY23 till date, we expect further price hikes in 1HFY24 even as the Government has appointed Dr. Kirit Parikh Committee to review domestic gas pricing.
  - The narrowing of CNG and auto fuel price gaps is likely to reduce CNG conversions and is negative primarily for IGL.
- We build in a volume growth of 11%/11% for FY23E/FY24E to 7.8 mmscmd/8.6mmscmd, with EBITDA/scm normalizing to INR7.2/6.5 for FY23/24E.
- **The stock has corrected 20% CY23'YTD on the back of the aforementioned concerns.** On a one-year forward P/E basis, the company trades in-line with its long-term average of 18.9x. We reiterate our Neutral rating on the stock.

## Miss on both volumes and EBITDA; revenue in-line

- **Total volumes were below our estimate at 8.09mmscmd (up 12% YoY and up 3% QoQ)**
  - **CNG volumes stood at 6.09mmscmd (up 15% YoY and up 3% QoQ)** while PNG volumes stood at 2mmscmd (up 3% YoY and up 2% QoQ)
- **EBITDA/scm came in at INR7.1 (v/s our est. of INR8.8 in 2QFY23)**
  - **Gross margin came in at INR12.7/scm (v/s INR14.3 in 1QFY23)**
  - Opex was at INR5.6/scm (v/s INR5.7 in 1QFY23)
- Reported EBITDA stood at INR5.3b (down 1% YoY and down 15% QoQ), with PAT at INR4.2b (up 4% YoY and flat QoQ)
- **IGL's share in CUGL and MNGL added INR697m to its consol. profit (up 30% YoY and up 15% QoQ) in 2QFY23**
- **In 1HFY23, EBITDA was up 26% YoY to INR11.5b, with EBITDA/scm of INR7.8 (flat YoY). PAT was at INR8.4b**
  - **Growth in EBITDA was primarily led by volumes, which were up 27% YoY at 8mmscmd with CNG at 6mmscmd (+34% YoY) and PNG at 2mmscmd (up 10% YoY)**
- IGL's share in CUGL and MNGL added INR1.3b to its consol. profit (up 49% YoY)

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- **IGL could increase its sales volume from new areas** such as Rewari, Karnal, and Muzzafarnagar; Haryana City Gas; and the newly awarded GAs in the 10th round — a) Kaithal (Haryana), (b) Ajmer, Pali, and Rajsamand (Rajasthan), and c) Kanpur, Fatehpur, and Hamirpur (Uttar Pradesh).
- The stock trades at 20x/25x FY24E standalone/consolidated EPS of FY24E. We value the stock at 17x FY24E standalone EPS and arrive at our TP of INR406. We reiterate our Neutral rating on the stock.

**Quarterly performance**

Y/E March	FY22				FY23				(INR m)		(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY22	FY23E	FY23	Var vs Est
<b>Net Sales</b>	<b>12,574</b>	<b>18,312</b>	<b>22,155</b>	<b>24,059</b>	<b>31,939</b>	<b>35,540</b>	<b>30,212</b>	<b>23,324</b>	<b>77,100</b>	<b>1,21,015</b>	<b>33,934</b>	<b>5%</b>
Change (%)	96.9	40.3	53.2	55.2	154.0	94.1	36.4	-3.1	56.0	57.0	85.3	
<b>EBITDA</b>	<b>3,809</b>	<b>5,302</b>	<b>4,696</b>	<b>5,005</b>	<b>6,175</b>	<b>5,275</b>	<b>4,863</b>	<b>4,233</b>	<b>18,811</b>	<b>20,546</b>	<b>7,020</b>	<b>-25%</b>
EBITDA (INR/scm)	7.9	8.0	6.7	7.2	8.6	7.1	6.9	6.3	7.4	7.2	8.8	-20%
Change (%)	356.4	30.2	-6.2	1.8	62.1	-0.5	3.6	-15.4	26.8	9.2	32.4	
Depreciation	778	805	835	753	857	914	898	852	3,171	3,520	889	3%
Interest	29	26	28	49	24	31	33	32	132	119	31	
Other Income	298	775	304	774	307	1,100	412	-203	2,150	1,616	408	170%
<b>PBT before EO</b>	<b>3,299</b>	<b>5,246</b>	<b>4,137</b>	<b>4,977</b>	<b>5,602</b>	<b>5,430</b>	<b>4,345</b>	<b>3,146</b>	<b>17,659</b>	<b>18,523</b>	<b>6,508</b>	<b>-17%</b>
Tax	857	1,241	1,051	1,361	1,394	1,269	1,094	1,196	4,509	4,668	1,638	-23%
Rate (%)	26.0	23.6	25.4	27.3	24.9	23.4	25.2	38.0	136.7	89.0	25.2	
<b>PAT</b>	<b>2,443</b>	<b>4,005</b>	<b>3,085</b>	<b>3,616</b>	<b>4,209</b>	<b>4,162</b>	<b>3,251</b>	<b>1,949</b>	<b>13,150</b>	<b>13,855</b>	<b>4,870</b>	<b>-15%</b>
PAT (INR/scm)	5.0	6.0	4.4	5.2	5.9	5.6	4.6	2.9	5.2	4.7	6.1	-9%
Change (%)	667.2	30.1	-7.9	9.2	72.3	3.9	5.4	-46.1	30.8	5.4	21.6	
<b>Gas volumes (mmscmd)</b>												
CNG	3.65	5.30	5.63	5.66	5.93	6.09	5.52	4.71	5.06	5.56	6.46	-6%
PNG	1.67	1.94	2.02	2.09	1.96	2.00	2.19	2.70	1.93	2.21	2.19	-9%
<b>Total</b>	<b>5.32</b>	<b>7.24</b>	<b>7.66</b>	<b>7.74</b>	<b>7.89</b>	<b>8.09</b>	<b>7.71</b>	<b>7.41</b>	<b>6.99</b>	<b>7.78</b>	<b>8.65</b>	<b>-7%</b>

## Key charts from the quarter

Exhibit 1: Operational Highlights

Particulars	FY21				FY22				FY23		1QFY23	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY (%)	QoQ (%)
Realization (INR/scm)	25.8	25.8	25.1	25.3	26.0	27.5	31.5	34.5	44.5	47.8	73.6	7.3
Gas cost (INR/scm)	12.1	12.1	10.5	11.6	11.6	13.9	19.7	21.8	30.2	35.1	151.5	16.0
Gross Margin (INR/scm)	13.7	13.8	14.6	13.6	14.4	13.6	11.8	12.7	14.3	12.7	-6.4	-11.0
EBITDA (INR/scm)	3.4	8.0	8.7	8.0	7.9	8.0	6.7	7.2	8.6	7.1	-11.0	-17.6
PAT (INR/scm)	1.3	6.1	5.8	5.4	5.0	6.0	4.4	5.2	5.9	5.6	-7.1	-4.6
<b>Volumes</b>												
CNG (MMSCMD)	1.6	3.9	4.5	4.9	3.6	5.3	5.6	5.7	5.9	6.1	14.9	2.7
PNG (MMSCMD)	1.1	1.6	1.8	2.0	1.7	1.9	2.0	2.1	2.0	2.0	3.3	2.2
<b>Total (MMSCMD)</b>	<b>2.7</b>	<b>5.5</b>	<b>6.3</b>	<b>6.8</b>	<b>5.3</b>	<b>7.2</b>	<b>7.7</b>	<b>7.7</b>	<b>7.9</b>	<b>8.1</b>	<b>11.8</b>	<b>2.5</b>
<b>Per unit realisation</b>												
CNG (INR/scm)	29.2	30.0	28.6	28.4	29.3	30.0	34.1	38.0	49.9	52.9	76.5	6.1
CNG (INR/kg)	29.2	42.3	40.8	39.8	41.1	42.0	47.8	53.2	69.9	74.1	76.5	6.1
PNG (INR/scm)	25.6	24.2	24.9	25.9	26.2	30.5	35.4	37.3	46.3	51.3	68.3	10.6

Sources: Company reports, MOFSL

Exhibit 2: CNG volumes grew 15% YoY and 3% QoQ

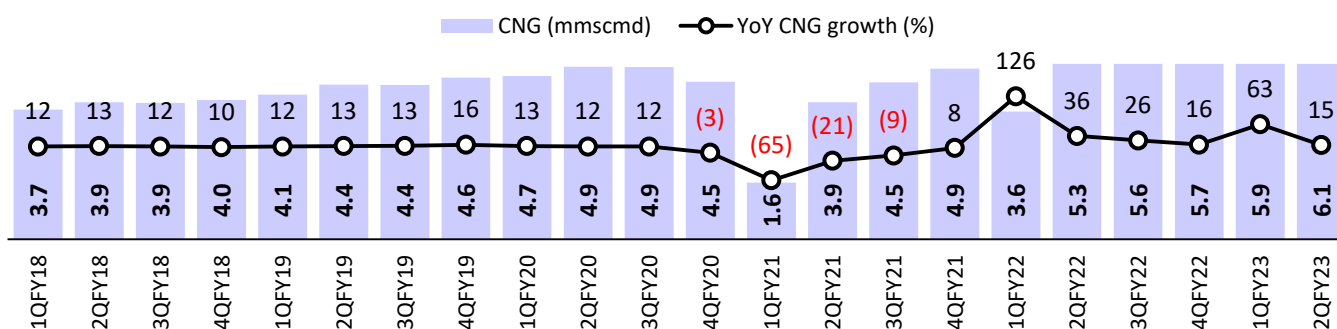


Exhibit 3: PNG volumes grew 3% YoY and 2% QoQ

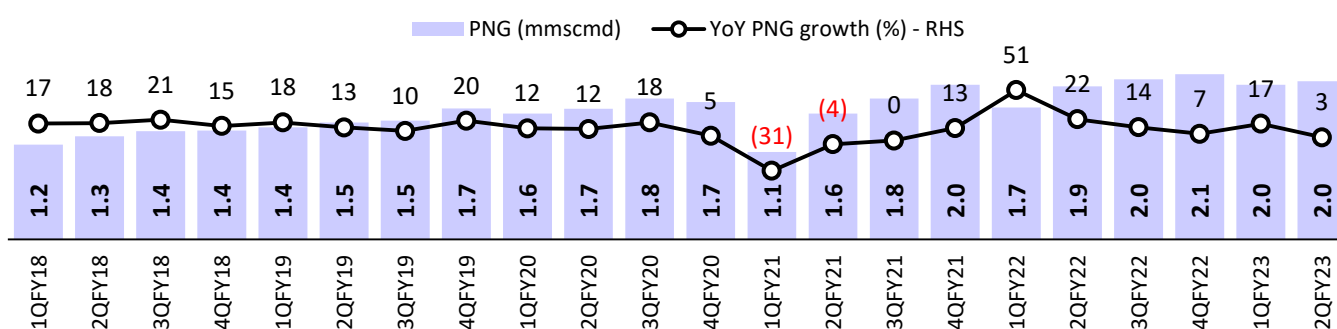
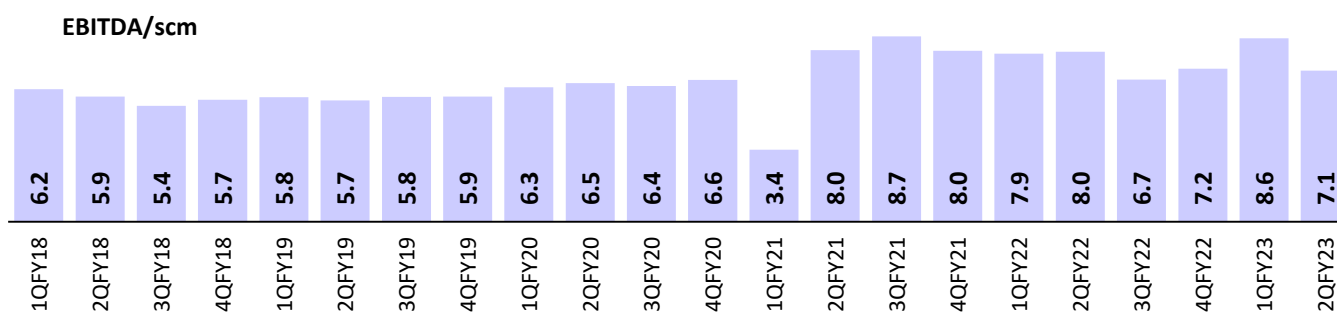


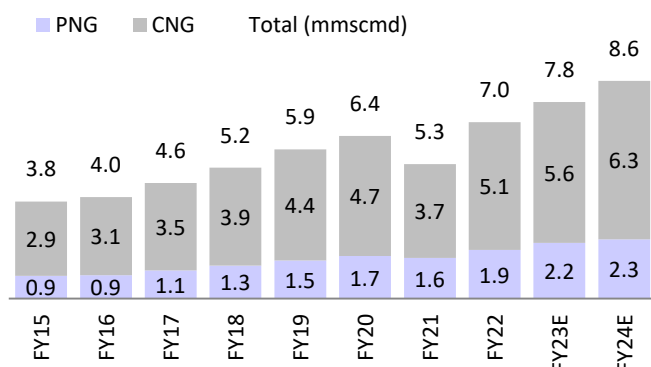
Exhibit 4: EBITDA/scm declined 11% YoY and 18% QoQ to INR7.1



Sources: Company reports, MOFSL

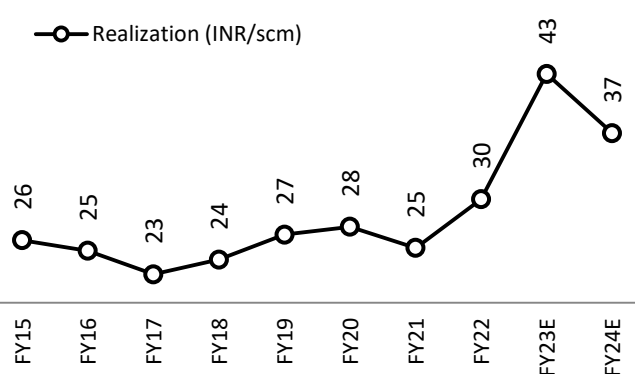
## Story in charts

**Exhibit 5: Sales growth to continue, barring the COVID-19-led demand impact in FY21**



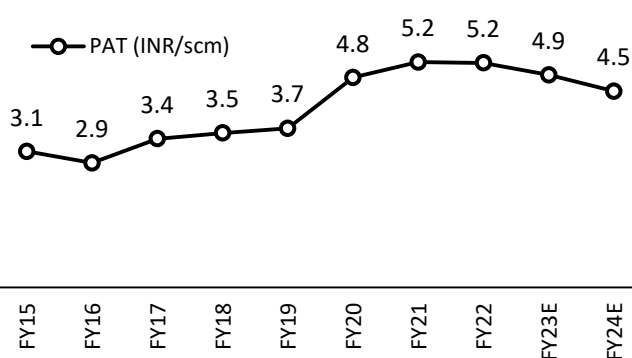
Sources: Company reports, MOFSL

**Exhibit 6: Realization trends way above its historical levels**



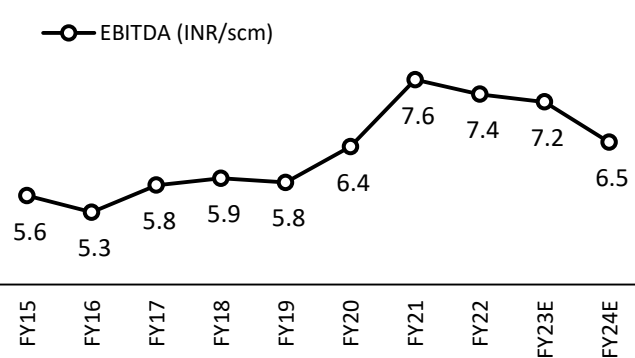
Sources: Company reports, MOFSL

**Exhibit 7: Profitability (in INR/scm) to normalize in FY23-24E**



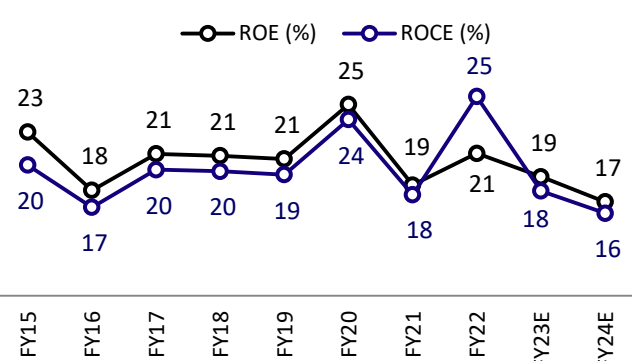
Sources: Company reports, MOFSL

**Exhibit 8: EBITDA/scm to decrease in FY23-24E as APM prices increase further from upcoming revisions**



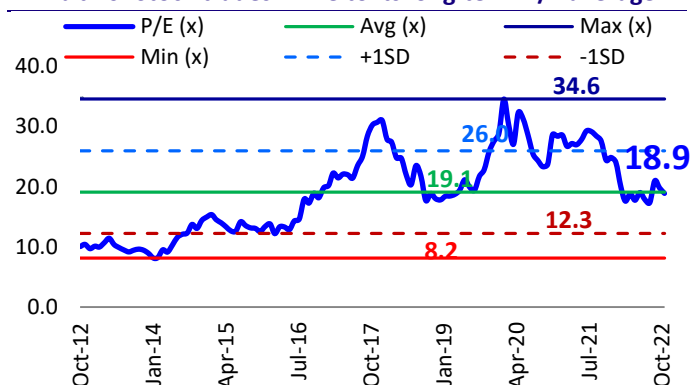
Sources: Company reports, MOFSL

**Exhibit 9: Return ratios to stabilize below 20%**



Sources: Company reports, MOFSL

**Exhibit 10: Stock trades inline to its long-term P/E average**



Sources: Company reports, MOFSL

## Financials and valuations

Income Statement							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>38,148</b>	<b>45,921</b>	<b>57,600</b>	<b>64,853</b>	<b>49,408</b>	<b>77,100</b>	<b>1,21,015</b>	<b>1,15,535</b>
Change (%)	3.5	20.4	25.4	12.6	-23.8	56.0	57.0	-4.5
<b>EBITDA</b>	<b>9,638</b>	<b>11,133</b>	<b>12,521</b>	<b>15,196</b>	<b>14,830</b>	<b>18,811</b>	<b>20,546</b>	<b>20,496</b>
As a percentage of Net Sales	25.3	24.2	21.7	23.4	30.0	24.4	17.0	17.7
Depreciation	1,671	1,813	2,011	2,523	2,904	3,171	3,520	3,220
Interest	12	17	21	81	113	132	119	101
Other Income	652	1,021	1,510	1,564	1,502	2,150	1,616	1,761
<b>PBT</b>	<b>8,607</b>	<b>10,325</b>	<b>12,000</b>	<b>14,157</b>	<b>13,315</b>	<b>17,659</b>	<b>18,523</b>	<b>18,936</b>
Tax	2,896	3,617	4,134	2,791	3,258	857	4,668	4,772
Rate (%)	33.6	35.0	34.4	19.7	24.5	4.9	25.2	25.2
<b>PAT</b>	<b>5,711</b>	<b>6,708</b>	<b>7,867</b>	<b>11,365</b>	<b>10,057</b>	<b>16,802</b>	<b>13,855</b>	<b>14,164</b>
<b>Adj. PAT</b>	<b>5,969</b>	<b>6,604</b>	<b>7,867</b>	<b>11,365</b>	<b>10,057</b>	<b>13,150</b>	<b>13,855</b>	<b>14,164</b>
Change (%)	42.5	10.6	19.1	44.5	-11.5	30.8	5.4	2.2

Balance Sheet							(INR m)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Reserves	27,866	33,729	39,899	49,224	57,319	67,962	77,760	87,777
<b>Net Worth</b>	<b>29,266</b>	<b>35,129</b>	<b>41,299</b>	<b>50,624</b>	<b>58,719</b>	<b>69,362</b>	<b>79,160</b>	<b>89,177</b>
Deferred Tax	1,806	2,253	2,678	2,119	2,422	2,737	2,737	2,737
<b>Capital Employed</b>	<b>31,072</b>	<b>37,382</b>	<b>43,977</b>	<b>52,743</b>	<b>61,140</b>	<b>72,098</b>	<b>81,897</b>	<b>91,914</b>
Gross Fixed Assets	36,402	41,364	47,607	55,744	65,535	75,345	81,345	87,345
Less: Depreciation	15,231	17,044	19,054	21,577	24,481	27,651	31,172	34,392
<b>Net Fixed Assets</b>	<b>21,172</b>	<b>24,320</b>	<b>28,553</b>	<b>34,167</b>	<b>41,055</b>	<b>47,694</b>	<b>50,173</b>	<b>52,953</b>
Capital WIP	3,518	3,860	4,781	7,767	8,469	13,786	17,786	21,786
Rights to use assets	0	0	0	1,220	1,984	2,203	2,203	2,203
Investments	6,770	11,477	15,440	2,581	18,258	19,758	19,758	19,758
<b>Curr. Assets, Loans and Adv.</b>								
Inventory	517	524	509	511	456	455	714	682
Debtors	2,014	2,261	2,215	1,704	2,607	5,206	8,171	7,801
Cash and Bank Balance	6,086	5,580	6,071	21,799	11,323	13,616	29,734	31,374
Cash	1,256	2,037	712	6,677	903	750	16,867	18,507
Bank balance	4,830	3,544	5,359	15,122	10,420	12,866	12,866	12,866
Loans and Advances	103	149	153	154	213	142	142	142
Other Current Assets	682	1,110	1,772	1,819	1,508	1,664	1,664	1,664
<b>Current Liab. and Prov.</b>								
Liabilities	9,580	11,690	13,687	16,172	21,007	28,130	44,152	42,153
Provisions	210	210	1,830	2,808	3,727	4,295	4,295	4,295
<b>Net Current Assets</b>	<b>-388</b>	<b>-2,275</b>	<b>-4,797</b>	<b>7,007</b>	<b>-8,627</b>	<b>-11,342</b>	<b>-8,022</b>	<b>-4,785</b>
<b>Application of Funds</b>	<b>31,072</b>	<b>37,382</b>	<b>43,977</b>	<b>52,743</b>	<b>61,139</b>	<b>72,099</b>	<b>81,897</b>	<b>91,914</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>								
EPS (Standalone)	8.5	9.4	11.2	16.2	14.4	18.8	19.8	20.2
EPS (Consolidated)	9.4	10.5	12.5	18.4	16.2	21.7	23.5	25.1
Cash EPS	10.9	12.0	14.1	19.8	18.5	23.3	24.8	24.8
Book Value	41.8	50.2	59.0	72.3	83.9	99.1	113.1	127.4
DPS	1.7	2.0	2.4	2.8	3.6	5.5	5.8	5.9
Payout	20	21	21	17	25	29	29	29
<b>Valuation (x)</b>								
P/E (Standalone)	44.7	40.4	34.0	23.5	26.6	20.3	19.3	18.9
P/E (Consolidated)	40.5	36.4	30.6	20.7	23.6	17.6	16.2	15.2
Cash P/E	35.0	31.7	27.0	19.2	20.6	16.4	15.4	15.4
EV/EBITDA	27.1	23.5	20.8	16.1	17.2	13.5	11.6	11.5
EV/Sales	6.8	5.7	4.5	3.8	5.2	3.3	2.0	2.0
Price/Book Value	9.1	7.6	6.5	5.3	4.5	3.9	3.4	3.0
Dividend Yield (%)	0.4	0.5	0.6	0.7	0.9	1.4	1.5	1.6
<b>Profitability Ratios (%)</b>								
RoE	21.0	20.8	20.6	24.7	18.4	26.2	18.7	16.8
RoCE	19.8	19.6	19.4	23.6	17.8	25.4	18.1	16.4
RoIC	33.3	38.9	40.4	53.2	41.2	62.0	64.4	76.9
<b>Turnover Ratios</b>								
Debtors (No. of Days)	17	21	26	33	23	20	18	14
Asset Turnover (x)	1.3	1.3	1.4	1.3	0.9	1.2	1.6	1.3
<b>Leverage Ratio</b>								
Net Debt/Equity ratio (x)	-0.2	-0.2	-0.1	-0.4	-0.2	-0.2	-0.4	-0.4

### Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	8,607	10,325	12,000	14,157	13,315	17,659	18,523	18,936
Depreciation	1,671	1,813	2,011	2,523	2,904	3,171	3,520	3,220
Interest and Finance charges	0	1	10	65	97	132	119	101
Direct Taxes Paid	-2,687	-3,303	-3,688	-3,442	-2,895	-857	-4,668	-4,772
(Inc.)/Dec. in Wkg. Capital	2,446	841	2,642	1,721	3,473	5,009	12,798	-1,597
Others	-574	-884	-1,403	-1,416	-1,434	-1,434	0	0
<b>CF from Op. Activity</b>	<b>9,463</b>	<b>8,793</b>	<b>11,571</b>	<b>13,608</b>	<b>15,460</b>	<b>23,680</b>	<b>30,293</b>	<b>15,888</b>
(Inc.)/Dec. in FA and CWIP	-2,709	-4,698	-6,807	-9,632	-8,829	-6,639	-10,000	-10,000
<b>Free Cash Flow</b>	<b>6,754</b>	<b>4,095</b>	<b>4,764</b>	<b>3,976</b>	<b>6,631</b>	<b>17,041</b>	<b>20,293</b>	<b>5,888</b>
(Pur.)/Sale of Investments	-13,254	-10,515	-24,912	-3,275	-32,560	-1,500	0	0
Others	4,823	8,044	20,510	7,700	23,125	-9,184	0	0
<b>CF from Inv. Activity</b>	<b>-11,139</b>	<b>-7,170</b>	<b>-11,208</b>	<b>-5,207</b>	<b>-18,264</b>	<b>-17,323</b>	<b>-10,000</b>	<b>-10,000</b>
Dividends Paid (incl. tax)	-1,601	-842	-1,685	-2,025	-1,960	-3,850	-4,057	-4,147
<b>CF from Fin. Activity</b>	<b>-1,601</b>	<b>-842</b>	<b>-1,688</b>	<b>-2,435</b>	<b>-2,970</b>	<b>-6,510</b>	<b>-4,175</b>	<b>-4,248</b>
<b>Inc./(Dec.) in Cash</b>	<b>-3,277</b>	<b>781</b>	<b>-1,325</b>	<b>5,966</b>	<b>-5,774</b>	<b>-154</b>	<b>16,117</b>	<b>1,640</b>
Add: Opening Balance	4,533	1,256	2,037	712	6,678	904	750	16,867
<b>Closing Balance</b>	<b>1,256</b>	<b>2,037</b>	<b>712</b>	<b>6,678</b>	<b>904</b>	<b>750</b>	<b>16,867</b>	<b>18,507</b>



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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