

Indraprastha Gas

Estimate change



TP change



Rating change



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Bloomberg	IGL IN
Equity Shares (m)	700
M.Cap.(INRb)/(USDb)	328.8 / 4
52-Week Range (INR)	516 / 344
1, 6, 12 Rel. Per (%)	-9/3/13
12M Avg Val (INR M)	938

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	141.5	137.3	139.6
EBITDA	20.4	23.5	22.0
Adj. PAT	14.5	15.9	14.9
Adj. EPS (INR)	20.6	22.7	21.3
EPS Gr. (%)	9.9	10.1	-6.2
BV/Sh.(INR)	101.2	117.2	132.1

Ratios

Net D:E	-0.4	-0.3	-0.3
RoE (%)	20.6	20.8	17.1
RoCE (%)	19.9	20.1	16.6
Payout (%)	63.0	30.0	30.0

Valuation

P/E (x)	23.8	21.7	23.1
P/BV (x)	4.9	4.2	3.7
EV/EBITDA (x)	15.6	13.6	14.5
Div. Yield (%)	2.6	1.4	1.3
FCF Yield (%)	2.9	1.3	1.3

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	45.0	45.0	45.0
DII	25.5	24.7	21.9
FII	21.3	21.8	19.9
Others	8.3	8.5	13.2

FII Includes depository receipts

CMP: INR470

TP: INR335 (-29%)

Sell

Long-term volume headwinds persist

- Indraprastha Gas Ltd's (IGL) EBITDA at INR6.4b beat our estimate by 10% in 1QFY24, aided by higher-than-estimated EBITDA/scm at INR8.6 (est. INR7.4). Volumes increased by 4% YoY to 8.2mmscmd.
- The management expects volumes to be relatively soft in 2QFY24 as well, due to the impact of Delhi floods. However, volumes have rebounded to ~8.4mmscmd over the past few days as the flood situation has eased.
- IGL management expects volumes to reach 9mmscmd by the end of FY24, driven primarily by growth in new GAs. Volume growth will be aided by improved CNG conversions to ~14,000/month currently from lows of ~8,000/month when gas prices were high.
- Owing to stronger-than-expected margins in 1QFY24, we raise our EBITDA/scm assumption to INR7.4 for FY24. Subsequently, we raise our EBITDA/PAT estimates for FY24 by 10%/9%.
- Although the management has guided for EBITDA/scm of INR7.5-8, we model EBITDA/scm of INR6.5 in FY25 in our base case, considering likely margin pressure due to high proportion of industrial component in incremental volumes. Margins may also be affected by CNG price cuts in the event of a reduction in prices of petrol/diesel by OMCs.
- Long-term volume growth remains a challenge for IGL due to possible disruption from electric vehicles, hence **we reiterate our Sell rating on the stock**. We value the stock at 14x FY25E adj. EPS and add value of JV at a 25% holding company discount to arrive at our TP of INR335. A stricter mandate on the adoption of natural gas by industries/vehicles remains the key risk to our call.

Volumes in line, margins above estimates

- Total volumes were in line with our estimate at 8.2mmscmd (+4% YoY, -1% QoQ) in 1QFY24.
 - CNG volumes stood at 6.17mmscmd (+4% YoY, +1% QoQ).
 - PNG volumes came in at 2.03mmscmd (+4% YoY, -5% QoQ).
- EBITDA/scm at INR8.6 beat our est. of INR7.4 (INR6.3 in 4QFY23).
 - Gross margin stood at INR14.4/scm (vs. INR12/scm in 4QFY23).
 - Opex remained flat QoQ at INR5.8/scm.
 - Resulting EBITDA was above our est. at INR6.4b (+4% YoY, +38% QoQ).
- PAT was above est. at INR4.4b (+4% YoY, +33% QoQ).
- IGL's share in CUGL and MNGL added INR836m to its consol. profit (+38% YoY, +23% QoQ) in 1QFY24.

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Valuation and view

- As per earlier guidance, almost half of the incremental volume in the next two years is likely to come from the industrial segment, which would not only pressure IGL's EBITDA/scm, but also make it more volatile.
- Buses account for ~20% of the company's CNG volumes (DTC/DIMTS buses accounting for half of it), while taxis and three wheelers account for 30% of volumes. Hence, aggressive EV policies by the Delhi government may challenge volume growth in the medium-to-long term. Additionally, the loss of potential volumes from Faridabad and Gurugram GAs due to the PNGRB's order in Apr'23 is also negative.
- **We reiterate our Sell rating** on the stock, valuing it at 14x FY25E adj. EPS and adding the value of investments at a 25% holding company discount to arrive at our TP of INR335. A stricter mandate on the adoption of natural gas by industries/vehicles remains the key risk to our call.
- If IGL is able to generate an EBITDA/scm of INR7.5 in FY25, as guided by the management, our TP would increase to around INR391, whereas EBITDA/scm of INR8 would result in an even higher TP of INR416.

Quarterly performance

Y/E March	FY23				FY24				FY23		FY24E		(INR m)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY23	FY24E	FY24 1QE	Var vs Est	
Net Sales	31,939	35,540	37,108	36,872	34,070	34,897	34,373	33,963	1,41,459	1,37,303	35,991	-5%	
Change (%)	154.0	94.1	67.5	53.3	6.7	-1.8	-7.4	-7.9	83.5	-2.9	12.7		
EBITDA	6,175	5,275	4,285	4,663	6,424	6,256	5,548	5,244	20,398	23,471	5,821	10%	
EBITDA (INR/scm)	8.6	7.1	5.7	6.3	8.6	7.7	6.8	6.5	6.9	7.4	7.4	17%	
Change (%)	62.1	-0.5	-8.8	-6.8	4.0	18.6	29.5	12.5	8.4	15.1	-5.7		
Depreciation	857	914	925	938	989	1,036	1,047	1,114	3,634	4,186	947	4%	
Interest	24	31	26	26	24	28	28	32	106	111	28		
Other Income	307	1,100	557	654	457	552	526	568	2,619	2,102	520	-12%	
PBT before EO	5,602	5,430	3,891	4,354	5,867	5,744	4,999	4,666	19,277	21,276	5,366	9%	
Tax	1,394	1,269	1,109	1,057	1,483	1,446	1,258	1,260	4,827	5,362	1,351	10%	
Rate (%)	24.9	23.4	28.5	24.3	25.3	25.2	25.2	27.0	25.0	25.2	25.2		
PAT	4,209	4,162	2,783	3,298	4,384	4,298	3,741	3,406	14,450	15,915	4,016	9%	
PAT (INR/scm)	5.9	5.6	3.7	4.4	5.9	5.3	4.6	4.2	4.9	5.0	5.1	15%	
Change (%)	72.3	3.9	-9.8	-8.8	4.2	3.3	34.4	3.3	9.9	10.1	-4.6		
Gas volumes (mmscmd)													
CNG	5.93	6.09	6.07	6.11	6.17	6.58	6.56	6.53	6.05	6.46	6.11	1%	
PNG	1.96	2.00	2.05	2.14	2.03	2.22	2.28	2.36	2.04	2.22	2.46	-17%	
Total	7.89	8.09	8.12	8.26	8.20	8.80	8.84	8.89	8.09	8.68	8.56	-4%	

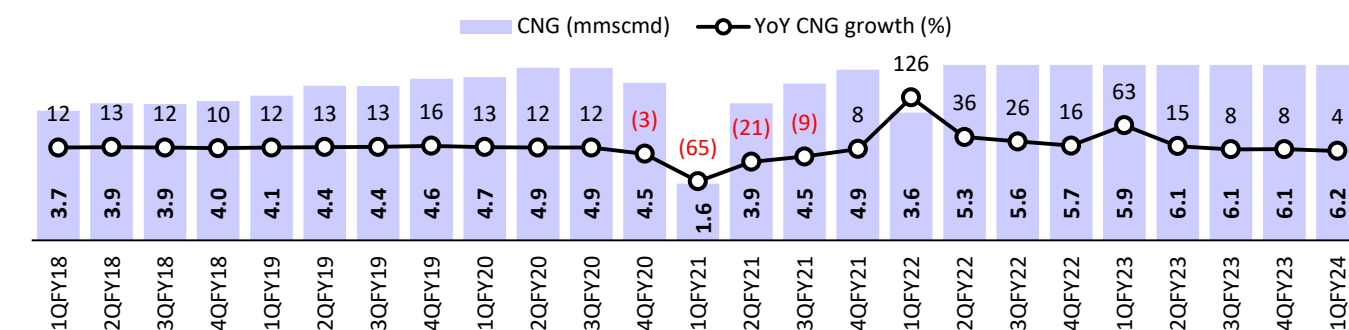
Key charts for the quarter

Exhibit 1: Operational highlights

Particulars	FY21				FY22				FY23				FY24	1QFY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	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	49.7	49.6	45.7	2.6	-8.0
Gas cost (INR/scm)	12.1	12.1	10.5	11.6	11.6	13.9	19.7	21.8	30.2	35.1	38.3	37.6	31.3	3.4	-16.8
Gross Margin (INR/scm)	13.7	13.8	14.6	13.6	14.4	13.6	11.8	12.7	14.3	12.7	11.3	12.0	14.4	0.9	19.4
EBITDA (INR/scm)	3.4	8.0	8.7	8.0	7.9	8.0	6.7	7.2	8.6	7.1	5.7	6.3	8.6	0.1	37.2
PAT (INR/scm)	1.3	6.1	5.8	5.4	5.0	6.0	4.4	5.2	5.9	5.6	3.7	4.4	5.9	0.2	32.4
Volumes															
CNG (MMSCMD)	1.6	3.9	4.5	4.9	3.6	5.3	5.6	5.7	5.9	6.1	6.1	6.1	6.2	4.0	1.0
PNG (MMSCMD)	1.1	1.6	1.8	2.0	1.7	1.9	2.0	2.1	2.0	2.0	2.0	2.1	2.0	3.8	-5.3
Total (MMSCMD)	2.7	5.5	6.3	6.8	5.3	7.2	7.7	7.7	7.9	8.1	8.1	8.3	8.2	3.9	-0.7
Per unit realisation															
CNG (INR/scm)	29.2	30.0	28.6	28.4	29.3	30.0	34.1	38.0	49.9	52.9	54.1	54.9	50.8	1.8	-7.5
CNG (INR/kg)	29.2	42.3	40.8	39.8	41.1	42.0	47.8	53.2	69.9	74.1	75.8	76.9	71.2	1.8	-7.5
PNG (INR/scm)	25.6	24.2	24.9	25.9	26.2	30.5	35.4	37.3	46.3	51.3	54.2	52.9	48.1	3.8	-9.1

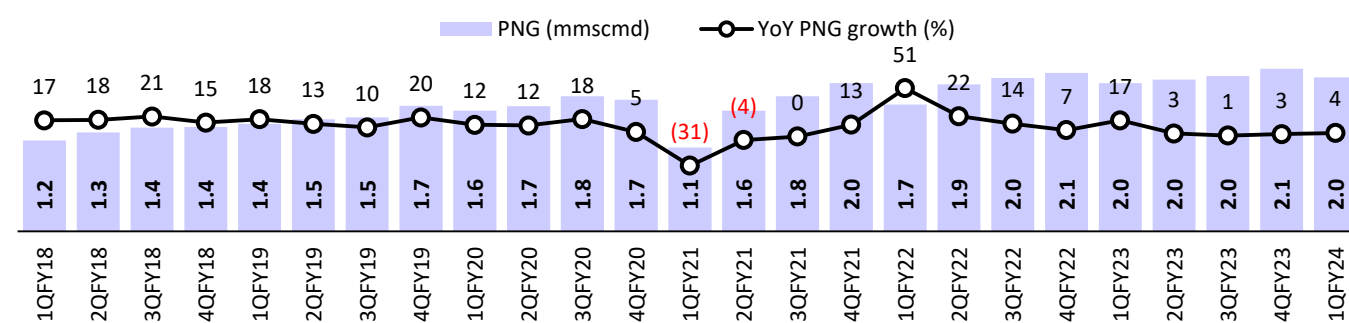
Sources: Company, MOFSL

Exhibit 2: CNG volumes grew 4% YoY and 1% QoQ



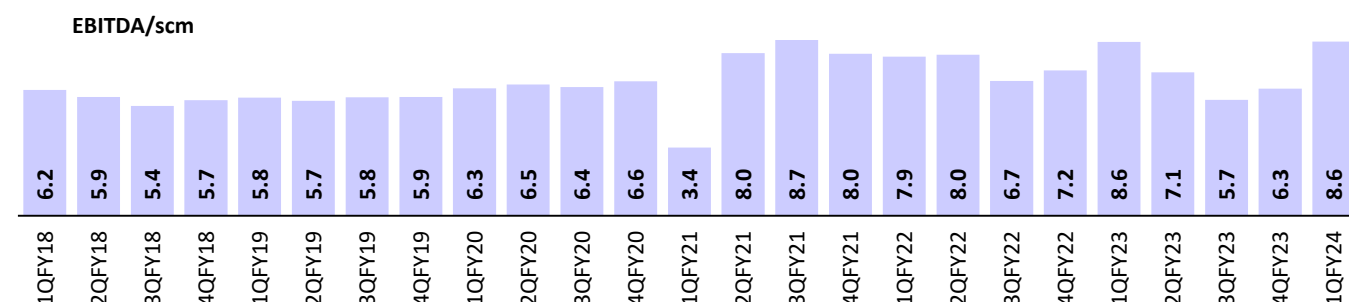
Sources: Company, MOFSL

Exhibit 3: PNG volumes grew 4% YoY but declined 5% QoQ



Sources: Company, MOFSL

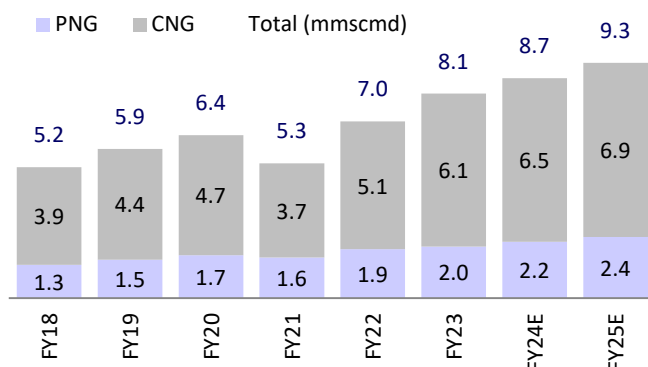
Exhibit 4: EBITDA/scm was flat YoY but increased 37% QoQ to INR8.6



Sources: Company, MOFSL

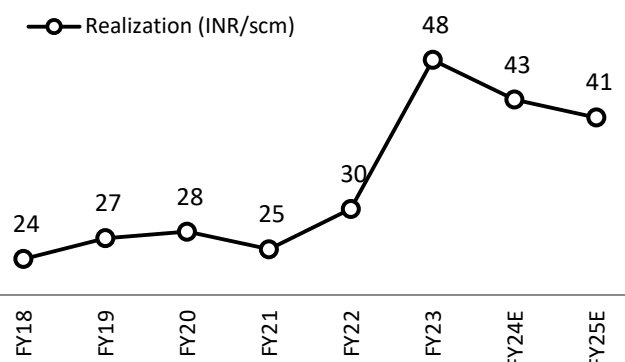
Story in charts

Exhibit 5: Volumes to register a CAGR of 7% over FY23-25



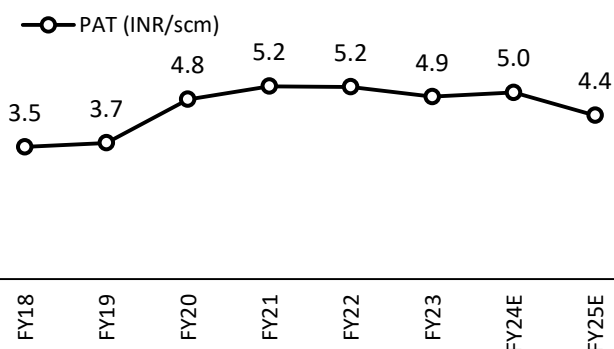
Sources: Company, MOFSL

Exhibit 6: Realization trends way above its historical levels



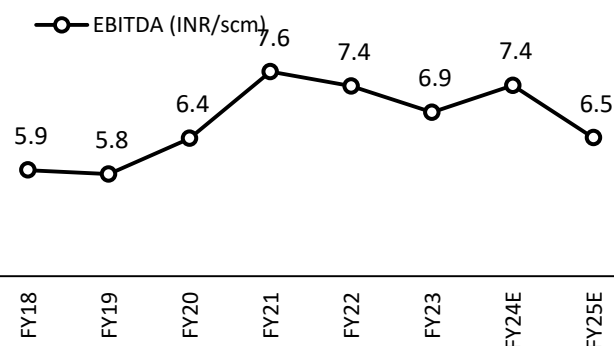
Sources: Company, MOFSL

Exhibit 7: Profitability (in INR/scm) to normalize in FY24-25



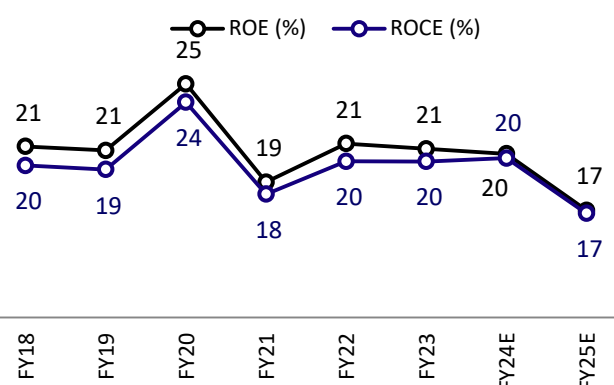
Sources: Company, MOFSL

Exhibit 8: EBITDA/scm to be moderate in FY25



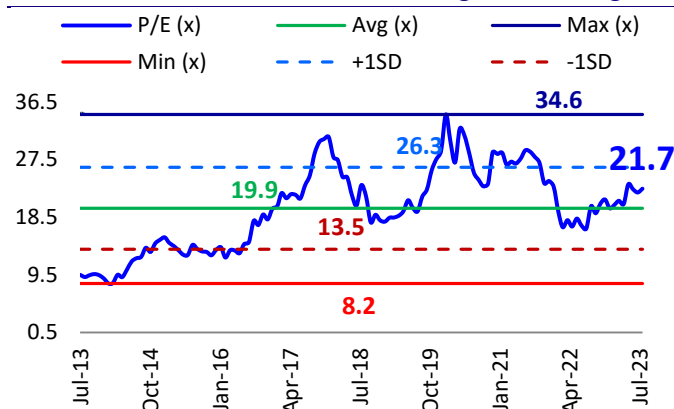
Sources: Company, MOFSL

Exhibit 9: Return ratios for IGL



Sources: Company, MOFSL

Exhibit 10: Stock trades 9% above its long-term P/E avg.



Sources: Company, MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	45,921	57,600	64,853	49,408	77,100	1,41,459	1,37,303	1,39,601
Change (%)	20.4	25.4	12.6	-23.8	56.0	83.5	-2.9	1.7
EBITDA	11,133	12,521	15,196	14,830	18,811	20,398	23,471	21,952
As a percentage of Net Sales	24.2	21.7	23.4	30.0	24.4	14.4	17.1	15.7
Depreciation	1,813	2,011	2,523	2,904	3,171	3,634	4,186	4,036
Interest	17	21	81	113	132	106	111	100
Other Income	1,021	1,510	1,564	1,502	2,150	2,619	2,102	2,133
PBT	10,325	12,000	14,157	13,315	17,659	19,277	21,276	19,949
Tax	3,617	4,134	2,791	3,258	4,509	4,827	5,362	5,027
Rate (%)	35.0	34.4	19.7	24.5	25.5	25.0	25.2	25.2
PAT	6,708	7,867	11,365	10,057	13,150	14,450	15,915	14,922
Adj. PAT	6,604	7,867	11,365	10,057	13,150	14,450	15,915	14,922
Change (%)	10.6	19.1	44.5	-11.5	30.8	9.9	10.1	-6.2

Balance Sheet							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Reserves	33,729	39,899	49,224	57,319	67,962	69,466	80,606	91,051
Net Worth	35,129	41,299	50,624	58,719	69,362	70,866	82,006	92,451
Deferred Tax	2,253	2,678	2,119	2,422	2,737	3,168	3,168	3,168
Capital Employed	37,382	43,977	52,743	61,140	72,098	74,033	85,174	95,619
Gross Fixed Assets	41,364	47,607	55,744	65,535	75,345	86,423	95,423	1,04,423
Less: Depreciation	17,044	19,054	21,577	24,481	27,651	31,285	35,471	39,507
Net Fixed Assets	24,320	28,553	34,167	41,055	47,694	55,138	59,952	64,916
Capital WIP	3,860	4,781	7,767	8,469	13,786	14,337	20,337	26,337
Rights to use assets	0	0	1,220	1,984	2,203	2,067	2,067	2,067
Investments	11,477	15,440	2,581	18,258	19,758	6,773	6,773	6,773
Curr. Assets, Loans and Adv.								
Inventory	524	509	511	456	455	492	477	485
Debtors	2,261	2,215	1,704	2,607	5,206	9,034	8,768	8,915
Cash and Bank Balance	5,580	6,071	21,799	11,323	13,616	26,332	25,814	25,763
Cash	2,037	712	6,677	903	750	1,056	538	487
Bank balance	3,544	5,359	15,122	10,420	12,866	25,276	25,276	25,276
Loans and Advances	149	153	154	213	142	143	143	143
Other Current Assets	1,110	1,772	1,819	1,508	1,664	3,444	3,444	3,444
Current Liab. and Prov.								
Liabilities	11,690	13,687	16,172	21,007	28,130	38,288	37,163	37,785
Provisions	210	1,830	2,808	3,727	4,295	5,438	5,438	5,438
Net Current Assets	-2,275	-4,797	7,007	-8,627	-11,342	-4,282	-3,955	-4,474
Application of Funds	37,382	43,977	52,743	61,139	72,099	74,033	85,174	95,620

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS (Standalone)	9.4	11.2	16.2	14.4	18.8	20.6	22.7	21.3
EPS (Consolidated)	10.5	12.5	18.4	16.2	22.0	24.2	26.6	25.6
Cash EPS	12.0	14.1	19.8	18.5	23.3	25.8	28.7	27.1
Book Value	50.2	59.0	72.3	83.9	99.1	101.2	117.2	132.1
DPS	2.0	2.4	2.8	3.6	5.5	13.0	6.8	6.4
Payout	21	21	17	25	29	63	30	30
Valuation (x)								
P/E (Standalone)	52.2	43.8	30.3	34.3	26.2	23.8	21.7	23.1
P/E (Consolidated)	47.0	39.4	26.7	30.4	22.4	20.3	18.5	19.2
Cash P/E	40.9	34.9	24.8	26.6	21.1	19.1	17.1	18.2
EV/EBITDA	30.4	27.0	21.2	22.5	17.6	15.6	13.6	14.5
EV/Sales	7.4	5.9	5.0	6.7	4.3	2.2	2.3	2.3
Price/Book Value	9.8	8.3	6.8	5.9	5.0	4.9	4.2	3.7
Dividend Yield (%)	0.4	0.5	0.6	0.7	1.1	2.6	1.4	1.3
Profitability Ratios (%)								
RoE	20.8	20.6	24.7	18.4	20.5	20.6	20.8	17.1
RoCE	19.6	19.4	23.6	17.8	19.9	19.9	20.1	16.6
RoIC	38.9	40.4	53.2	41.2	48.5	48.8	49.0	38.8
Turnover Ratios								
Debtors (No. of Days)	21	26	33	23	20	20	15	16
Asset Turnover (x)	1.3	1.4	1.3	0.9	1.2	1.9	1.7	1.5
Leverage Ratio								
Net Debt/Equity ratio (x)	-0.2	-0.1	-0.4	-0.2	-0.2	-0.4	-0.3	-0.3

Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	10,325	12,000	14,157	13,315	17,659	19,283	21,276	19,949
Depreciation	1,813	2,011	2,523	2,904	3,171	3,634	4,186	4,036
Interest and Finance charges	1	10	65	97	90	87	111	100
Direct Taxes Paid	-3,303	-3,688	-3,442	-2,895	-3,759	-4,833	-5,362	-5,027
(Inc.)/Dec. in Wkg. Capital	841	2,642	1,721	3,473	3,777	6,469	-845	467
Others	-884	-1,403	-1,416	-1,434	-1,958	-2,333	0	0
CF from Op. Activity	8,793	11,571	13,608	15,460	18,979	22,306	19,367	19,525
(Inc.)/Dec. in FA and CWIP	-4,698	-6,807	-9,632	-8,829	-13,370	-12,221	-15,000	-15,000
Free Cash Flow	4,095	4,764	3,976	6,631	5,610	10,085	4,367	4,525
(Pur.)/Sale of Investments	-10,515	-24,912	-3,275	-32,560	-13,454	-56,286	0	0
Others	8,044	20,510	7,700	23,125	10,976	60,093	0	0
CF from Inv. Activity	-7,170	-11,208	-5,207	-18,264	-15,848	-8,414	-15,000	-15,000
Dividends Paid (incl. tax)	-842	-1,685	-2,025	-1,960	-2,519	-12,948	-4,774	-4,477
CF from Fin. Activity	-842	-1,688	-2,435	-2,970	-3,285	-13,586	-4,886	-4,577
Inc./(Dec.) in Cash	781	-1,325	5,966	-5,774	-153	306	-519	-52
Add: Opening Balance	1,256	2,037	712	6,678	904	751	1,057	538
Closing Balance	2,037	712	6,678	904	751	1,057	538	487

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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