

Indraprastha Gas

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR419 **TP: INR350 (-16%)** **Sell**

Weaker-than-expected margins lead to miss

Bloomberg	IGL IN
Equity Shares (m)	700
M.Cap.(INRb)/(USDb)	293.4 / 3.5
52-Week Range (INR)	516 / 376
1, 6, 12 Rel. Per (%)	0/-20/-23
12M Avg Val (INR M)	915

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	135.1	137.5	140.3
EBITDA	25.1	24.8	26.7
Adj. PAT	18.1	17.2	18.5
Adj. EPS (INR)	25.9	24.6	26.4
EPS Gr. (%)	25.2	-4.9	7.3
BV/Sh.(INR)	119.3	136.5	155.0

Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	23.4	19.2	18.1
RoCE (%)	22.6	18.6	17.6
Payout (%)	30.0	30.0	30.0

Valuation

P/E (x)	16.2	17.0	15.8
P/BV (x)	3.5	3.1	2.7
EV/EBITDA (x)	10.6	10.6	9.8
Div. Yield (%)	1.9	1.8	1.9
FCF Yield (%)	2.1	2.5	3.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	45.0	45.0	45.0
DII	27.7	26.2	24.7
FII	17.9	20.9	21.8
Others	9.4	7.7	8.5

FII Includes depository receipts

- Indraprastha Gas' (IGL) EBITDA came in below our est. at INR5.6b in 3QFY24, primarily due to lower-than-expected EBITDA/scm of INR7.2 (vs. our est. of INR8.5). Volumes increased 4% YoY to 8.5mmscmd.
- EBITDA/scm declined 14% sequentially, primarily on account of APM gas allocation declining 78% in 3QFY24 from 87% in 2QFY24. The management expects APM allocation to decline over the long run as APM production has remained stagnant over the past few years despite a significant increase in demand from priority sectors.
- The company is focusing on converting ICE dumpers in its GAs to CNG in order to drive volume growth since dumpers consume ~80-100kg of CNG per day. The company may also consider launching schemes similar to MAHGL's CNG Mahotsav to drive further growth. However, the company would focus on setting up adequate infrastructure before launching such schemes.
- The company is also taking measures to convert long-haul state buses to CNG. Uttar Pradesh has agreed to commission 60 long-haul CNG buses, while Uttarakhand has agreed to commission 45 busses and Rajasthan has initiated a pilot project of 20 CNG buses.
- We expect IGL's volumes to register a CAGR of 7% over FY24-26, as against an 11% CAGR over FY16-23, owing to multiple headwinds. We value the stock at 12x Dec'25E adj. EPS of INR25 and add value of JV at 25% holding company discount to arrive at our TP of INR350. We reiterate our Sell rating.

Volumes in line with expectations

- **Total volumes were in line with our estimate at 8.48mmscmd (up 4% YoY)**
 - CNG volumes at 6.33mmscmd (up 4% YoY) and PNG volumes at 2.15mmscmd (up 5% YoY)
- **EBITDA/scm came below our est. at INR7.2 (vs. our est. of INR8.5 and INR8.6 in 2QFY24)**
 - Gross margin came in at INR12.9/scm (vs. INR14.1/scm in 2QFY24)
 - Opex came in at INR5.7/scm (vs. INR5.5 in 2QFY24)
 - Resulting EBITDA was below our estimate at INR5.6b (our est. of INR6.7b, up 32% YoY)
- PAT was below est. at INR3.9b (est. of INR4.6b, up 41% YoY)
- **IGL's share in CUGL and MNGL added INR858m to its consol. profit (up 54% YoY) in 3QFY24.**
- **For 9MFY24, EBITDA was up 18% YoY to INR18.6b, with EBITDA/scm of INR8.1 (up 14% YoY). PAT was up 22% YoY to INR13.7b.**
 - Total volumes were up 4% YoY at 8.33mmscmd, with CNG at 6.25mmscmd (up 4% YoY) and PNG at 2.08mmscmd (up 4% YoY).
 - IGL's share in CUGL and MNGL added INR2.6b to its consol. profit (up 40% YoY).

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

Valuation and view

- We anticipate a sluggish volume growth trajectory in the near to medium term, as PNG supply growth faces constraints.
- I/C PNG volume growth is expected to come to a standstill amid competition from alternative fuels
- The D-Haryana segment has witnessed stagnant volume growth over the past few quarters due to limited investment and an ongoing dispute.
- The single unit nature of landed house in Delhi/new geographical areas (unlike skyscrapers in Delhi) makes it difficult to maintain high volume growth rates in D-PNG.
- These three categories account for 2mmcmd (~25% of volumes) and are a drag on growth. As such, while IGL's volumes registered a CAGR of 11% over FY16-23, we are building in 7% CAGR over FY24-26. Lastly, we believe EBITDA/scm may remain under pressure, owing to reduction in APM allocation.
- We value the stock at 12x FY25E adj. EPS of INR25 and add value of JV at 25% holding company discount to arrive at our TP of INR350 and **reiterate our sell rating on the stock.**

Standalone Quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	31,939	35,540	37,108	36,872	34,070	34,585	35,562	30,878	141,459	135,095	33,626	6%
Change (%)	154.0	94.1	67.5	53.3	6.7	-2.7	-4.2	-16.3	83.5	-4.5	-9.4	
EBITDA	6,175	5,275	4,285	4,663	6,424	6,569	5,641	6,449	20,398	25,083	6,650	-15%
EBITDA (INR/scm)	8.6	7.1	5.7	6.3	8.6	8.6	7.2	8.0	6.9	8.1	8.5	-15%
Change (%)	62.1	-0.5	-8.8	-6.8	4.0	24.5	31.7	38.3	8.4	23.0	55.2	
Depreciation	857	914	925	938	989	1,022	1,018	1,156	3,634	4,186	1,047	-3%
Interest	24	31	26	26	24	25	18	24	106	90	25	
Other Income	307	1,100	557	654	457	1,340	550	492	2,619	2,838	537	2%
PBT before EO	5,602	5,430	3,891	4,354	5,867	6,862	5,155	5,760	19,277	23,645	6,115	-16%
Tax	1,394	1,269	1,109	1,057	1,483	1,514	1,235	1,698	4,827	5,549	1,539	-20%
Rate (%)	24.9	23.4	28.5	24.3	25.3	22.1	23.9	29.5	25.0	23.5	25.2	
PAT	4,209	4,162	2,783	3,298	4,384	5,348	3,921	4,062	14,450	18,095	4,576	-14%
PAT (INR/scm)	5.9	5.6	3.7	4.4	5.9	7.0	5.0	5.1	4.9	5.7	5.9	-14%
Change (%)	72.3	3.9	-9.8	-8.8	4.2	28.5	40.9	23.2	9.9	25.2	64.5	
Gas volumes (mmcmd)												
CNG	5.93	6.09	6.07	6.11	6.17	6.25	6.33	6.34	6.05	6.27	6.33	0%
PNG	1.96	2.00	2.05	2.14	2.03	2.06	2.15	2.50	2.04	2.18	2.17	-1%
Total	7.89	8.09	8.12	8.26	8.20	8.30	8.48	8.83	8.09	8.45	8.50	0%



Highlights from the management commentary

- EBITDA/scm declined QoQ due to 9% reduction in APM gas allocation
- During the quarter APM gas constituted 78% of the volume, while HPHT was at 4%, term contracts was 17%, and the remaining was from spot contracts.
- Conversions were steady at 15k vehicles/month
- Gas sales volumes have clocked 9mmscmd over the past few days
- The company expects to clock 10mmscmd volumes by FY25-end
- It is planning to set up 10 new LNG stations in the near term
- The company working on conversion of dumpers to CNG in order to drive volume growth
- Dumpers consume ~80-100 kg/day of CNG
- The company may also consider launching schemes similar to MAHGL's CNG Mahotsav
- However, the company will first concentrate on setting up adequate infrastructure
- 63% volumes come from Delhi and 37% from non-Delhi
- Delhi volumes are growing at just 2-3% in Delhi due to DTC conversions to EVs
- Non-Delhi volumes are growing at 7-8%
- New GA's have substantially higher growth rate albeit at a very small base
- Uttar Pradesh has agreed to commission 60 long-haul CNG buses
- Uttarakhand has agreed to commission 45 buses
- Rajasthan has agreed to initiate a pilot project of 20 buses
- Ongoing discussions with Haryana for the commissioning of more buses are in progress
- The company is targeting EBITDA/scm of INR8
- However, the company's core focus will be on achieving volume growth, and it will refrain from increasing prices if it significantly
- I/C-PNG volumes expected to ramp up due to increase in alternate fuel prices

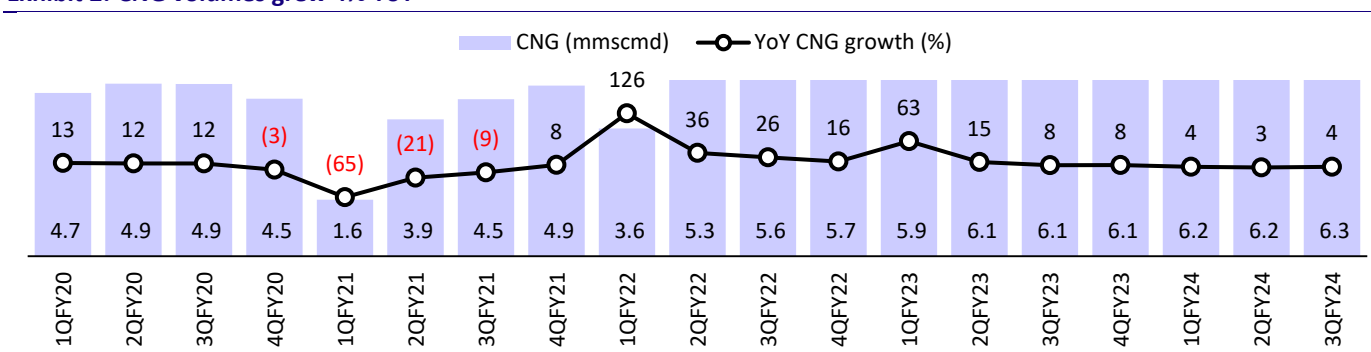
Key charts for the quarter

Exhibit 1: Operational highlights

Particulars	FY22				FY23				FY24			3QFY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY (%)	QoQ (%)
Realization (INR/scm)	26.0	27.5	31.5	34.5	44.5	47.8	49.7	49.6	45.7	45.3	45.6	-8.2	0.7
Gas cost (INR/scm)	11.6	13.9	19.7	21.8	30.2	35.1	38.3	37.6	31.3	31.2	32.6	-14.9	4.7
Gross Margin (INR/scm)	14.4	13.6	11.8	12.7	14.3	12.7	11.3	12.0	14.4	14.1	12.9	14.2	-8.3
EBITDA (INR/scm)	7.9	8.0	6.7	7.2	8.6	7.1	5.7	6.3	8.6	8.6	7.2	26.1	-15.9
PAT (INR/scm)	5.0	6.0	4.4	5.2	5.9	5.6	3.7	4.4	5.9	7.0	5.0	34.9	-28.2
Volumes													
CNG (MMSCMD)	3.6	5.3	5.6	5.7	5.9	6.1	6.1	6.1	6.2	6.2	6.3	4.2	1.3
PNG (MMSCMD)	1.7	1.9	2.0	2.1	2.0	2.0	2.0	2.1	2.0	2.1	2.2	5.2	4.8
Total (MMSCMD)	5.3	7.2	7.7	7.7	7.9	8.1	8.1	8.3	8.2	8.3	8.5	4.4	2.2
Per unit realisation													
CNG (INR/scm)	29.3	30.0	34.1	38.0	49.9	52.9	47.9	54.9	50.8	44.5	44.8	-6.4	0.6
CNG (INR/kg)	41.1	42.0	47.8	53.2	69.9	74.1	67.0	76.9	71.2	62.3	62.7	-6.4	0.6
PNG (INR/scm)	26.2	30.5	35.4	37.3	46.3	51.3	54.2	52.9	48.1	46.6	46.8	-13.6	0.5

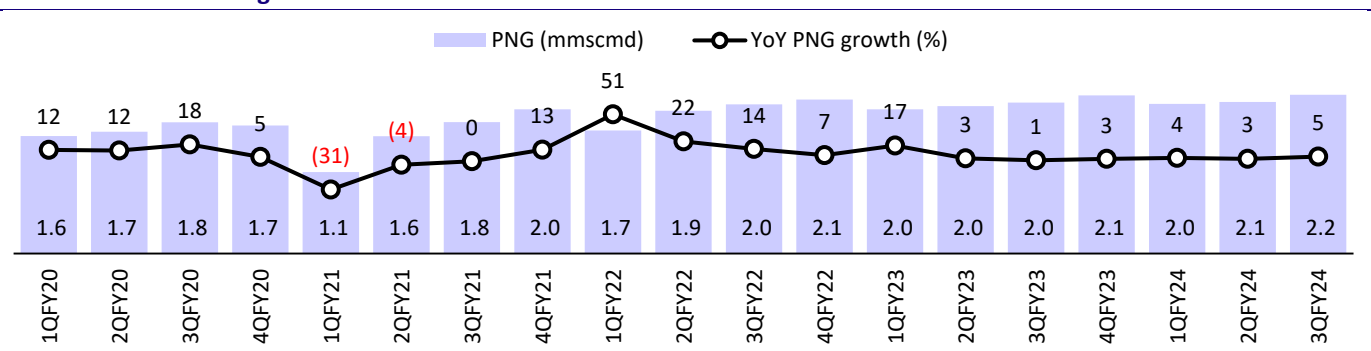
Sources: Company, MOFSL

Exhibit 2: CNG volumes grew 4% YoY



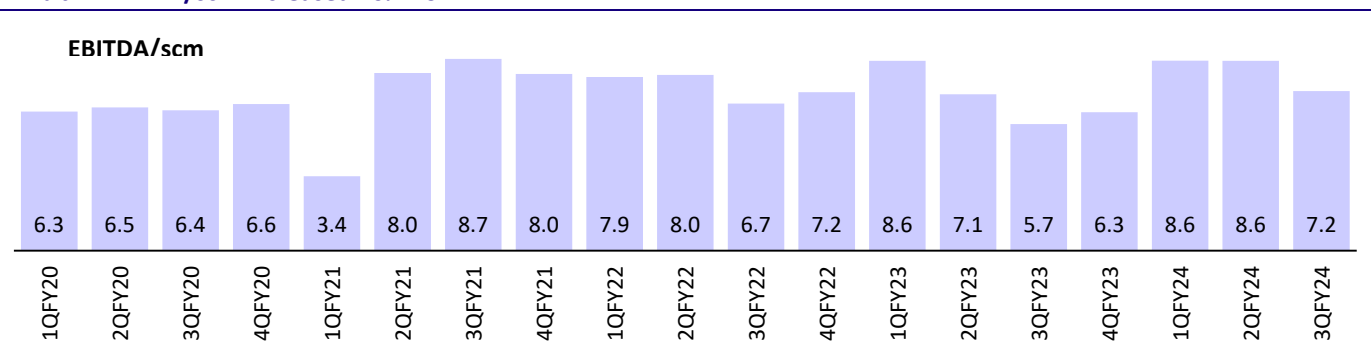
Sources: Company, MOFSL

Exhibit 3: PNG volumes grew 5% YoY



Sources: Company, MOFSL

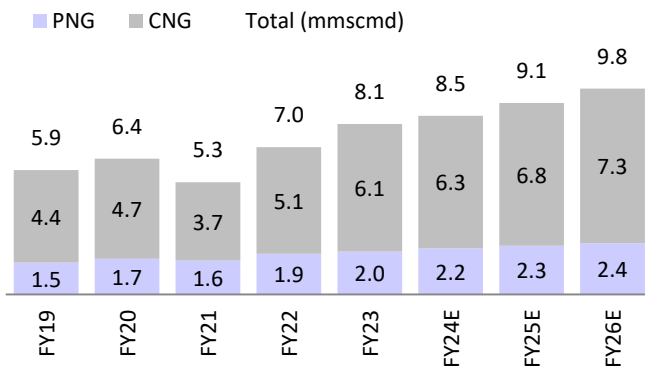
Exhibit 4: EBITDA/scm increased 26% YoY



Sources: Company, MOFSL

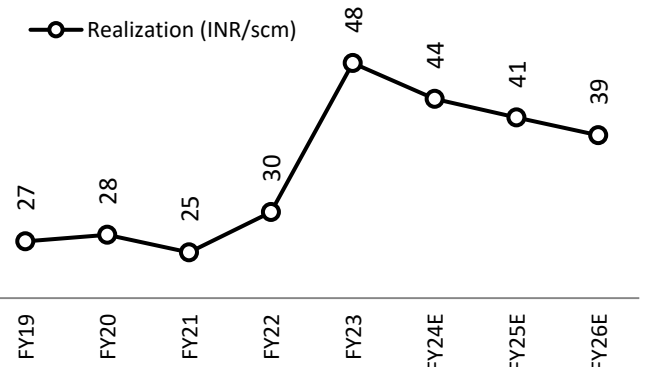
Story in charts

Exhibit 5: Volumes to register a CAGR of 7% over FY24-26



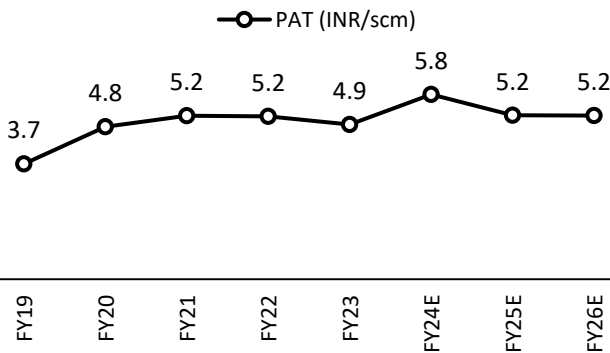
Sources: Company, MOFSL

Exhibit 6: Realization trends way above its historical levels



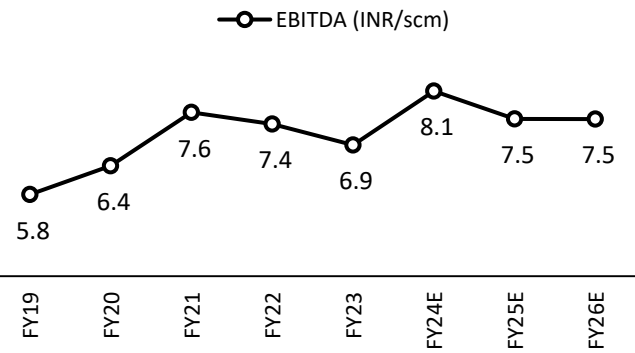
Sources: Company, MOFSL

Exhibit 7: Profitability (in INR/scm) to moderate in FY25-26E



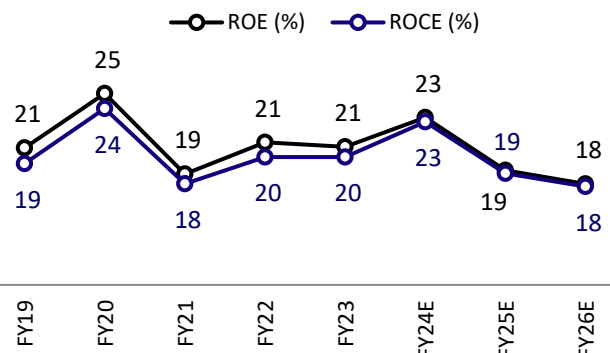
Sources: Company, MOFSL

Exhibit 8: EBITDA/scm to be at INR7.5 in FY25-26E



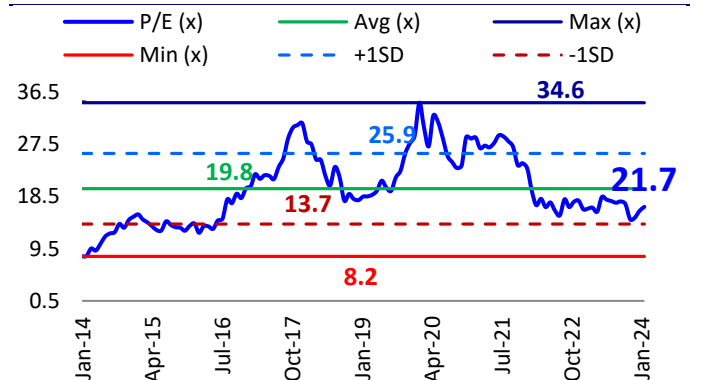
Sources: Company, MOFSL

Exhibit 9: Return ratios profile 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	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	57,600	64,853	49,408	77,100	1,41,459	1,35,095	1,37,459	1,40,278
Change (%)	25.4	12.6	-23.8	56.0	83.5	-4.5	1.8	2.1
EBITDA	12,521	15,196	14,830	18,811	20,398	25,083	24,827	26,675
As a percentage of Net Sales	21.7	23.4	30.0	24.4	14.4	18.6	18.1	19.0
Depreciation	2,011	2,523	2,904	3,171	3,634	4,186	4,651	4,923
Interest	21	81	113	132	106	90	81	73
Other Income	1,510	1,564	1,502	2,150	2,619	2,838	2,900	3,004
PBT	12,000	14,157	13,315	17,659	19,277	23,645	22,995	24,682
Tax	4,134	2,791	3,258	4,509	4,827	5,549	5,795	6,220
Rate (%)	34.4	19.7	24.5	25.5	25.0	23.5	25.2	25.2
PAT	7,867	11,365	10,057	13,150	14,450	18,095	17,200	18,462
Adj. PAT	7,867	11,365	10,057	13,150	14,450	18,095	17,200	18,462
Change (%)	19.1	44.5	-11.5	30.8	9.9	25.2	-4.9	7.3

Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Reserves	39,899	49,224	57,319	67,962	69,466	82,132	94,172	1,07,096
Net Worth	41,299	50,624	58,719	69,362	70,866	83,532	95,572	1,08,496
Deferred Tax	2,678	2,119	2,422	2,737	3,168	3,168	3,168	3,168
Capital Employed	43,977	52,743	61,140	72,098	74,033	86,700	98,740	1,11,664
Gross Fixed Assets	47,607	55,744	65,535	75,345	86,423	95,423	1,04,423	1,13,423
Less: Depreciation	19,054	21,577	24,481	27,651	31,285	35,471	40,122	45,046
Net Fixed Assets	28,553	34,167	41,055	47,694	55,138	59,952	64,301	68,377
Capital WIP	4,781	7,767	8,469	13,786	14,337	20,337	26,337	32,337
Rights to use assets	0	1,220	1,984	2,203	2,067	2,067	2,067	2,067
Investments	15,440	2,581	18,258	19,758	6,773	6,773	6,773	6,773
Curr. Assets, Loans and Adv.								
Inventory	509	511	456	455	492	470	478	488
Debtors	2,215	1,704	2,607	5,206	9,034	8,627	8,778	8,958
Cash and Bank Balance	6,071	21,799	11,323	13,616	26,332	26,892	29,064	32,484
Cash	712	6,677	903	750	1,056	1,616	3,788	7,208
Bank balance	5,359	15,122	10,420	12,866	25,276	25,276	25,276	25,276
Loans and Advances	153	154	213	142	143	143	143	143
Other Current Assets	1,772	1,819	1,508	1,664	3,444	3,444	3,444	3,444
Current Liab. and Prov.								
Liabilities	13,687	16,172	21,007	28,130	38,288	36,565	37,205	37,968
Provisions	1,830	2,808	3,727	4,295	5,438	5,438	5,438	5,438
Net Current Assets	-4,797	7,007	-8,627	-11,342	-4,282	-2,428	-737	2,110
Application of Funds	43,977	52,743	61,139	72,099	74,033	86,701	98,741	1,11,664

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS (Standalone)	11.2	16.2	14.4	18.8	20.6	25.9	24.6	26.4
EPS (Consolidated)	12.5	18.4	16.2	22.0	24.2	30.9	30.1	26.4
Cash EPS	14.1	19.8	18.5	23.3	25.8	31.8	31.2	33.4
Book Value	59.0	72.3	83.9	99.1	101.2	119.3	136.5	155.0
DPS	2.4	2.8	3.6	5.5	13.0	7.8	7.4	7.9
Payout	21	17	25	29	63	30	30	30
Valuation (x)								
P/E (Standalone)	37.2	25.7	29.1	22.3	20.2	16.2	17.0	15.8
P/E (Consolidated)	33.5	22.7	25.9	19.0	17.3	13.5	13.9	15.8
Cash P/E	29.6	21.1	22.6	17.9	16.2	13.1	13.4	12.5
EV/EBITDA	22.9	17.8	19.0	14.8	13.1	10.6	10.6	9.8
EV/Sales	5.0	4.2	5.7	3.6	1.9	2.0	1.9	1.9
Price/Book Value	7.1	5.8	5.0	4.2	4.1	3.5	3.1	2.7
Dividend Yield (%)	0.6	0.7	0.9	1.3	3.1	1.9	1.8	1.9
Profitability Ratios (%)								
RoE	20.6	24.7	18.4	20.5	20.6	23.4	19.2	18.1
RoCE	19.4	23.6	17.8	19.9	19.9	22.6	18.6	17.6
RoIC	40.4	53.2	41.2	48.5	48.8	53.9	43.6	42.5
Turnover Ratios								
Debtors (No. of Days)	26	33	23	20	20	15	16	16
Asset Turnover (x)	1.4	1.3	0.9	1.2	1.9	1.7	1.5	1.3
Leverage Ratio								
Net Debt/Equity ratio (x)	-0.1	-0.4	-0.2	-0.2	-0.4	-0.3	-0.3	-0.3

Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	12,000	14,157	13,315	17,659	19,283	23,645	22,995	24,682
Depreciation	2,011	2,523	2,904	3,171	3,634	4,186	4,651	4,923
Interest and Finance charges	10	65	97	90	87	90	81	73
Direct Taxes Paid	-3,688	-3,442	-2,895	-3,759	-4,833	-5,549	-5,795	-6,220
(Inc.)/Dec. in Wkg. Capital	2,642	1,721	3,473	3,777	6,469	-1,294	481	573
Others	-1,403	-1,416	-1,434	-1,958	-2,333	0	0	0
CF from Op. Activity	11,571	13,608	15,460	18,979	22,306	21,078	22,413	24,031
(Inc.)/Dec. in FA and CWIP	-6,807	-9,632	-8,829	-13,370	-12,221	-15,000	-15,000	-15,000
Free Cash Flow	4,764	3,976	6,631	5,610	10,085	6,078	7,413	9,031
(Pur.)/Sale of Investments	-24,912	-3,275	-32,560	-13,454	-56,286	0	0	0
Others	20,510	7,700	23,125	10,976	60,093	0	0	0
CF from Inv. Activity	-11,208	-5,207	-18,264	-15,848	-8,414	-15,000	-15,000	-15,000
Dividends Paid (incl. tax)	-1,685	-2,025	-1,960	-2,519	-12,948	-5,429	-5,160	-5,539
CF from Fin. Activity	-1,688	-2,435	-2,970	-3,285	-13,586	-5,519	-5,241	-5,612
Inc.)/(Dec.) in Cash	-1,325	5,966	-5,774	-153	306	559	2,172	3,420
Add: Opening Balance	2,037	712	6,678	904	751	1,057	1,616	3,788
Closing Balance	712	6,678	904	751	1,057	1,616	3,788	7,208

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

NOTES

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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