

Indraprastha Gas

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR205

TP: INR250 (+22%)

Buy

Steady 1Q performance

- In 1QFY26, IGL's EBITDA margin of INR6.2/scm came in below our est. of INR6.8/scm. Volumes at 9.13mmscmd stood in line with our estimate. Adj. realization increased by ~INR0.7/scm QoQ, while gas cost/opex declined by INR0.4/INR0.5 per scm QoQ. Resulting EBITDA stood 10% below our estimate at INR5.1b (-12% YoY).
- **Our earnings assumptions are conservative:** We build in EBITDA/scm of INR6.3/INR6.5 in FY26/FY27 vs. medium-term guidance of INR7-8. Further, we estimate 7% YoY volume growth in both FY26/FY27 vs. 10% YoY growth guided by management. Upside risks: 1) strong growth in new GAs (growing at 30%+ YoY), 2) majority of the GAs now reaching EBITDA positive levels, and 3) margin expansion led by change in zonal tariff regulation.
- **Valuation at 15.9x FY27E SA P/E looks attractive:** IGL currently trades at par with its 1yr. fwd. mean – 1 S.D. P/E. However, we believe that earnings have bottomed out now. We now estimate a CAGR of 11%/10% in EBITDA/PAT over FY25-27E. We value IGL at 16x FY27E SA P/E, and add INR48/sh as value of JVs to arrive at our TP of INR250/sh. At 2.6% FY27E dividend yield and 10% EPS growth, we believe the valuation is attractive. Reiterate BUY.

Guidance maintained; Margin expansion ahead

- In the 1QFY26 earnings call, IGL's management maintained its **EBITDA margin guidance of INR7-8 per scm in the long term**. Management believes that the change in taxation in Rajasthan and UP and the change in zonal tariff regulation will support margins. Moreover, management stated that IGL could hike prices if required. IGL has no exposure to spot LNG, which will reduce margin volatility. Additionally, the majority of its R-LNG term contracts are linked to HH prices, further enhancing stability.
- **Management expects an exit rate of 10mmscmd in FY26 and maintains its long-term volume growth target of 10% YoY**, driven by strong CNG PV sales, development of CNG infrastructure (102 CNG stations to be added in FY26) and augmentation of existing stations.
- **Other key takeaways from the 1Q earnings call:** 1) The company will incur a core capex of INR14-15b p.a. in FY26/FY27 (INR2.9b spent in 1Q). 2) CNG volume grew 8-9% YoY (excluding the impact of DTC buses), and Industrial/Commercial PNG volumes increased by 8%/14% YoY; 3) The 0.5mmscmd YoY increase in volumes for IGL was driven by a regional split of ~15%/45%/40% from Delhi/Noida, Ghaziabad, etc. /other GAs; 4) Currently, 87% of D-PNG and CNG volumes fall under Zone 2; the upcoming regulatory change is expected to result in an EBITDA margin benefit of INR0.7-1.3/scm. 5) Gas sourcing split stood at: APM/other domestic/RLNG: 3.1/1.8/4.2 mmscmd.

Bloomberg	IGL IN
Equity Shares (m)	1400
M.Cap.(INRb)/(USDb)	287.1 / 3.3
52-Week Range (INR)	285 / 153
1, 6, 12 Rel. Per (%)	-3/-4/-24
12M Avg Val (INR M)	1395

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	149.3	169.1	181.2
EBITDA	19.8	22.1	24.4
Adj. PAT	14.7	16.0	17.9
Adj. EPS (INR)	10.5	11.5	12.8
EPS Gr. (%)	-16.0	9.3	11.4
BV/Sh.(INR)	66.3	73.1	80.7

Ratios

Net D:E	-0.2	-0.3	-0.3
RoE (%)	16.5	16.4	16.6
RoCE (%)	15.8	15.8	16.0
Payout (%)	40.5	40.5	40.5

Valuation

P/E (x)	19.4	17.7	15.9
P/BV (x)	3.1	2.8	2.5
EV/EBITDA (x)	13.2	11.7	10.4
Div. Yield (%)	2.1	2.3	2.6
FCF Yield (%)	3.8	3.5	3.7

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	45.0	45.0	45.0
DII	29.0	31.2	30.1
FII	16.8	14.7	16.2
Others	9.2	9.2	8.7

FII includes depository receipts

Miss due to lower-than-estimated EBITDA/scm margin; volumes in line

- Total volumes were in line with our estimate at 9.13mmscmd (our est.: 9.16mmscmd), up 6% YoY.
- Both CNG and PNG volumes came in line.
- EBITDA/scm came in 10% below our est. at INR6.2.
- Adj. realization increased ~INR0.7/scm QoQ, while gas costs/opex declined INR0.4/INR0.5 per scm QoQ.
- Resulting EBITDA was 10% below our estimate at INR5.1b (-12% YoY).
- IGL's PAT came in 7% below our est. at INR3.6b (-11% YoY), as other income stood above estimate.

Valuation and view

- IGL trades at 15.9x FY27E SA P/E, at par with its 1yr. fwd. mean – 1 S.D. P/E. However, we believe that earnings have bottomed out now. We estimate EBITDA margin to improve to INR6.3/INR6.5 per scm and volumes to grow 7% YoY in FY26/FY27. Resultant EBITDA/PAT are estimated to clock a CAGR of 11%/10% over FY25-27E.
- We value IGL at 16x FY27E consol. P/E, and add INR48/sh as a value of JVs to arrive at our TP of INR225/sh. At a 2.6% FY27E dividend yield and 10% EPS growth, we believe the valuation is attractive. Hence, we maintain our BUY rating on the stock, with a TP of INR250.

Standalone quarterly performance

Y/E March	FY25				FY26E				FY25	FY26	FY26	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Net Sales	35,206	36,973	37,591	39,506	39,139	42,919	43,330	43,716	1,49,275	1,69,104	40,249	-3%
Change (%)	3.3	6.9	5.9	9.8	11.2	16.1	15.3	10.7	6.6	13.3	14.3	
EBITDA	5,819	5,359	3,636	4,972	5,118	5,728	5,665	5,573	19,786	22,083	5,680	-10%
EBITDA (INR/scm)	7.4	6.5	4.3	6.0	6.2	6.4	6.3	6.3	6.0	6.3	6.8	-10%
Change (%)	-9.4	-18.4	-34.9	-4.8	-12.0	6.9	55.8	12.1	-16.4	11.6	-2.4	
Depreciation	1,143	1,184	1,216	1,198	1,238	1,248	1,281	1,229	4,741	4,996	1,187	4%
Interest	22	23	21	26	22	23	20	25	92	90	22	
Other Income	727	1,493	1,288	908	901	1,506	1,298	748	4,416	4,453	664	36%
PBT before EO	5,380	5,645	3,687	4,656	4,758	5,964	5,662	5,066	19,369	21,450	5,135	-7%
Tax	1,366	1,334	829	1,164	1,199	1,501	1,425	1,281	4,693	5,405	1,293	-7%
Rate (%)	25.4	23.6	22.5	25.0	25.2	25.2	25.2	25.3	24.2	25.2	25.2	
PAT	4,015	4,311	2,858	3,492	3,559	4,463	4,237	3,786	14,676	16,045	3,843	-7%
PAT (INR/scm)	5.1	5.2	3.4	4.2	4.3	5.0	4.7	4.3	4.3	4.1	4.6	-7%
Change (%)	-8.4	-19.4	-27.1	-8.8	-11.3	3.5	48.2	8.4	-16.0	9.3	-4.3	
Gas volumes (mmscmd)												
CNG	6.45	6.78	6.70	6.71	6.79	7.26	7.18	7.20	6.66	7.10	6.82	-1%
PNG	2.18	2.24	2.41	2.47	2.34	2.41	2.59	2.66	2.32	2.50	2.34	0%
Total	8.63	9.02	9.11	9.18	9.13	9.66	9.76	9.85	8.98	9.60	9.16	0%



Highlights from the management commentary

Volume growth:

- Split of 0.5mmscmd YoY increase in volumes for IGL: 15%/45%/40% from Delhi/Noida, Ghaziabad, etc/other GAs.
- CNG volume, adjusted for DTC buses, grew 8-9% YoY.
- Delhi CNG volumes were flat YoY. However, NCR/other GAs grew 14%/23%.
- 17% YoY increase in new and retrofitted CNG vehicles (18.5k vehicles added per month during the last 12m).
- I PNG volumes grew **8% YoY** (0.86mmscmd currently) (100 customers added during 1Q)
- C PNG volumes grew **14% YoY** (0.24mmscmd currently) (170 customers added during 1Q)
- I/C PNG realization in 1Q: INR50/60 per scm.
- CUGL: 0.34mmscmd up 13% YoY. PAT stood at INR176m
- MNGL: **1.85mmscmd** up 18% YoY. PAT: INR1.3b

Gas sourcing split:

- APM (CNG): 3.08mmscmd
- IGX (HPHT): 0.73mmscmd, NW gas: 0.9mmscmd and CBM: 0.12mmscmd
- Brent linked and Henry Hub (HH) linked: 4.22mmscmd
- No spot volume requirement

Zone-wise volumes

- 87% of D-PNG & CNG volumes currently fall under Zone 2.
- As per management, the regulatory change benefit would result in EBITDA margin benefit of INR0.7-1.3/scm.

Margin and volume guidance:

- EBITDA margin guidance: INR7-8per scm. Volumes: 10mmscmd as of FY26 end.
- Long-term volumes growth guidance: 10% YoY
- Volume growth would be driven by strong CNG PV sales and station augmentations.

Capex:

- 1QFY26 capex stood at INR2.9b
- FY26 target: INR14-15b
- 102 CNG stations to be added in FY26.

Taxation:

- Rajasthan has 14% VAT currently. Further, UP tax is expected to reduce from 23.5% to 10%.
- The company will pass on major tax reduction benefits to gain traction in volumes.

LNG retailing:

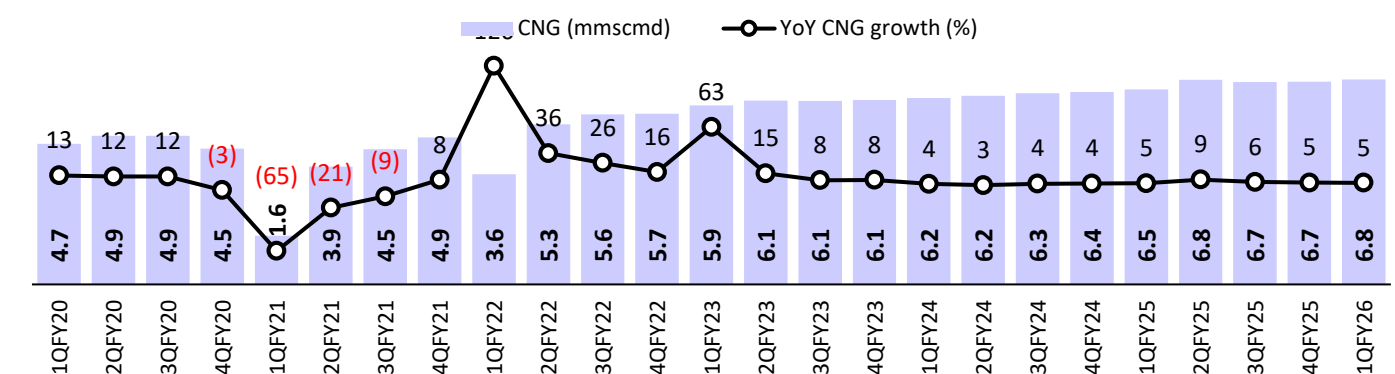
- Planning to commission 4 stations in 2Q, and 5-6 stations more on highways later.

Key charts for the quarter

Exhibit 1: Operational highlights

Particulars	FY23				FY24				FY25				FY26	1QFY26	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY (%)	QoQ (%)
Realization (INR/scm)	44.5	47.8	49.7	49.6	45.7	45.3	45.5	45.3	44.8	44.5	44.9	47.8	47.1	5.2	-1.5
Gas cost (INR/scm)	30.2	35.1	38.3	37.6	31.3	31.2	32.6	32.1	31.6	32.6	35.1	35.6	35.2	11.6	-1.0
Gross Margin (INR/scm)	14.3	12.7	11.3	12.0	14.4	14.1	12.9	13.1	13.2	11.9	9.7	12.2	11.9	-10.3	-2.9
EBITDA (INR/scm)	8.6	7.1	5.7	6.2	8.6	8.6	7.2	6.6	7.4	6.5	4.3	6.0	6.2	-16.8	2.4
PAT (INR/scm)	5.9	5.6	3.7	4.4	5.9	7.0	5.0	4.8	5.1	5.2	3.4	4.2	4.3	-16.1	1.4
Volumes															
CNG (MMSCMD)	5.9	6.1	6.1	6.1	6.2	6.2	6.3	6.4	6.5	6.8	6.7	6.7	6.8	5.2	1.2
PNG (MMSCMD)	2.0	2.0	2.0	2.1	2.0	2.1	2.2	2.4	2.2	2.2	2.4	2.5	2.3	7.4	-5.3
Total (MMSCMD)	7.9	8.1	8.1	8.3	8.2	8.3	8.5	8.7	8.6	9.0	9.1	9.2	9.1	5.7	-0.6
Per unit realisation															
CNG (INR/scm)	49.9	52.9	54.6	61.7	50.8	50.9	51.2	51.1	50.9	50.5	50.6	54.2	53.6	5.3	-1.2
CNG (INR/kg)	69.9	74.1	76.5	86.4	71.2	71.2	71.6	71.5	71.2	70.6	70.8	75.9	75.0	5.3	-1.2
PNG (INR/scm)	46.3	51.3	54.2	52.9	48.1	46.6	46.8	46.1	44.7	44.6	45.6	47.0	47.3	5.7	0.5

Exhibit 2: CNG volumes grew 5% YoY



Sources: Company, MOFSL

Exhibit 3: PNG volumes grew 7% YoY

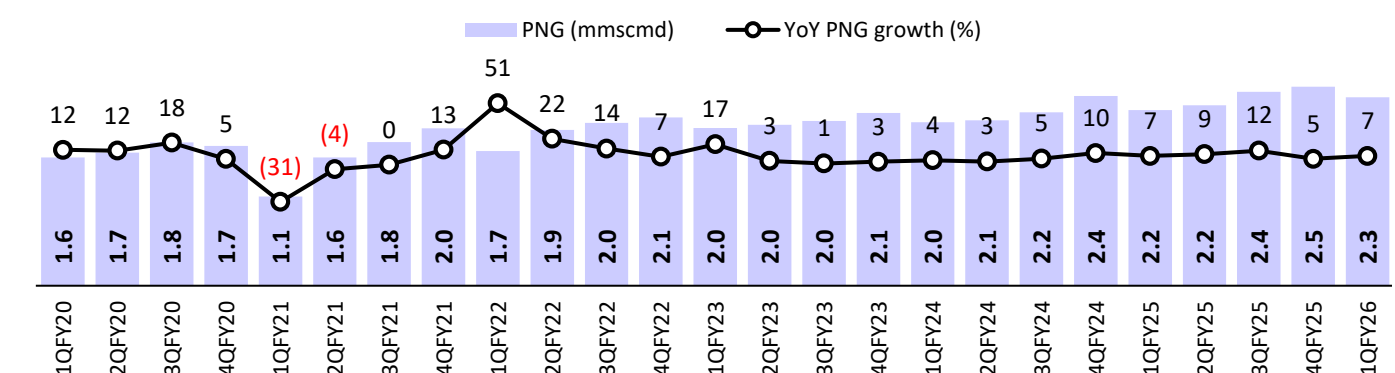
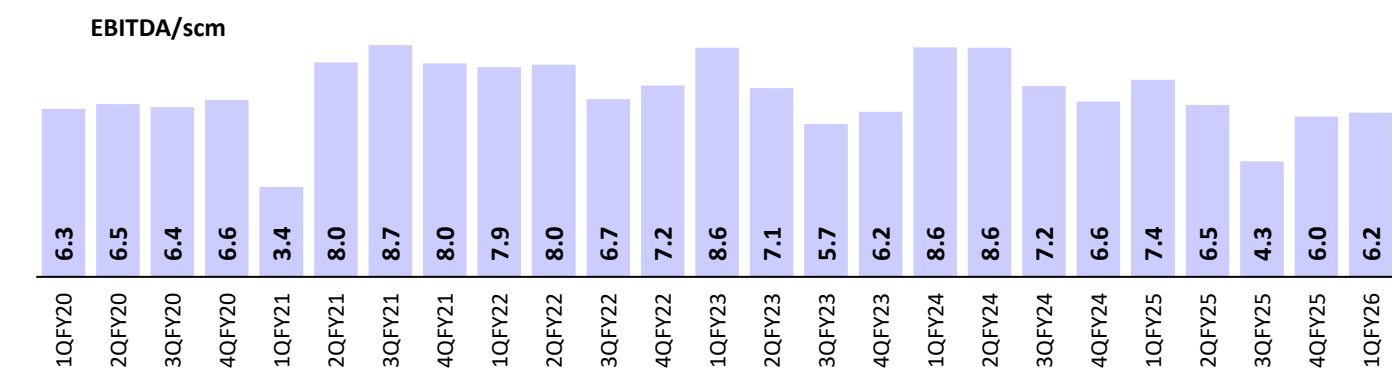


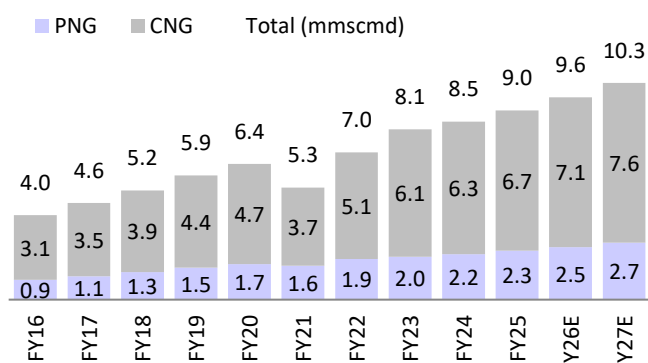
Exhibit 4: EBITDA/scm decreased 17% YoY



Sources: Company, MOFSL

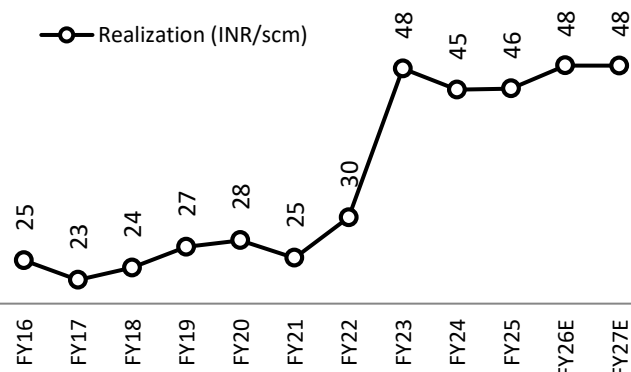
Story in charts

Exhibit 5: Volumes to register a CAGR of 7% over FY25-27



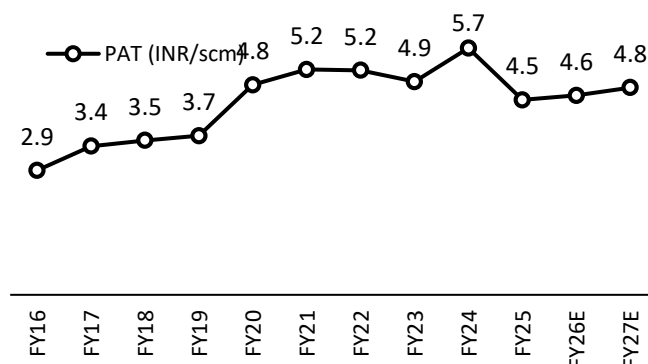
Sources: Company, MOFSL

Exhibit 6: Realization trends way above historical levels



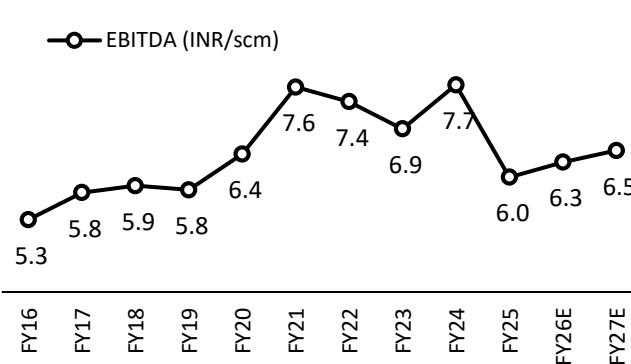
Sources: Company, MOFSL

Exhibit 7: Profitability (in INR/scm) to moderate in FY26-27E



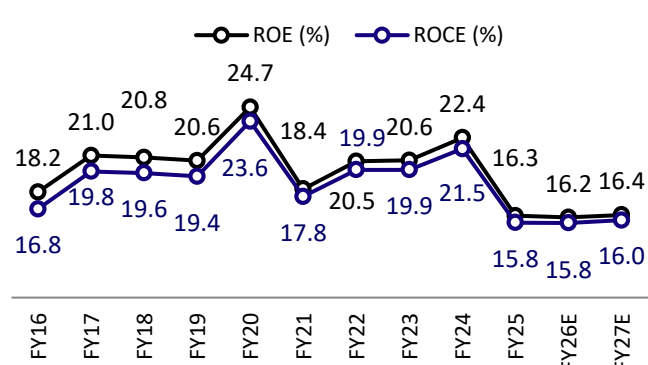
Sources: Company, MOFSL

Exhibit 8: EBITDA/scm (in INR/scm)



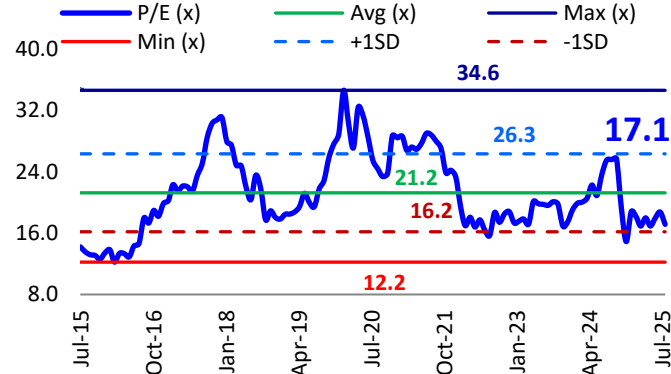
Sources: Company, MOFSL

Exhibit 9: Return ratios for IGL



Sources: Company, MOFSL

Exhibit 10: Stock trades 19% below its long-term P/E avg.



Sources: Company, MOFSL

Financials and valuations

Income Statement					(INR m)
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	1,41,407	1,40,001	1,49,276	1,69,104	1,81,174
Change (%)	83.4	-1.0	6.6	13.3	7.1
EBITDA	20,343	23,669	19,787	22,083	24,442
As a percentage of Net Sales	14.4	16.9	13.3	13.1	13.5
Depreciation	3,634	4,138	4,741	4,996	5,272
Interest	106	92	92	90	86
Other Income	2,674	3,632	4,416	4,453	4,818
PBT	19,277	23,072	19,369	21,450	23,903
Tax	4,827	5,591	4,693	5,405	6,023
Rate (%)	25.0	24.2	24.2	25.2	25.2
PAT	14,451	17,481	14,676	16,045	17,879
Adj. PAT	14,451	17,481	14,676	16,045	17,879
Change (%)	9.9	21.0	-16.0	9.3	11.4

Balance Sheet					(INR m)
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share Capital	1,400	1,400	2,800	2,800	2,800
Reserves	69,466	84,117	90,040	99,580	1,10,211
Net Worth	70,866	85,517	92,840	1,02,380	1,13,011
Deferred Tax	3,168	3,695	4,563	4,563	4,563
Capital Employed	74,033	89,213	97,403	1,06,943	1,17,573
Gross Fixed Assets	86,423	99,272	1,09,739	1,18,739	1,27,739
Less: Depreciation	31,285	35,423	40,163	45,159	50,431
Net Fixed Assets	55,138	63,850	69,575	73,580	77,308
Capital WIP	14,337	13,964	14,857	20,857	26,857
Rights to use assets	2,067	2,139	2,134	2,134	2,134
Investments	6,773	11,576	16,217	16,217	16,217
Curr. Assets, Loans and Adv.					
Inventory	492	522	488	552	592
Debtors	9,034	10,185	7,078	8,018	8,590
Cash and Bank Balance	26,332	21,493	22,568	25,960	29,210
Cash	1,056	2,128	1,361	4,752	8,002
Bank balance	25,276	19,365	21,207	21,207	21,207
Loans and Advances	143	0	153	153	153
Other Current Assets	3,444	7,476	8,819	8,819	8,819
Current Liab. and Prov.					
Liabilities	38,288	35,669	36,597	41,458	44,417
Provisions	5,438	6,324	7,887	7,887	7,887
Net Current Assets	-4,282	-2,317	-5,379	-5,843	-4,941
Application of Funds	74,033	89,213	97,403	1,06,943	1,17,573

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS (Standalone)	10.3	12.5	10.5	11.5	12.8
EPS (Consolidated)	12.1	14.9	13.1	14.2	15.7
Cash EPS	12.9	15.4	13.9	15.0	16.5
Book Value	50.6	61.1	66.3	73.1	80.7
DPS	6.5	3.7	4.3	4.6	5.2
Payout	63	30	41	41	41
Valuation (x)					
P/E (Standalone)	19.7	16.3	19.4	17.7	15.9
P/E (Consolidated)	16.8	13.6	15.5	14.3	13.0
Cash P/E	15.7	13.1	14.6	13.5	12.3
EV/EBITDA	5.7	5.1	13.2	11.7	10.4
EV/Sales	0.8	0.9	1.8	1.5	1.4
Price/Book Value	4.0	3.3	3.1	2.8	2.5
Dividend Yield (%)	3.2	1.8	2.1	2.3	2.6
Profitability Ratios (%)					
RoE	20.6	22.4	16.5	16.4	16.6
RoCE	19.9	21.5	15.8	15.8	16.0
RoIC	48.6	43.0	26.5	29.2	32.2
Turnover Ratios					
Debtors (No. of Days)	20	15	17	22	22
Asset Turnover (x)	1.9	1.7	1.6	1.7	1.6
Leverage Ratio					
Net Debt/Equity ratio (x)	-0.4	-0.3	-0.2	-0.3	-0.3

Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	19,283	23,072	19,369	21,450	23,903
Depreciation	3,634	4,138	4,741	4,996	5,272
Interest and Finance charges	87	68	63	90	86
Direct Taxes Paid	-4,833	-4,871	-3,951	-5,405	-6,023
(Inc.)/Dec. in Wkg. Capital	6,469	-3,828	5,518	3,856	2,348
Others	-2,333	-3,221	-3,687	0	0
CF from Op. Activity	22,306	15,357	22,053	24,987	25,584
(Inc.)/Dec. in FA and CWIP	-12,221	-12,021	-11,216	-15,000	-15,000
Free Cash Flow	10,085	3,335	10,837	9,987	10,584
(Pur.)/Sale of Investments	-56,286	-20,834	-25,380	0	0
Others	60,093	21,908	21,522	0	0
CF from Inv. Activity	-8,414	-10,948	-15,074	-15,000	-15,000
Dividends Paid (incl. tax)	-12,948	-2,797	-7,348	-6,505	-7,249
CF from Fin. Activity	-13,586	-3,337	-7,747	-6,595	-7,334
Inc.)/(Dec.) in Cash	306	1,072	-767	3,392	3,250
Add: Opening Balance	750	1,056	2,128	1,361	4,752
Closing Balance	1,056	2,128	1,361	4,752	8,002

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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