

January 26, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	382		416	
Sales (Rs. bn)	145	155	151	161
% Chng.	(4.3)	(3.3)		
EBITDA (Rs. bn)	23	25	27	29
% Chng.	(15.0)	(13.9)		
EPS (Rs.)	22.7	24.7	27.4	29.4
% Chng.	(17.3)	(16.2)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	141	141	145	155
EBITDA (Rs. bn)	20	24	23	25
Margin (%)	14.4	17.3	16.0	16.2
PAT (Rs. bn)	14	17	16	17
EPS (Rs.)	20.6	24.4	22.7	24.7
Gr. (%)	9.9	18.4	(7.2)	8.8
DPS (Rs.)	13.0	7.3	6.8	7.4
Yield (%)	3.2	1.8	1.7	1.8
RoE (%)	20.6	22.3	18.0	17.3
RoCE (%)	23.9	26.4	21.5	20.8
EV/Sales (x)	1.8	1.8	1.8	1.6
EV/EBITDA (x)	12.6	10.5	11.0	10.0
PE (x)	19.6	16.6	17.9	16.4
P/BV (x)	4.0	3.4	3.0	2.7

Key Data

IGAS.BO | IGL IN

52-W High / Low	Rs.516 / Rs.376
Sensex / Nifty	70,701 / 21,353
Market Cap	Rs.284bn/ \$ 3,412m
Shares Outstanding	700m
3M Avg. Daily Value	Rs.1036.09m

Shareholding Pattern (%)

Promoter's	45.00
Foreign	17.90
Domestic Institution	22.74
Public & Others	14.36
Promoter Pledge	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.7)	(14.5)	(1.9)
Relative	(0.1)	(19.7)	(16.5)

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Weak operational performance

Quick Pointers:

- CNG volume came in lower than estimated at 6.3 mmcmd.
- D-PNG volume increased 11% YoY to 0.6 mmcmd while industrial/commercial volume grew 4% YoY to 1.04 mmcmd

Indraprastha Gas (IGL) reported weaker than expected Q3 results with an EBITDA/PAT of Rs 5.6bn (down 14% QoQ, PLe: Rs6.8 bn) and Rs 3.9 bn (down 27% QoQ, PLe: Rs4.7bn). Drag in earnings was primarily led by lower than anticipated sales volume. EBITDA/scm came in at Rs7.2, down 16% QoQ. Going ahead, we build in a conservative volume growth CAGR of 7% over FY24-26E with an EBITDA/scm of Rs7. The stock is currently trading at 16.4x FY26 EPS and 10x FY26 EV/EBITDA. We maintain 'Hold' rating with a TP of Rs382 (earlier Rs416) based on 14x FY26E standalone EPS and adding the value of investments.

- Operating performance declines sequentially:** EBITDA at Rs5.6bn was down 14% QoQ mainly on account of low volume growth, especially from the CNG segment. PAT declined 27% QoQ to Rs3.9bn. On a YoY basis, EBITDA/PAT improved 32%/41% primarily on account of softening gas prices.
- 9MFY24 performance improves substantially:** For 9MFY24, EBITDA came in at Rs18.6 bn, up 18.4% YoY while PAT at Rs 13.7bn was up 22.4%. The growth was mainly led by lower gas sourcing cost.
- Weak YoY volume growth:** Total sales volume came in below estimates at ~8.5 mmcmd (up 5.2% YoY, PLe: 8.8 mmcmd). CNG volume grew 4.2% YoY to 6.3 mmcmd (PLe: 6.6 mmcmd). PNG volume at 2.15 mmcmd increased by 5.2% YoY (PLe: 2.2 mmcmd). On a QoQ basis, CNG volume grew marginally by 1% while and PNG volume grew 4.8%. Although domestic gas prices are to remain stable at a ceiling of US\$6.5/mmBtu and spot LNG prices too have moderated to ~US\$10/mmBtu in the current quarter, on a conservative basis we estimate sales volume to grow at a CAGR of 7% over FY24-26E to 9.8 mmcmd in FY26E.
- EBITDA/scm falls QoQ:** Gas procurement cost increased during the quarter due to the rise in spot LNG prices in Q3. Gross margin/scm stood at Rs 12.9, down by Rs1.2. QoQ EBITDA/scm came in at Rs7.2, down by Rs1.4 QoQ and below our estimates of Rs8.4/scm. On a YoY basis, EBITDA/scm improved by Rs1.5. Going forward, we estimate an EBITDA/scm at Rs7.8/7/7 for FY24/25/26E.

Exhibit 1: Quarterly and 9MFY24 Standalone Financials

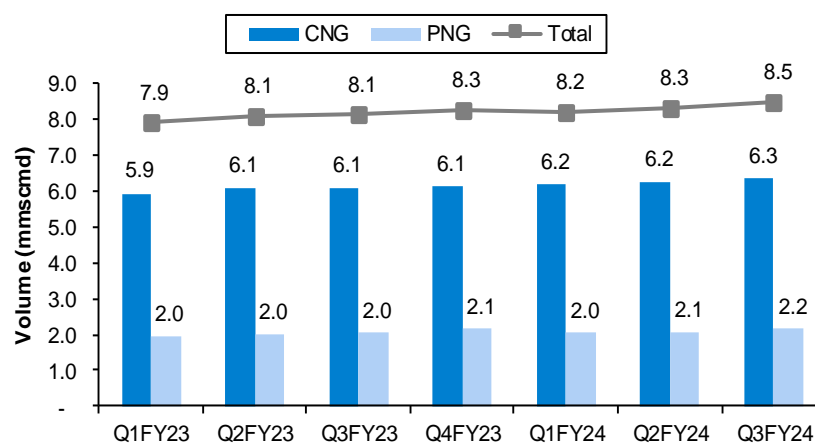
Y/e March (Rs bn)	Q3FY24	Q2FY24	QoQ gr.	Q3FY23	YoY gr.	9MFY24	9MFY23	YoY gr.
Net Sales	35.6	34.6	2.8%	37.1	-4.2%	104.2	104.6	-0.4%
EBITDA	5.6	6.6	-14.1%	4.3	31.7%	18.6	15.7	18.4%
EBITDA (Rs/scm)	7.2	8.6		5.7				
Depreciation	1.0	1.0	-0.4%	0.9	10.1%	3.0	2.7	12.4%
Interest	0.0	0.0	-28.0%	0.0	-32.2%	0.1	0.1	-17.9%
Other Income	0.5	1.3	-59.0%	0.6	-1.4%	2.3	2.0	19.4%
PBT	5.2	6.9	-24.9%	3.9	32.5%	17.9	14.9	19.8%
Tax	1.2	1.5	-18.5%	1.1	11.4%	4.2	3.8	12.2%
Rate (%)	23.9	22.1		28.5				
PAT	3.9	5.3	-26.7%	2.8	40.9%	13.7	11.2	22.4%
EPS (Rs)	5.6	7.6	-26.7%	4.0	40.9%	19.5	16	22.4%

Source: Company, PL

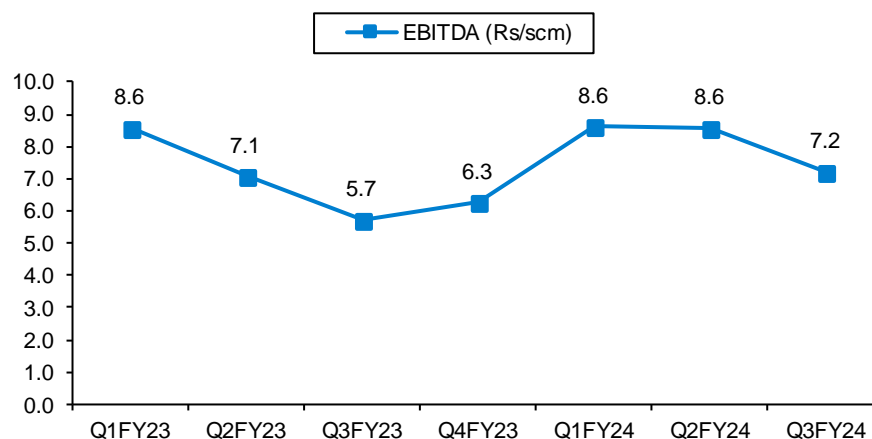
Exhibit 2: Volumes grow 2.6% YoY

Gas Volumes (mmscmd)	Q3FY24	Q2FY24	QoQ gr.	Q3FY23	YoY gr.
CNG	6.33	6.25	1.3%	6.07	4.2%
PNG	2.15	2.06	4.8%	2.05	5.2%
Total	8.48	8.30	2.2%	8.12	4.4%

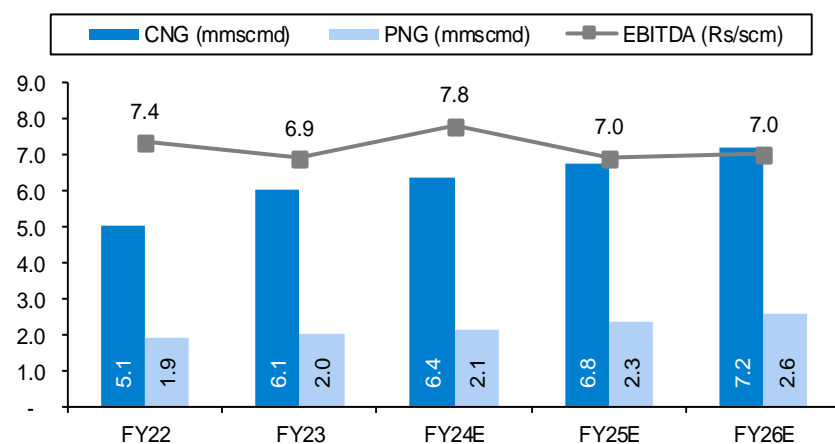
Source: Company, PL

Exhibit 3: Total volume grew 4% YoY


Source: Company, PL

Exhibit 4: EBITDA/scm declined by Rs1.4/scm QoQ


Source: Company, PL

Exhibit 5: We estimate an EBITDA/scm of Rs7 in FY25/26E


Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	141	141	145	155
YoY gr. (%)	83.5	(0.5)	2.8	7.4
Cost of Goods Sold	104	99	102	109
Gross Profit	37	42	43	47
Margin (%)	26.2	29.8	29.7	29.9
Employee Cost	2	2	2	3
Other Expenses	15	15	17	19
EBITDA	20	24	23	25
YoY gr. (%)	8.4	19.4	(4.8)	8.5
Margin (%)	14.4	17.3	16.0	16.2
Depreciation and Amortization	4	4	4	4
EBIT	17	20	19	21
Margin (%)	11.9	14.4	13.1	13.4
Net Interest	0	0	0	0
Other Income	3	3	2	2
Profit Before Tax	19	23	21	23
Margin (%)	13.6	16.2	14.7	14.9
Total Tax	5	6	5	6
Effective tax rate (%)	25.0	25.2	25.2	25.2
Profit after tax	14	17	16	17
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14	17	16	17
YoY gr. (%)	9.9	18.4	(7.2)	8.8
Margin (%)	10.2	12.2	11.0	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14	17	16	17
YoY gr. (%)	9.9	18.4	(7.2)	8.8
Margin (%)	10.2	12.2	11.0	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	17	16	17
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	20.6	24.4	22.7	24.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	86	95	104	113
Tangibles	86	95	104	113
Intangibles	-	-	-	-
Acc: Dep / Amortization	31	35	40	44
Tangibles	31	35	40	44
Intangibles	-	-	-	-
Net fixed assets	55	60	65	70
Tangibles	55	60	65	70
Intangibles	-	-	-	-
Capital Work In Progress	14	20	26	32
Goodwill	-	-	-	-
Non-Current Investments	9	9	9	9
Net Deferred tax assets	(3)	(3)	(3)	(3)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	0	0	1	1
Trade receivables	9	9	9	10
Cash & Bank Balance	26	27	28	32
Other Current Assets	3	3	3	3
Total Assets	118	130	142	157
Equity				
Equity Share Capital	1	1	1	1
Other Equity	69	81	93	105
Total Network	71	83	94	106
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	44	44	45	47
Total Equity & Liabilities	118	130	142	157

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	19	23	21	23
Add. Depreciation	4	4	4	4
Add. Interest	0	0	0	0
Less Financial Other Income	3	3	2	2
Add. Other	(2)	-	-	-
Op. profit before WC changes	21	27	26	28
Net Changes-WC	6	0	1	2
Direct tax	(5)	(6)	(5)	(6)
Net cash from Op. activities	22	21	21	24
Capital expenditures	(12)	(15)	(15)	(15)
Interest / Dividend Income	-	-	-	-
Others	4	-	-	-
Net Cash from Invt. activities	(8)	(15)	(15)	(15)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(13)	(5)	(5)	(5)
Interest paid	-	0	0	0
Others	(1)	-	-	-
Net cash from Fin. activities	(14)	(5)	(5)	(5)
Net change in cash	0	1	1	4
Free Cash Flow	10	6	6	9

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	37	34	35	36
YoY gr. (%)	53.3	6.7	(2.7)	(4.2)
Raw Material Expenses	28	23	24	25
Gross Profit	9	11	11	10
Margin (%)	24.3	31.5	31.2	28.5
EBITDA	5	6	7	6
YoY gr. (%)	(6.8)	4.0	24.6	32.1
Margin (%)	12.6	18.9	19.0	15.9
Depreciation / Depletion	1	1	1	1
EBIT	4	5	6	5
Margin (%)	10.1	16.0	16.1	13.0
Net Interest	-	-	-	-
Other Income	1	-	1	1
Profit before Tax	4	6	7	5
Margin (%)	11.8	17.2	19.9	14.5
Total Tax	1	1	2	1
Effective tax rate (%)	24.3	25.3	22.0	23.9
Profit after Tax	3	4	5	4
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3	4	5	4
YoY gr. (%)	(8.8)	4.2	28.6	41.5
Margin (%)	8.9	12.9	15.5	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3	4	5	4
YoY gr. (%)	(8.8)	4.2	28.6	41.5
Margin (%)	8.9	12.9	15.5	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3	4	5	4
Avg. Shares O/s (m)	1	1	1	1
EPS (Rs)	4.7	6.3	7.6	5.6

Source: Company Data, PL Research

Key Financial Metrics

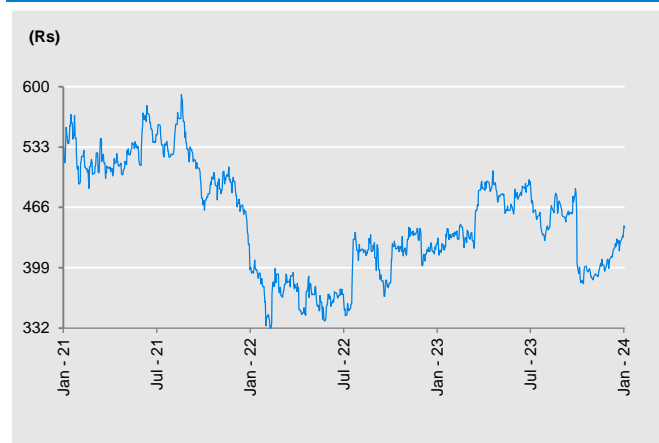
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	20.6	24.4	22.7	24.7
CEPS	25.8	30.3	28.7	30.9
BVPS	101.2	118.3	134.2	151.5
FCF	14.4	8.7	8.6	12.7
DPS	13.0	7.3	6.8	7.4
Return Ratio(%)				
RoCE	23.9	26.4	21.5	20.8
ROIC	18.3	19.8	16.7	16.7
RoE	20.6	22.3	18.0	17.3
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	19.6	16.6	17.9	16.4
P/B	4.0	3.4	3.0	2.7
P/CEPS	15.7	13.4	14.1	13.1
EV/EBITDA	12.6	10.5	11.0	10.0
EV/Sales	1.8	1.8	1.8	1.6
Dividend Yield (%)	3.2	1.8	1.7	1.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Total Volume (mmscmd)	8.1	8.5	9.1	9.8
EBITDA (Rs/scm)	6.9	7.8	7.0	7.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Hold	416	431
2	03-Nov-23	Hold	406	390
3	06-Oct-23	Hold	539	460
4	04-Jul-23	BUY	582	483
5	15-May-23	BUY	582	493
6	06-Apr-23	BUY	564	444

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	584	629
2	Bharat Petroleum Corporation	Sell	371	453
3	Bharti Airtel	Accumulate	1,088	1,047
4	Clean Science and Technology	Hold	1,368	1,572
5	Deepak Nitrite	Reduce	1,881	2,451
6	Fine Organic Industries	Hold	4,920	4,867
7	GAIL (India)	Hold	155	164
8	Gujarat Fluorochemicals	Reduce	3,342	3,626
9	Gujarat Gas	Hold	473	505
10	Gujarat State Petronet	Accumulate	374	334
11	Hindustan Petroleum Corporation	Sell	284	432
12	Indian Oil Corporation	Sell	100	143
13	Indraprastha Gas	Hold	416	431
14	Jubilant Ingrevia	Hold	433	498
15	Laxmi Organic Industries	Sell	221	271
16	Mahanagar Gas	Reduce	1,124	1,345
17	Mangalore Refinery & Petrochemicals	Sell	106	134
18	Navin Fluorine International	BUY	4,260	3,823
19	NOCIL	Reduce	236	274
20	Oil & Natural Gas Corporation	BUY	259	216
21	Oil India	Hold	379	380
22	Petronet LNG	Reduce	208	229
23	Reliance Industries	Accumulate	2,912	2,735
24	SRF	Hold	2,155	2,481
25	Vinati Organics	Accumulate	1,885	1,741

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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