

Indraprastha Gas

Partial restoration of APM gas – is the tide turning?

The Indraprastha Gas (IGL) stock price has risen ~11% over the last 1M and outperformed the Sensex by ~15% due to the price hike undertaken by the company in December 2024. We maintain our BUY recommendation on Indraprastha Gas (IGL) with a target price of INR 515, given (1) a strong portfolio of new geographical areas (GAs) ensuring volume growth visibility, (2) healthy long-term volume growth of ~9% CAGR over FY24-27E, and (3) robust long-term margins, supported by pricing power and higher allocation of gas from the high-pressure, high-temperature (HPHT) fields to the priority sector. With the diversion of APM gas from LPG production to CGD sector, we expect (lower) further price hikes by IGL in the near term. Longer-term volume growth should be driven by the company's focus on expanding its city gas network, especially in new GAs, and competitive CNG pricing compared to competing auto-fuels. The Vahan data for its core GAs for FY25 YTD indicates a ~5% YoY growth in new CNG vehicle registrations. We believe CNG volume growth levers are in place to achieve 9% CAGR volume growth over FY24-27E. We reiterate a BUY rating on IGL with a target price of INR 515.

- **CNG vehicle registrations grow YoY in Dec:** The recent Vahan data for IGL's core GAs for FY25YTD (Apr-Dec 2024) suggests a ~5% YoY growth in new CNG vehicle registrations to 98,286 vehicles from 93,254 vehicles during the same period last year. The new CNG vehicle registrations for December 2024 were 9,431, up 3% YoY.
- **Diversion of gas from LPG production—a positive development:** The government, through its recent order, has reduced the allocation of natural gas for LPG production by 1.27 mmscmd and instructed ONGC and GAIL to divert this gas (0.637 mmscmd each) to the CGD industry. This comes at a time when CGD players are utilizing spot gas (trading at close to \$15/mmbtu) to make up for the sharp decline in APM gas volumes from November 2024. Reportedly, the government has also ordered allocation of additional 1.7-2 mmscmd of gas from new wells to the CGD industry. This additional allocation of APM gas for CGD should help IGL to partially offset the adverse impact of the sharp cut in APM gas in November 2024, necessitating lower price hikes than estimated.
- **Listing of MNGL—opportunity for value unlocking:** BPCL (a JV investor in MNGL) board has given an in-principle approval for the IPO of MNGL (Maharashtra Natural Gas) – a CGD company in which IGL holds 50% stake. Reportedly, through the IPO, MNGL is expected to raise over INR 10 bn to fund expansion. The MNGL IPO could potentially unlock value for IGL. We value IGL's investment in MNGL at INR 66/share of IGL.
- **Valuation:** At the current market price, IGL is trading at 17.3x Mar-26E EPS, a discount of ~14% to its 5-year average P/E multiple and at this price, we estimate it factors an EBITDA margin of only INR 5/scm over FY25-32E (as compared to INR 6.5/scm reported for Q2FY25). We expect declining LNG price to benefit IGL's EBITDA margin from FY26E. We reiterate our BUY rating on IGL with a target price of INR 515/sh.

Financial summary (consolidated)

(INR mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	77	141	140	154	172	197
EBITDA	19	20	24	18	21	25
APAT	13	14	16	13	15	18
AEPS (INR)	21	23	28	23	25	29
P/E (x)	19.8	18.1	15.0	18.8	17.1	14.8
EV/EBITDA(x)	15.1	13.3	11.6	14.9	12.9	10.2
RoE (%)	21.6	21.1	22.6	15.5	15.3	15.8

Source: Company, HSIE Research

BUY

CMP (as on 7 Jan 2025)	INR 431
Target Price	INR 515
NIFTY	23,708

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 515	INR 515
EPS %	FY25E	FY26E
	-	-

KEY STOCK DATA

Bloomberg code	IGL IN
No. of Shares (mn)	700
MCap (INR bn) / (\$ mn)	302/3,517
6m avg traded value (INR mn)	1,720
52 Week high / low	INR 571/306

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(20.5)	(17.5)	(0.0)
Relative (%)	(17.0)	(15.3)	(8.6)

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	45.00	45.00
FIs & Local MFs	27.74	29.23
FPIs	17.90	16.82
Public & Others	9.36	8.95
Pledged Shares	0.00	0.00

Source: BSE

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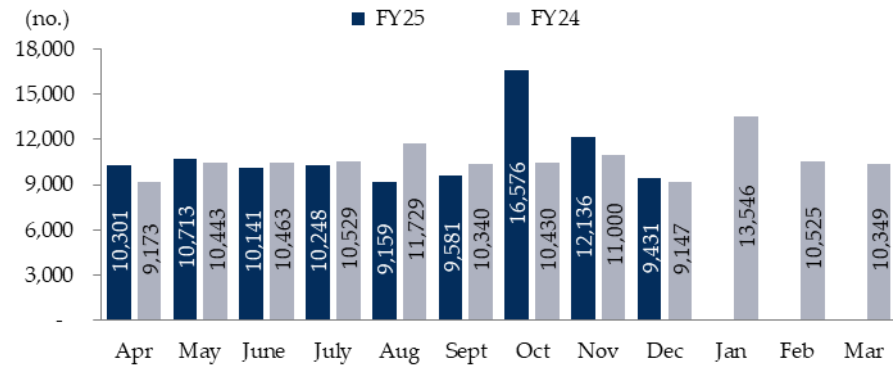
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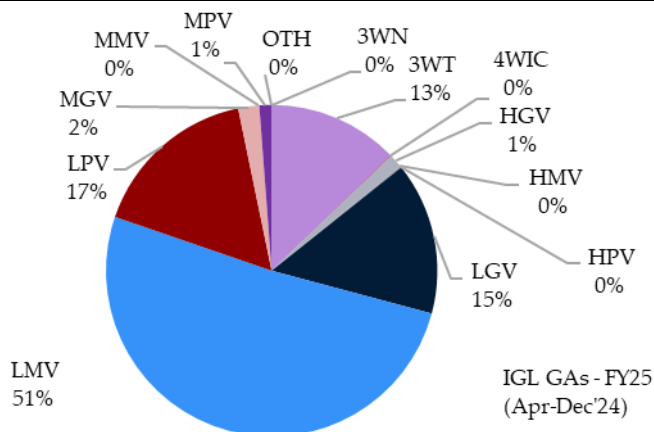
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Exhibit 1: Monthly new CNG vehicle registrations saw 3% growth in Dec-24



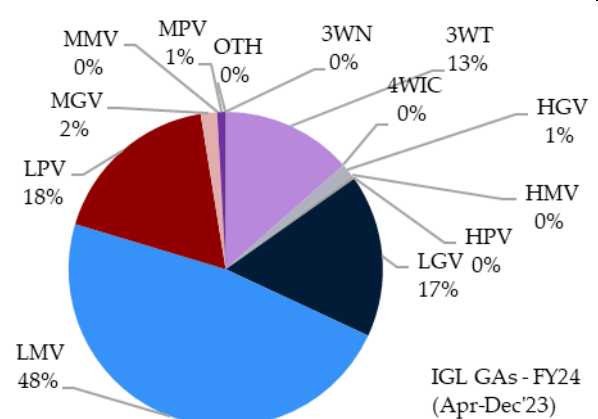
Source: Vahan Dashboard, HSIE Research | Note: Vahan data includes IGL's core areas of Delhi, Gurugram, Noida, and Ghaziabad

Exhibit 2: CNG vehicle growth mainly LMV segment-led



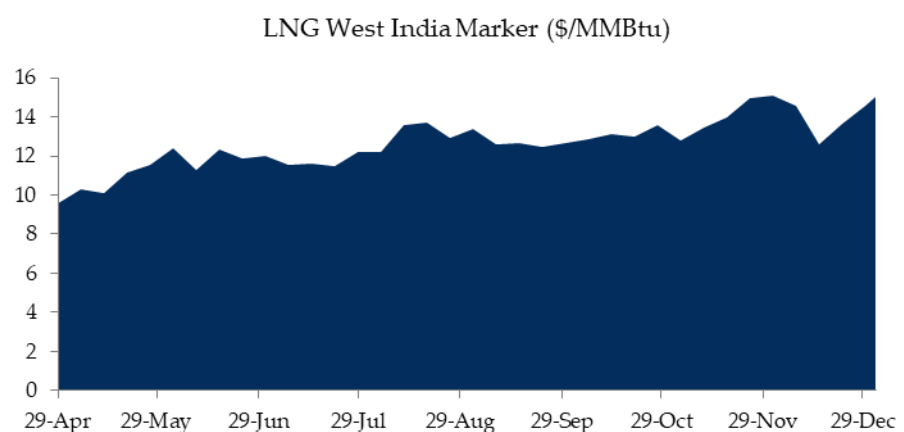
Source: Vahan Dashboard, HSIE Research

Exhibit 3: LGV and LPV segments saw a decline



Source: Vahan Dashboard, HSIE Research

Exhibit 4: Spot gas price has been on an upward trend; trading at ~\$15/MMBtu



Source: S&P Global - Platts, HSIE Research

Exhibit 5: IGL key metrics

(Rs bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	77	141	140	154	172	197
EBITDA	19	20	24	18	21	25
PAT	13	14	16	13	15	18
EPS (Rs/sh)	21	23	28	23	25	29
RoE (%)	21.6	21.1	22.6	15.5	15.3	15.8
Volumes (mmscmd)	7.0	8.1	8.4	9.03	9.51	10.78
EBITDA (Rs/scm)	7.4	6.9	7.7	5.6	6.0	6.3

Source: Company, HSIE Research

Exhibit 6: MNGL key metrics

(Rs bn)	FY20	FY21	FY22	FY23	FY24
Revenue	10	7	13	25	27
EBITDA	4	3	5	7	10
PAT	2	2	3	4	6
Volumes (mmscmd)	0.86	0.68	0.97	1.24	1.42
EBITDA (Rs/scm)	11.2	13.1	15.0	15.1	18.4

Source: Company, HSIE Research

Exhibit 7: MNGL—a list of GAs

States	GAs
Maharashtra	Pune & Pimpri Chinchwad (including Chakan, Hinjewadi and Talegaon)
Maharashtra	Dhule, Nashik District
Maharashtra	Sindhudurg District
Maharashtra	Nanded/Parbhani/Buldhana Districts
Karnataka	Ramnagara District
Gujarat	Valsad District
Telangana	Nizamabad/Kamareddy/Nirmal/Asifabad/Adilabad/ Mancherla Districts

Source: Company, HSIE Research

Exhibit 8: Peer Comparison

Company	MCap (INR bn)	RECO	CMP (INR)	TP (INR)	P/E (x)		P/BV (x)		ROE (%)		EV/EBITDA (x)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
IGL	301	BUY	431	515	19.1	17.4	2.8	2.5	15.5	15.3	15.2	13.2
GGL	350	ADD	508	600	23.4	18.0	4.0	3.5	18.3	20.9	14.0	10.7
MGL	123	BUY	1240	2000	12.3	10.3	2.1	1.9	18.3	19.5	7.2	5.8
IRM	15	BUY	353	545	13.5	9.2	1.4	1.2	10.9	14.0	7.6	5.2

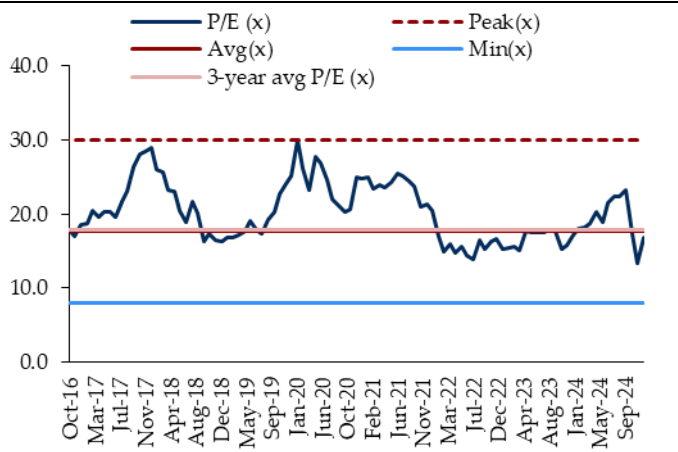
Source: NSE, Company, HSIE Research

Exhibit 9: HSIE vs. consensus

(INR/sh)	Consensus EPS		HSIE EPS		Variance (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
IGL	26.3	28.0	22.6	24.8	(14.0)	(11.4)

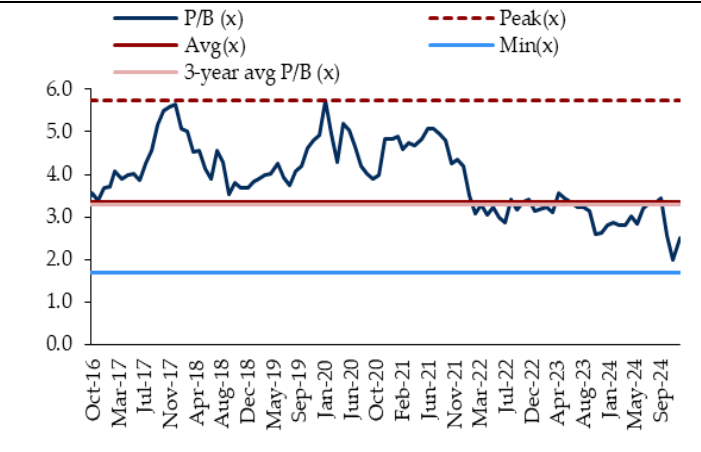
Source: Bloomberg, HSIE Research

Exhibit 10: IGL P/E chart



Source: NSE, Company, HSIE Research

Exhibit 11: IGL P/BV chart



Source: NSE, Company, HSIE Research

Financials (Consolidated)

Income Statement

(INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	77	141	140	154	172	197
<i>Growth %</i>	56	83	(1)	10	12	15
Raw Material	44	104	98	116	132	151
Employee Cost	2	2	2	2	2	3
Other Expenses	13	15	16	17	17	18
EBITDA	19	20	24	18	21	25
<i>EBITDA Margin (%)</i>	24	14	17	12	12	13
<i>EBITDA Growth %</i>	27	8	16	(22)	13	20
Depreciation	3	4	4	4	5	6
EBIT	16	17	19	14	16	19
Other Income (Including EO Items)	2	2	3	4	4	5
Interest	0	0	0	0	0	0
PBT	17	19	22	18	20	24
Tax	5	5	6	5	5	6
RPAT	13	14	16	13	15	18
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-
APAT	13	14	16	13	15	18
Share from associates	2	3	3	2	3	2
Consolidated APAT	15	16	20	16	17	20
<i>Consolidated APAT Growth (%)</i>	28	9	21	(20)	10	15
AEPS	21	23	28	22.6	24.8	29
<i>AEPS Growth %</i>	28	9	21	(20)	10	15

Source: Company, HSIE Research

Balance Sheet

(INR bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital	1	1	1	1	1	1
Reserves And Surplus	74	78	95	106	118	132
Total Equity	76	79	96	107	120	134
Minority Interest			0	0	0	0
Long-term Debt	-	-	-	-	-	-
Short-term Debt	-	-	-	-	-	-
Total Debt	-	-	-	-	-	-
Deferred Tax Liability	3	3	4	3	3	4
Long-term Provision and others	1	1	1	1	1	1
TOTAL SOURCES OF FUNDS	80	84	101	112	124	139
APPLICATION OF FUNDS						
Net Block	50	57	66	76	83	95
Capital WIP	14	14	14	16	20	18
LT Loans And Advances	1	1	5	5	5	6
Total Non-current Investments	26	15	22	22	22	22
Total Non-current assets	91	88	107	119	130	141
Inventories	0	0	1	1	1	1
Debtors	5	9	10	11	13	14
Cash and Cash Equivalents	14	26	22	18	26	35
Other Current Assets	1	2	3	7	7	8
Total Current Assets	20	38	35	42	50	67
Creditors	8	9	10	12	13	15
Other Current Liabilities & Provns	23	33	31	33	35	37
Total Current Liabilities	31	42	41	44	48	53
Net Current Assets	(11)	(4)	(6)	(2)	2	15
TOTAL APPLICATION OF FUNDS	80	84	101	112	124	139

Source: Company, HSIE Research

Cash Flow Statement

Year ending March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	17	19	22	18	20	24
Non-operating & EO Items	0	1	1	(1)	(1)	(2)
Interest Expenses	0	0	0	0	0	0
Depreciation	3	4	4	4	5	6
Working Capital Change	5	6	(3)	(2)	2	2
Tax Paid	(4)	(4)	(5)	(5)	(5)	(5)
OPERATING CASH FLOW (a)	22	25	19	14	21	24
Capex	(15)	(12)	(12)	(16)	(16)	(16)
Free Cash Flow (FCF)	6	13	6	(2)	5	8
Investments	(3)	11	(7)	-	-	-
Non-operating Income	2	2	3	4	4	5
Others	0	(1)	(4)	(0)	(0)	(0)
INVESTING CASH FLOW (b)	(17)	1	(21)	(12)	(12)	(12)
Debt Issuance/(Repaid)	-	-	-	-	-	-
Interest Expenses	(0)	(0)	(0)	(0)	(0)	(0)
FCFE	6	13	6	(3)	5	8
Share Capital Issuance	-	-	-	-	-	-
Dividend	(4)	(9)	(6)	(5)	(5)	(6)
Others	1	(4)	3	0	0	0
FINANCING CASH FLOW (c)	(3)	(13)	(3)	(5)	(5)	(6)
NET CASH FLOW (a+b+c)	2	13	(5)	(4)	3	6
EO Items, Others						
Closing Cash & Equivalents	14	26	22	18	26	35

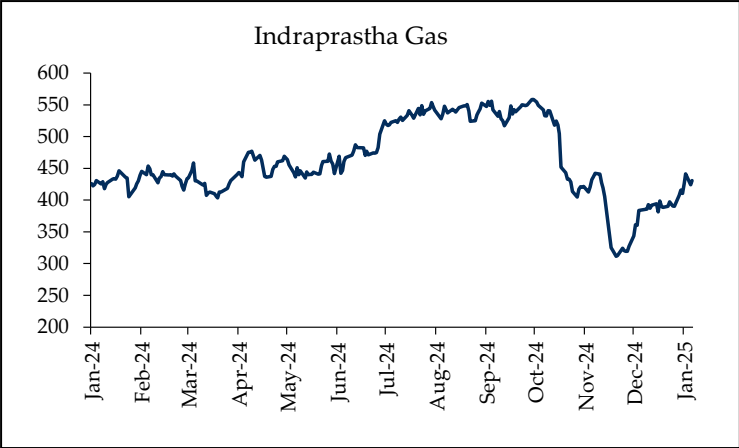
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %						
EBITDA Margin	24.4	14.4	16.9	11.9	12.0	12.6
EBIT Margin	20.3	11.9	13.9	9.2	9.1	9.7
APAT Margin	19.5	11.6	14.2	10.3	10.1	10.2
RoE	21.6	21.1	22.6	15.5	15.3	15.8
RoIC	26.9	30.5	33.3	19.3	20.0	22.8
RoCE	21.7	21.2	22.7	15.6	15.4	15.9
EFFICIENCY						
Tax Rate %	26.1	25.8	25.4	25.2	25.2	25.2
Fixed Asset Turnover (x)	1.3	2.0	1.7	1.6	1.6	1.6
Inventory (days)	2.2	1.3	1.4	1.4	1.4	1.4
Debtors (days)	24.6	23.3	26.6	26.6	26.6	26.6
Other Current Assets (days)	5.6	5.8	6.7	17.0	15.8	14.4
Payables (days)	65.4	31.5	36.6	36.6	36.6	36.6
Other Current Liab & Provns (days)	110.5	85.9	80.7	77.7	74.0	69.1
Cash Conversion Cycle (days)	(144)	(87)	(83)	(69)	(67)	(63)
Net Debt/EBITDA (x)	(0.7)	(1.3)	(0.9)	(1.3)	(1.4)	(1.8)
Net D/E	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)
Interest Coverage	118.4	158.3	212.6	154.6	170.9	208.4
PER SHARE DATA (Rs)						
EPS	21.5	23.4	28.3	22.6	24.8	28.6
CEPS	26.0	28.6	34.2	28.6	32.0	36.8
Dividend	5.5	13.0	9.0	6.7	7.3	8.8
Book Value	108.4	113.3	137.6	153.5	171.0	190.8
VALUATION						
P/E (x)	20.1	18.4	15.2	19.1	17.4	15.1
P/Cash EPS (x)	16.6	15.1	12.6	15.1	13.5	11.7
P/BV (x)	4.0	3.8	3.1	2.8	2.5	2.3
EV/EBITDA (x)	15.3	13.5	11.9	15.2	13.2	10.4
EV/Revenue (x)	3.7	1.9	2.0	1.8	1.6	1.3
Dividend Yield (%)	1.3	3.0	2.1	1.6	1.7	2.0
OCF/EV (%)	7.5	9.0	6.8	4.9	7.6	9.4
FCFF/EV (%)	2.2	4.8	2.3	(0.9)	1.7	3.1
FCFE/M Cap (%)	2.1	4.3	2.1	(0.8)	1.5	2.6

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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