



TM

Indraprastha Gas

29 January 2025

Growth trajectory looks good

RESULT UPDATE

Sector: Natural Gas Rating: BUY
CMP: Rs 383 Target Price: Rs 445

Stock Info

Sensex/Nifty	75,901/22,970
Bloomberg	IGL IN
Equity shares (mn)	700
52-wk High/Low	Rs 571/307
Face value	Rs 2
M-Cap	Rs 268bn/ USD 3.1bn
3-m Avg value	USD 21mn

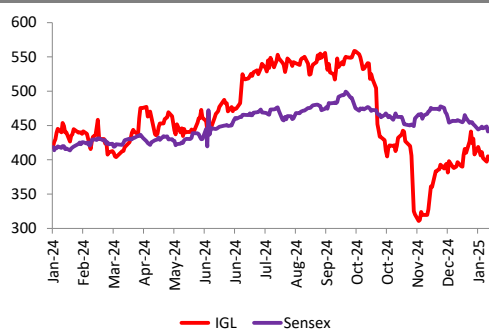
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	140.0	146.5	159.1
EBITDA	23.7	19.2	22.2
PAT	17.5	14.5	16.9
EPS (Rs)	25.0	20.7	24.2
PE (x)	15.4	18.6	15.9
EV/EBITDA (x)	10.1	12.5	10.6
RoE (%)	20.4	15.1	15.8
RoCE (%)	21.5	14.3	15.1
Dividend yield (%)	2.3	1.3	1.6

Shareholding Pattern (%)

	Jun'24	Sep'24	Dec'24
Promoter	45.0	45.0	45.0
FII	16.2	19.3	14.3
DII	25.1	23.2	26.1
Others	13.7	12.5	14.6

Stock Performance (1-year)



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Indraprastha Gas (IGL IN) reported in-line EBITDA while net profit was propelled by higher-than-expected other income. Higher gas cost owing to the lower APM allocation resulted in a sharp drop in EBITDA. On a volume front, total volume rose 7.4% YoY to 9.1mmscmd led by 5.9% increase in CNG volume (-1.1% QoQ) and 11.8%/7.5% YoY/QoQ increase in PNG volume. Both Domestic and I/C PNG sales rose sharply 16.8%/14.4% YoY (11.3%/8.8% QoQ) to 0.72mmscmd/1.19mmscmd. Gas cost increased 7.6% YoY (7.7% QoQ) to Rs35.1/scm resulting in EBITDA/scm declining to Rs4.1, down 40.6% YoY/-33.5% QoQ (in-line with our estimate). Net revenue/EBITDA came in at Rs37.4bn/Rs3.6bn declined 35.5% YoY. Other income of Rs1.2bn helped PAT but still was down 27.1% YoY/-33.7% QoQ to Rs2.9bn.

The management has guided an exit volume rate of ~9.5mmscmd for FY25 and expects 1mmscmd growth each in FY26/FY27. **The company witnessed double-digit growth from new GAs, while non-Delhi GAs grew at 8-9% and Delhi growth stood at 5%. Delhi accounts for 68% volume while non-NCR/Other GAs share is 20% and 12% respectively.** EBITDA/scm guidance has been revised upwards to Rs7-8/scm for FY26, due to successfully securing additional gas volumes at competitive prices from existing suppliers. Also the government in mid-Jan restored ~1mmscmd out of 1.88mmscmd reduction which helped regaining the margins. We cut our EBITDA estimates by 12%/11% for FY25/FY26 on the back of lower gross margins. We expect the company to raise prices in Delhi post election which would benefit its margins. Though due to enhanced risk of further reduction in allocation, we keep BUY with a revised TP of Rs445 from earlier Rs481 based on PER of 16x on FY26E.

Expect robust growth in CNG stations in Q4; ambitious volume sales target lies ahead

The company has 899 CNG stations, 500 in Delhi, serving approx 2mn vehicles and connected to 3mn DPNG customers. As highlighted by the company earlier, new GAs are helping with double digit growth and in Q3FY25 they added ~17,100 new and retrofitted vehicles as against 14,700 in Q2 (~16% growth rate). With continued focus on volume growth, they are very confident of achieving 9.5mmscmd exit sales target for FY25. And the company is also investing heavily in new GAs to enhance the sales volume. While the current capex incurred by the company in 9MFY25 stands at ~Rs 8bn, they intend to spend approx Rs13-15bn in FY25 and if diversification plan holds intact then may rise further. IGL remains firm to set up 90 new CNG stations in FY25, mostly which will come in Q4FY25.

Risk-reward favorable amid volatility in APM allocations

The stock has corrected sharply by ~25% in Q3FY25 owing to APM allocation cut while further down by 7% in Q4FY25-till date due to macro events. The stock is currently trading at a PER of 15.8x on FY26E with ROE/ROCE of 15.8%/15.1%. We have revised the valuation at 16x PER (16x earlier) on FY26E which gives us a TP of Rs445. We keep a BUY on the stock.

Key risks: Volatility in LNG prices, sudden change in APM gas allocation; EV penetration.

Q3FY25 Earnings Highlights

Current Infra: Steel network of 2280+ kms, MDP network of 26000kms, connected to 30L household and 5,000 IPNG customers

CNG Infra: 6,600 CPNG customers with 899 CNG stations serving 2mn vehicles/day. Plan to add 90 CNG stations in FY25

Additions: 17,100 (new + conversion) vs 14,700 QoQ.

APM allocation: Total available APM gas reduced from 5.11mmscmd to 3.23 mmscmd, posing a challenge for future gas procurement. IGL has successfully secured additional gas volumes at competitive prices from existing suppliers.

Restoring the allocation: On 16th Jan'25, domestic gas allocation has been partially restored, bringing back ~1mmscmd out of 1.88mmscmd reduction that was made earlier in Q3. Further, an additional 0.5mmscmd from new well gas has been allocated to IGL, now having more than 9mmscmd of gas availability.

Capex: Rs13-15bn expected in FY25, incurred Rs8bn in 9MFY25.

EBITDA margin guidance of Rs7-8/scm from earlier Rs6-7/scm guidance.

Volume Growth: Targeting 9.5mmscmd exit rate in FY25. To add 1mmscmd each in FY26 and FY27.

Overall Sourcing: 47% from APM (~4.3mmscmd), 3% HPHT and 50% from RLNG.

EV threat and 2W CNG: Company does not see it as a major threat with recent developments while launch of CNG 2w is expected to drive the volume growth.

CBG capex: Capex to not exceed Rs2-3bn, CBG is 10% cheaper than APM but challenging feedstock inventory.

Exhibit 1: Actual vs Estimates

(Rs bn)	Actual	Estimates	% Variance
Net sales	37.4	38.9	(3.7)
EBITDA	3.6	3.6	0.1
EBITDA margin (%)	9.7	9.3	37.3Bps
Adj net income	2.9	2.3	24.3
Adj. EPS (Rs)	4.1	3.3	24.3

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Performance

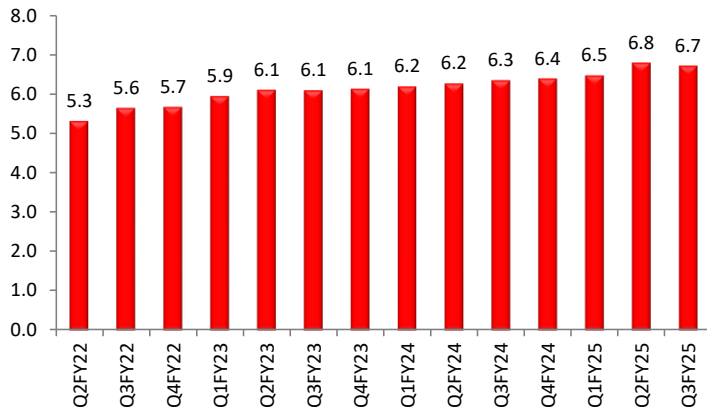
(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% YoY	% QoQ
Net Revenues	35,366	35,815	35,063	36,790	37,427	5.8%	1.7%
Avg realisation (Rs/scm)	38.5	44.7	44.6	44.2	38.0	-1.1%	-13.9%
Raw Material Cost	25,476	25,529	24,820	27,075	29,444	15.6%	8.8%
Gross Profit	9,907	10,287	10,244	9,722	7,994	-19.3%	-17.8%
Employee Cost	583	660	507	484	502	-13.9%	3.6%
Other Expenses	3,879	4,555	4,062	4,061	4,020	3.6%	-1.0%
Total Expenditure	29,921	30,742	29,388	31,614	33,954	13.5%	7.4%
EBITDA	5,641	5,225	5,819	5,359	3,636	-35.5%	-32.1%
Depreciation	1,018	1,108	1,143	1,184	1,216	19.4%	2.7%
EBIT	4,623	4,118	4,675	4,175	2,421	-47.6%	-42.0%
Interest	18	26	22	23	21	18.1%	-9.9%
Other Income	550	1,094	727	1,493	1,288	134.2%	-13.8%
PBT	5,155	5,187	5,380	5,645	3,687	-28.5%	-34.7%
Total tax	1,235	1,359	1,366	1,334	829	-32.8%	-37.9%
Effective tax rate (%)	23.9	26.2	25.4	23.6	22.5	-146	-115
Reported PAT	3,921	3,828	4,015	4,311	2,858	-27.1%	-33.7%
Reported EPS (Rs)	5.6	5.5	5.7	6.2	4.1	-27.1%	-33.7%
Total Sales (mmscmd)	8.5	8.7	8.6	9.0	9.1	7.4%	0.9%
CNG Volumes	6.3	6.4	6.5	6.8	6.7	5.9%	-1.1%
PNG Volumes	2.2	2.4	2.2	2.24	2.41	11.8%	7.5%
Domestic	0.6	0.7	0.7	0.65	0.72	16.8%	11.3%
Industrial+Commercial	1.0	1.1	1.0	1.09	1.19	14.4%	8.8%
Third party sales	0.5	0.5	0.5	0.5	0.5	0.3%	0.0%
CNG revenue	26,090	29,612	29,872	31,466	27,322	4.7%	-13.2%
Avg realisation (Rs/kg)	63.2	72.0	71.7	71.1	62.5	-1.1%	-12.2%
PNG revenue	9,276	9,878	8,877	9,189	10,106	8.9%	10.0%
Avg realisation (Rs/scm)	46.8	46.1	44.7	44.6	45.6	-2.6%	2.3%
Gas cost/scm	32.6	32.1	31.6	32.6	35.1	7.6%	7.7%
Gross profit/scm	12.7	13.0	13.0	11.7	9.5	-24.9%	-18.5%
Opex/scm	5.7	6.6	5.8	5.5	5.4	-5.7%	-1.4%
EBITDA/scm	7.0	6.4	7.2	6.2	4.1	-40.6%	-33.5%

Source: Company, Systematix Institutional Research

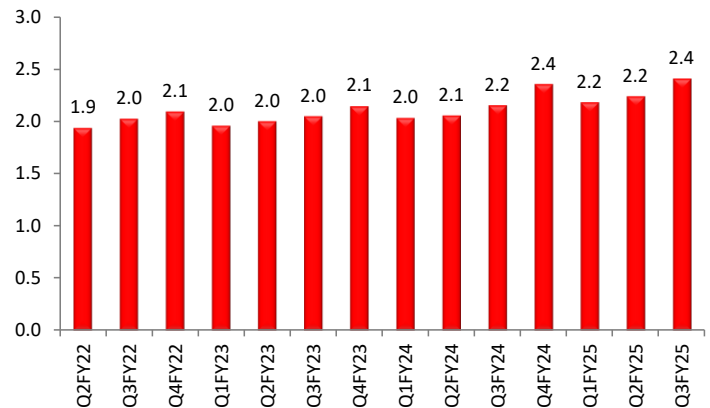
Exhibit 3: Change in estimates

Key Parameters (Rs mn)	FY25E			FY26E		
	Old	New	%Chg	Old	New	%Chg
Volume (mmscmd)	9.0	9.0	-	9.6	9.6	-
Revenue	1,46,536	1,46,536	-	1,59,062	1,59,062	-
EBITDA	21,799	19,185	(12.0)	24,941	22,165	(11.1)
Net Profit	16,163	14,476	(10.4)	18,529	16,943	(8.6)
EPS (Rs)	23.1	20.7	(10.4)	26.5	24.2	(8.6)

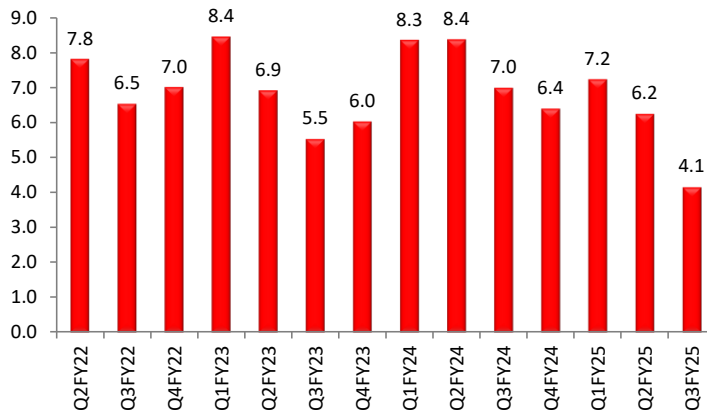
Source: Company, Systematix Institutional Research

Exhibit 4: CNG Volumes (mmscmd) remains flattish QoQ

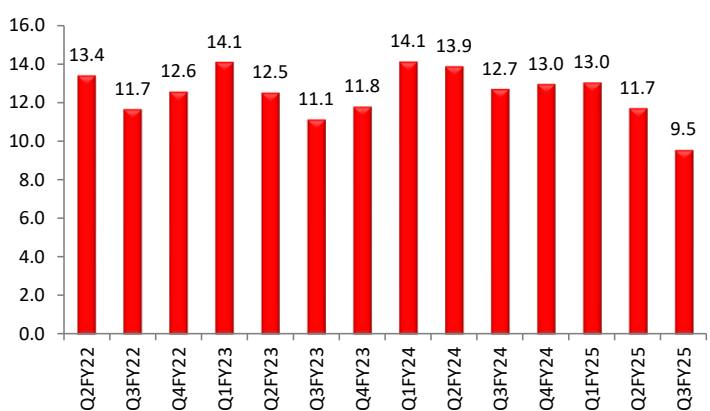
Source: Company, Systematix Institutional Research

Exhibit 5: PNG Volumes (mmscmd) rose 7.5% QoQ to 2.4mmscmd

Source: Company, Systematix Institutional Research

Exhibit 6: EBITDA/scm down 33.5% QoQ at Rs4.1/mmscmd

Source: Company, Systematix Institutional Research

Exhibit 7: Gross margin down 18.5% QoQ as raw material cost rises

Source: Company, Systematix Institutional Research

FINANCIALS (STANDALONE)

Profit & Loss Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	77,100	1,41,326	1,40,000	1,46,536	1,59,062
Raw Material cost	43,923	1,04,360	98,131	1,08,722	1,16,615
Gross Profit	33,176	36,966	41,869	37,814	42,447
Employee cost	1,760	1,882	2,266	2,380	2,499
Other expenses	12,606	14,830	15,935	16,249	17,784
EBITDA	18,811	20,255	23,669	19,185	22,165
Depreciation	3,171	3,634	4,138	4,759	5,219
EBIT	15,641	16,621	19,531	14,426	16,945
Interest Cost	132	106	92	82	83
Other Income	2,150	2,762	3,632	4,704	5,430
PBT Before Exceptionals	17,659	19,277	23,072	19,048	22,293
Exceptional Items	0	0	0	0	0
PBT	17,659	19,277	23,072	19,048	22,293
Tax	4,509	4,827	5,591	4,571	5,350
Reported PAT	13,150	14,450	17,481	14,476	16,943
Adjusted PAT	13,150	14,450	17,481	14,476	16,943
Reported EPS (Rs)	18.8	20.6	25.0	20.7	24.2
Adjusted EPS (Rs)	18.8	20.6	25.0	20.7	24.2

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Pre-Tax Profit	17,659	19,277	23,072	19,048	22,293
Depreciation	3,171	3,634	4,138	4,759	5,219
Change in Working Capital	3,777	6,469	-3,828	875	145
Tax Paid	-3,759	-4,833	-4,871	-4,571	-5,350
Other Operating Activities	-1,869	-2,241	-3,153	-4,622	-5,347
Operating Cash Flow	18,979	22,306	15,357	15,488	16,960
Capital Expenditure	-13,370	-11,221	-12,021	-13,510	-13,010
Change in Investments	-3,276	1,189	-834	-176	-180
Other Investing Activities	798	1,618	1,907	4,704	5,430
Investing Cash Flow	-15,848	-8,414	-10,948	-8,982	-7,760
Free Cash Flow	3,131	13,892	4,408	6,506	9,200
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Other Financing Activities	-3,285	-13,586	-3,337	-4,425	-5,166
Financing Cash Flow	-3,285	-13,586	-3,337	-4,425	-5,166
Change in Cash	-153	306	1,072	2,081	4,035
Opening Cash Balance	13,770	21,015	20,421	19,350	21,431
Closing Cash Balance	13,616	21,322	21,493	21,431	25,466

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Total volumes (mmscmd)	7.0	8.1	8.4	9.0	9.6
CNG (mmscmd)	5.1	6.1	6.3	6.7	7.1
PNG & others (mmscmd)	1.9	2.0	2.1	2.3	2.4
Net Realization (Rs/scm)	30.2	47.9	45.4	44.7	45.4
Gross Margin (Rs/scm)	13.0	12.5	13.6	11.4	12.0
EBITDA/scm (Rs)	7.4	6.9	7.7	5.7	6.2

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	67,962	69,466	84,117	94,251	1,06,111
Networth	69,362	70,866	85,517	95,651	1,07,511
Short + Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	2,737	3,168	3,873	3,873	3,873
Other Long Term Liabilities	1,509	1,615	1,448	1,275	1,102
Capital Employed	73,607	75,649	90,838	1,00,798	1,12,486
Gross Block	62,266	73,353	86,072	1,04,054	1,18,204
Accumulated Depreciation	14,451	18,085	22,222	26,982	32,201
Net Block	47,815	55,268	63,850	77,073	86,003
CWIP	13,786	14,337	13,964	11,613	10,452
Total Fixed Assets	61,601	69,606	77,814	88,686	96,455
Long Term Investments & Others	5,296	10,885	9,839	9,951	10,067
Current Assets	37,627	37,295	43,553	44,202	49,420
Short Term Investments	17,177	4,191	8,806	8,982	9,162
Inventories	455	492	522	556	623
Sundry Debtors	5,206	9,034	10,185	10,661	11,572
Cash & Bank Balance	13,616	21,322	21,493	21,431	25,466
Short Term Loans & Advances	0	0	0	0	0
Others	1,173	2,257	2,546	2,572	2,597
Current Liabilities & Provisions	30,916	42,138	40,368	42,040	43,457
Creditors	7,867	9,043	9,847	10,909	11,703
Other Current Liabilities	23,049	33,094	30,520	31,131	31,753
Net Current Assets	6,711	-4,843	3,185	2,162	5,964
Total Assets	73,607	75,649	90,838	1,00,798	1,12,486

Source: Company, Systematix Institutional Research

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Growth					
Revenue growth	56.0%	83.3%	-0.9%	4.7%	8.5%
EBITDA growth	26.8%	7.7%	16.9%	-18.9%	15.5%
Adjusted PAT growth	30.8%	9.9%	21.0%	-17.2%	17.0%
Margins					
Gross margin	43.0%	26.2%	29.9%	25.8%	26.7%
EBITDA margin	24.4%	14.3%	16.9%	13.1%	13.9%
PBT margin	22.9%	13.6%	16.5%	13.0%	14.0%
Effective Tax rate	25.5%	25.0%	24.2%	24.0%	24.0%
Adjusted PAT margin	17.1%	10.2%	12.5%	9.9%	10.7%
Operating Cycle					
Inventory days	2	1	1	1	1
Debtor days	25	23	27	27	27
Creditor days	49	27	31	31	31
Working Capital Cycle	-22	-3	-3	-3	-3
Return Ratios					
ROE	19.0%	20.4%	20.4%	15.1%	15.8%
Pre-tax ROCE	21.2%	22.0%	21.5%	14.3%	15.1%
Capex/revenue	19.6%	8.2%	10.3%	9.2%	8.2%
Net debt / Equity	0.0	0.0	0.0	0.0	0.0
Yield Analysis					
CFO Yield	8.5%	10.1%	7.5%	7.5%	8.3%
FCF Yield	1.3%	4.1%	0.2%	1.1%	1.9%
Dividend Yield	1.4%	1.7%	2.3%	1.3%	1.6%
Valuation					
P/E (x)	20.4	18.6	15.3	18.5	15.8
P/B (x)	3.9	3.8	3.1	2.8	2.5
EV/Sales (x)	3.1	1.7	1.7	1.6	1.5
EV/EBITDA (x)	12.6	12.0	10.0	12.4	10.5

Source: Company, Systematix Institutional Research

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