

15 February 2026

Steady volume, but margins still soft

The stock price of Indraprastha Gas (IGL IN) has dropped 22% in the past three months and underperformed the Nifty Mid-Cap Index (down 2%), driven by fears of margin pressure with recent ~10% jump in crude oil prices and INR weakening. Operating performance was steady in Q3FY26, with reported volume growing despite continued phase-out of institutional bus demand (DTC). However, EBITDA/scm margin remains below the company's target of INR 7-8/scm, and the pace of EBITDA/scm recovery is slow. While regulatory changes (two-zone tariff + Gujarat VAT rationalisation) provide margin support into FY27, near-term earnings are being weighed down by gas cost volatility and adverse FX impact.

We have revised our assumptions, accordingly, leading to a modest reset in FY26-28 earnings trajectory. We reduce FY26E/27E/28E EBITDA by 4%/13%/10% and cut our TP to INR 195 from INR 232, while maintaining Accumulate given some regulatory support and steady long-term CGD penetration opportunity.

Higher realization drives PAT: Q3FY26 adjusted PAT stood at INR 3.8bn (Elara: INR 3.4bn), up 33% YoY, on account of 33% growth in EBITDA/scm margin (up 12% QoQ). On QoQ basis, reduction in gas cost led to higher EBITDA margin, and thus 13% QoQ EBITDA growth. EBITDA was INR 5.0bn against our estimate of INR 4.8n, up 38% YoY. Opex/scm was down 1% YoY. Q3 blended realization was up 5% YoY (flat QoQ) due to higher CNG as well as domestic PNG prices. The cost of natural gas increased 2% YoY (down 2% QoQ) with shortfall in APM allocation compensated by higher-priced LNG or new well gas.

CNG volume growth at 10%, excluding DTC impact: Volume growth remains weak as volume increased 3% YoY to 9.4mmscmd (Elara: 9.6mmscmd), versus growth in range of 11-17% YoY during pre-Covid quarters of Q1FY17-Q3FY20. CNG volume growth was at 3% YoY to 6.9mmscmd. Ex-DTC impact, volume growth was 10%. Industrial PNG volume was up 3% YoY to 1.2mmscmd and domestic PNG volume rose 8% YoY to 0.8mmscmd.

International foray, an optional value in future: IGL is evaluating a CGD opportunity in industrial cities of Saudi Arabia. While these are at early stage, management indicated that incremental capex there could be ~INR 5-8bn. Visibility on timelines is contingent on bid outcomes and regulatory terms, and the Saudi Arabian foray should be viewed as a strategic option rather than a near-term earnings driver.

Retain Accumulate with a lower TP of INR 195: We reduce our FY26E/27E/28E EBITDA by 4%/13%/10% and cut our TP to INR 195 from INR 232, as EBITDA/scm margin remains below the company's target of INR 7-8/scm, and the pace of recovery is slow. However, we maintain Accumulate given some regulatory support and steady long-term CGD penetration opportunity. We assume EBITDA/scm in FY27E and FY28E at INR 7.1-7.4 (from INR 7.9-8.1).

We roll-over TP to FY28E estimates. Our DCF-based TP assumes long-term EBITDA/scm margin of INR 7.4 (from INR 8.0), with a 6.9% volume CAGR (from 8%) in FY25-29E and 11.6% WACC (unchanged).

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	140,000	148,134	160,370	179,690	196,787
YoY (%)	(0.9)	5.8	8.3	12.0	9.5
EBITDA (INR mn)	23,669	18,646	20,563	26,081	29,640
EBITDA margin (%)	16.9	12.6	12.8	14.5	15.1
Adj PAT (INR mn)	17,481	13,820	15,578	18,476	21,084
YoY (%)	21.0	(20.9)	12.7	18.6	14.1
Fully DEPS (INR)	12.5	9.9	11.1	13.2	15.1
RoE (%)	22.4	15.5	15.9	17.0	17.2
RoCE (%)	24.8	15.5	15.6	18.8	19.2
P/E (x)	13.3	16.9	15.0	12.6	11.1
EV/EBITDA (x)	8.0	10.2	9.2	7.3	6.4

Note: Pricing as on 13 February 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**Target Price: **INR 195**Upside: **17%**CMP: **INR 167**

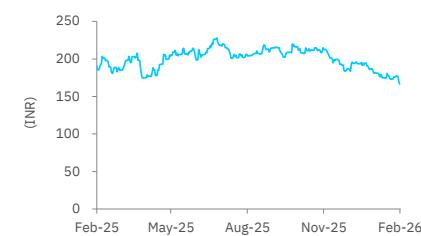
As on 13 February 2026

Key data

Bloomberg	IGL IN
Reuters Code	IGAS.NS
Shares outstanding (mn)	1,400
Market cap (INR bn/USD mn)	233/2,572
EV (INR bn/USD mn)	190/2,096
ADTV 3M (INR mn/USD mn)	530/6
52 week high/low	229/163
Free float (%)	50

Note: as on 13 February 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	45.0	45.0	45.0	45.0
% Pledge	0.0	0.0	0.0	0.0
FII	14.6	16.8	17.2	17.0
DII	31.3	24.0	24.1	24.2
Others	9.1	14.2	13.7	13.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(1.7)	3.4	11.1
Indraprastha Gas	(21.7)	(18.4)	(10.3)
NSE Mid-cap	(1.8)	3.8	15.5
NSE Small-cap	(6.4)	(4.0)	10.3

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	140,000	148,134	160,370	179,690	196,787
Gross Profit	41,869	37,403	38,895	46,044	51,414
EBITDA	23,669	18,646	20,563	26,081	29,640
EBIT	19,531	13,905	15,387	20,577	23,563
Interest expense	92	92	85	79	69
Other income	3,632	4,416	5,195	4,193	4,681
Exceptional/ Extra-ordinary items	-	856	212	-	-
PBT	23,072	19,084	20,710	24,691	28,176
Tax	5,591	4,408	4,919	6,215	7,092
Minority interest/Associates income	-	-	-	-	-
Reported PAT	17,481	14,676	15,790	18,476	21,084
Adjusted PAT	17,481	13,820	15,578	18,476	21,084
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	85,517	92,840	102,818	114,994	129,639
Minority Interest	-	-	-	-	-
Trade Payables	11,377	10,559	11,648	12,815	13,940
Provisions & Other Current Liabilities	6,324	7,887	7,537	8,237	8,377
Total Borrowings	554	790	790	690	590
Other long term liabilities	27,771	30,148	31,348	33,748	35,848
Total liabilities & equity	131,543	142,224	154,142	170,485	188,394
Net Fixed Assets	79,954	86,565	96,537	106,184	115,258
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	11,913	16,554	16,554	16,554	16,554
Cash, Bank Balances & treasury investments	2,128	1,361	4,413	6,853	11,762
Inventories	522	488	532	586	637
Sundry Debtors	10,185	7,078	8,787	9,846	10,783
Other Current Assets	26,841	30,179	27,317	30,463	33,399
Total Assets	131,543	142,224	154,142	170,485	188,394
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	15,357	22,053	19,041	19,175	21,848
Capital expenditure	(12,021)	(11,216)	(15,149)	(15,150)	(15,152)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	-	-	-	-	-
Free Cash Flow	3,335	10,837	3,892	4,025	6,696
Cashflow from Financing	(2,263)	(11,604)	(839)	(1,586)	(1,787)
Net Change in Cash / treasury investments	1,072	(767)	3,053	2,440	4,909
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	4.5	4.3	4.0	4.5	4.6
Book value per share (INR)	61.1	66.3	73.4	82.1	92.6
RoCE (Pre-tax) (%)	24.8	15.5	15.6	18.8	19.2
ROIC (Pre-tax) (%)	25.3	15.8	16.1	19.8	20.7
ROE (%)	22.4	15.5	15.9	17.0	17.2
Asset Turnover (x)	1.8	1.8	1.8	1.8	1.8
Net Debt to Equity (x)	0.0	0.0	0.0	(0.1)	(0.1)
Net Debt to EBITDA (x)	(0.1)	0.0	(0.2)	(0.2)	(0.4)
Interest cover (x) (EBITDA/ int exp)	258.7	202.4	243.0	329.1	432.4
Total Working capital days (WC/rev)	57.0	52.3	51.7	57.3	66.4
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	13.3	16.9	15.0	12.6	11.1
P/Sales (x)	1.7	1.6	1.5	1.3	1.2
EV/ EBITDA (x)	8.0	10.2	9.2	7.3	6.4
EV/ OCF (x)	12.4	8.6	10.0	9.9	8.7
FCF Yield	0.0	0.1	0.0	0.0	0.0
Price to BV (x)	2.7	2.5	2.3	2.0	1.8
Dividend yield (%)	2.7	2.6	2.4	2.7	2.8

Note: Pricing as on 13 February 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

Standalone (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
Revenue	40,672	37,591	8.2	40,233	1.1	41,526	(2.1)
Adj. EBITDA	5,008	3,636	37.7	4,428	13.1	4,791	4.5
EBITDA margin (%)	12.3	9.7	27.3	11.0	11.9	11.5	6.7
Depreciation	1,311	1,216	7.8	1,279	2.5	1,320	(0.7)
EBIT	3,698	2,421	52.7	3,149	17.4	3,471	6.5
Other income	1,301	1,288	1.0	1,626	(20.0)	1,030	26.3
Interest cost	21	21	-	22	(2.8)	24	(12.1)
PBT	4,978	3,687	35.0	4,754	4.7	4,477	11.2
Tax	1,180	829	42.3	1,029	14.7	1,092	8.0
Adj. PAT	3,798	2,858	32.9	3,725	2.0	3,385	12.2
Adj. EPS (INR)	5.4	4.1	32.9	5.3	2.0	4.8	12.2

Source: Company, Elara Securities Estimate

Conference call highlights**Volume**

- ▶ Adjusted for DTC volume, Q3 CNG volume growth was 10% YoY.
- ▶ Delhi geographical areas (GA) grew 8-10% YoY while outside NCR GAs growth was 17-18% YoY.
- ▶ DTC volume was 5,000kg per day in Q3 and will be almost nil by March 2026.
- ▶ Sales mix was as follows: Delhi contributes 5.43msmmcd (56%), NCR GAs 2.24mmscmd (23%), new GAS 1.26mmscmd (13-14%), and remaining is LNG and sales to other CGDs. Delhi growth was almost flat, Ghaziabad/Noida growth was 6-7% while New GAs grew 17% YoY.
- ▶ Excluding DTC and Delhi Integrated Multi-Modal Transit System (DIMTS), CNG sales were 4.415mn kg in Q3FY25, and increased to 4.863mn kg in Q3FY26. DTC sales are likely to be nil by March 2026, while DIMTS sales are INR 130,000kg/day. DIMTS sales may remain in the same range for 2-3 years and then will decline.
- ▶ In Q3FY25, DTC volume was 155,000kg per day and DIMTS was 185,000kg per day.
- ▶ NCR volume growth was also impacted by low bus volume as schools were closed due to pollution.
- ▶ Maharashtra Natural Gas (MNGL) volume was 1.99mscmd in Q3 compared with 1.7mmscmd in Q3FY25.
- ▶ Central UP Gas (CUGL) volume was 0.34mmscmd versus 0.33mscmd in Q3FY25.
- ▶ Sourcing mix was as follows: APM 3.38mmscmd, NWG 0.57mmscmd, HPHT 0.5mmscmd and rest was R-LNG. In Q3, out of RLNG sourcing, ~60% was HH linked and ~40% brent linked, 1-2% was IGX volume and there was nil spot LNG volume.
- ▶ RLNG sourcing is 42-43% of mix and may reach 50% in the future. IGL expects 50% HH linked and 50% brent linked contracts in the future, and it is looking for landed price at 12% slope of Brent crude.

Guidance

- ▶ IGL's volume guidance was 1mmsmd annual growth. Exit rate for Q4FY26 was guided at 10mmscmd. NCR may grow at 8-10% as DTC impact wanes away and outside NCR, GAs would grow at 17-18%. Out of incremental 1mmscmd volume, 60-65% would come from CNG and the rest from PNG.
- ▶ IGL retained its EBITDA/scm guidance of INR 7-8/scm. From the current level, INR 0.75/scm incremental benefit will come from new zonal tariff as the company retained some benefit. Reduction in VAT will contribute INR 0.2-0.25/scm, and Q3FY26 was also impacted by INR 0.3/scm due to provision for labor code impact.

Capex

- ▶ Planned capex is INR 12.5bn in the core segment in FY26 and IGL has already spent INR 8.5bn in 9MFY26. In Delhi, 45% of the capex was spent, in Uttar Pradesh and Haryana, this was 30-35% and 10% respectively. For FY27, INR 12.5-15bn capex is planned in the core segment. Additionally, diversification capex in segment such as renewables, CBG, LNG, etc. is likely to be INR 6-7bn.
- ▶ Out of total capex, 40-45% will go to CNG and the balance on pipelines.
- ▶ IGL plans to setup 80-100 CNG station annually in the next three years.

Other highlights

- ▶ IGL's network includes 3.3mn households, 5,400 industrial customers, 7,400 commercial customers and 925 CNG stations.
- ▶ Two new regulatory developments were positive for the CGD sector. First, VAT of 15% for domestic gas from Gujarat was replaced with 2% CST. Second, which has benefitted IGL, is as per the new zonal tariff, CNG and domestic PNG volume will attract Zone 1 tariff, which is lower than Zone 2 tariff. IGL's GAs were earlier falling under Zones 2 and 3. Benefit from replacement of VAT was realized from December 2025. Gujarat VAT was applicable on 50% of gas sourcing (APM+NWG).
- ▶ Post GST reduction on cars, CNG vehicle addition was 26,000 per month versus 21,000 earlier.
- ▶ IGL has to submit bid by Apr-26 for investment in Saudi Arabia with JV company for the CGD business.

Exhibit 2: Valuation

(INR per share)	
WACC (%)	11.6
PV of FCFF from FY28E to FY36E	80
PV of terminal value	89
EV	170
Add: Net cash of FY27E	4
Equity value for shareholders from standalone operations	174
Value from CUGL & MNGL	22
Target price (INR/share)	195

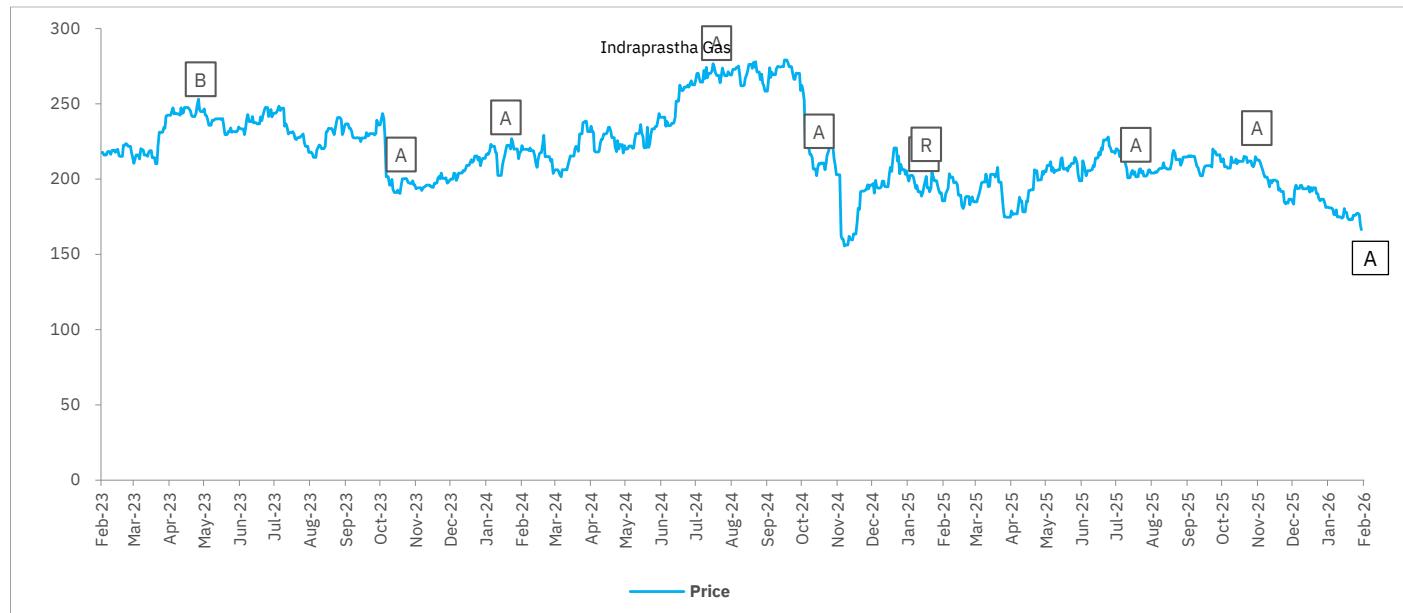
Source: Elara Securities Estimate

Exhibit 3: Change in estimate

(INR mn)	Earlier			Revised			% Change YoY		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	164,065	189,598	208,058	160,370	179,690	196,787	(2.3)	(5.2)	(5.4)
EBITDA	21,357	29,830	32,936	20,563	26,081	29,640	(3.7)	(12.6)	(10.0)
EBITDAM	13.0	15.7	15.8	12.8	14.5	15.1	(19)	(122)	(77)
Net Profit	14,956	20,783	23,215	15,578	18,476	21,084	4.2	(11.1)	(9.2)
EPS (INR)	10.7	14.8	16.6	11.3	13.2	15.1	5.6	(11.1)	(9.2)
TP (INR)	232			195			(16.0)		

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
12-May-2023	Buy	605	490
02-Nov-2023	Accumulate	421	390
01-Feb-2024	Accumulate	499	440
02-Aug-2024	Accumulate	604	538
30-Oct-2024	Accumulate	466	421
18-Nov-2024	Sell	276	325
29-Jan-2025	Reduce	383	390
31-Jan-2025	Reduce	191	195
01-Aug-2025	Accumulate	220	202
14-Nov-2025	Accumulate	232	213
13-Feb-2026	Accumulate	195	167

Guide to Research Rating

BUY (B) Absolute Return >+20%

ACCUMULATE (A) Absolute Return +5% to +20%

REDUCE (R) Absolute Return -5% to +5%

SELL (S) Absolute Return < -5%

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