

January 28, 2025

RESULT REPORT Q3 FY25 | Sector: Energy

# Indraprastha Gas Ltd

## In line EBITDA performance on strong volumes but subdued EBITDA spreads

Indraprastha Gas Limited (IGL) reported an in line Q3FY25 performance, with Rs3.64bn EBITDA being lower 35.5% YoY and 32.1% QoQ. The Rs2.86bn PAT saw 27.1% YoY and 33.7% QoQ decline. Despite beating volume expectations, the realizations were lower than estimated and an elevated gas cost, especially due to lower APM allocation led to eroding EBITDA margins. We maintain an ADD rating on the stock with a revised target price of Rs 438/share (earlier Rs 462).

### Result Highlights

- Performance:** The Rs3.64bn EBITDA (in line with our and consensus estimates on weaker EBITDA spreads), was down 35.5% YoY and 32.1% QoQ, while the Rs2.86bn PAT was down 27.1% YoY and 33.7% QoQ, higher than our estimate of Rs 2.2bn on higher other income. In line EBITDA spreads, outpaced volumes growth on track to meet the company's target exit of ~9.5mmscmd by Q4FY25.
- Volumes** at 9.11mmscmd was up 7.4% YoY and 1% QoQ. CNG volumes were at 6.7mmscmd (our est. 6.6), up 5.9% YoY but down 1.1% QoQ. D-PNG volumes were at 0.72mmscmd (at peak), up 16.8% YoY and 11.3% QoQ. Industrial and commercial sales were at 1.19mmscmd, up 14.4% YoY and 8.8% QoQ, achieving new highs. Haryana sale volumes were 0.50mmscmd, stable at peak levels.
- Gross realization** at Rs44.9/scm, down 1.6% YoY but up 0.6% QoQ. IGL has implemented hikes of Rs1.5-4/kg in regions outside Delhi but has not made any adjustments in Delhi, which accounts for ~70% of its sales volumes. This decision may be influenced by the upcoming elections in the region. The gross realizations are lower than our estimates possibly on higher discounts in CNG segment.
- The **gross margin** was Rs9.73/scm, down 24.8% YoY and 18.5% QoQ. The YoY decrease was due to lower realizations, decreased share of APM, also higher share of sourcing HP/HT and term which are more expensive versus the APM. **Opex**, at Rs5.39/scm, was down 5.7% YoY and 1.5% QoQ. **The EBITDA spread**, at Rs4.34/scm, was down 40% YoY and 32.8% QoQ (in line with our estimate of 4.46) despite lower realizations and marginally lower than estimated gas cost.
- APM Allocation shortfall:** During Q3FY25, the APM gas allocation for the CNG segment was reduced twice, impacting the company's gas sourcing strategy. The reduction from over 70% to 37% was implemented. However effective 16th Jan'25, the APM gas allocation was increased back to 51%, a positive development expected to alleviate sourcing pressures in the coming quarters.
- The **other income** at Rs 1,288mn was up 134% YoY but down 13.8% QoQ possibly on dividend income from its subsidiaries – MNGL and CUGL. **JV contribution:** The contribution of CUGL and MNGL to Indraprastha's PAT was Rs819.1mn in Q3, down 4.5 YoY and 9.5% sequentially.
- 9MFY25 performance:** EBITDA/PAT was at Rs 14.8/11.2bn vs Rs 18.6/13.6bn last year. The volumes at 8.92mmscmd (vs 8.33 last year) up 7.1% YoY, of which CNG was at 6.65mmscmd vs 6.25 (up 6.3% YoY). The EBITDA spread was at Rs 6.04/scm vs 8.14 last year.
- The company has **declared 2nd interim dividend** of Rs 4/share (earlier Rs5.5/share in Q2), ~60% dividend payout on 9MFY25 earnings (pre bonus). Additionally, the company has declared a 1:1 Bonus issue with the record date of 31st Jan'25.

### Valuation

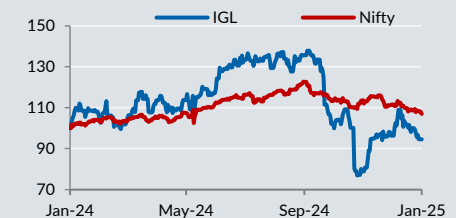
The stock trades at 18.7x/16.2x/14.7 FY25e/26e/27e PER and at 15.1x/13.2x/11.9x excluding investments in CUGL and MNGL. We maintain our ADD rating on the stock, valuing the stock on a PER basis, assigning a 15x multiple with a revised target of Rs438 (incl. value from investments in MNGL, at Rs54/share and, in CUGL, at Rs18/share).

Reco	: ADD
CMP	: Rs 383
Target Price	: Rs 438
Potential Return	: +14.4%

### Stock data (as on Jan 28, 2025)

Nifty	22,957
52 Week h/l (Rs)	570 / 306
Market cap (Rs/USD mn)	264250 / 3055
Outstanding Shares (mn)	700
6m Avg t/o (Rs mn):	1,775
Div yield (%):	2.2
Bloomberg code:	IGL IN
NSE code:	IGL

### Stock performance



	1M	3M	1Y
Absolute return	-1.9%	-5.4%	-5.5%

### Shareholding pattern (As of Dec'24 end)

Promoter	45.0%
FII+DII	47.5%
Others	7.5%

### Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	438	462

### Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	20.5	23.6	26.1
EPS (Old)	23.6	25.5	27.2
% Change	(13.1)	(7.4)	(4.0)

### Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	147.5	156.4	167.7
YoY Growth	5.4	6.0	7.2
EBIDTA	19.4	22.1	24.2
OPM %	13.1	14.1	14.4
PAT	14.4	16.5	18.3
YoY Growth	(17.8)	15.0	10.8
ROE	16.1	16.9	17.1
EPS	20.5	23.6	26.1
P/E	18.7	16.2	14.7
BV	133.2	145.8	159.9
EV/EBITDA	12.9	11.4	10.4

### HARSHRAJ AGGARWAL

Lead Analyst

+91 22 6992 2934 / 35 / 36



Uvais Khatri, Associate

## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	37,591	37,753	37,645	-0.43	-0.14	In line EBITDA performance on strong volumes and subdued EBITDA spreads
EBITDA	3,636	3,615	3,661	0.59	-0.68	
EBITDA Margin (%)	9.67	9.58	9.73	10bps	-5bps	
Adjusted PAT	2,858	2,214	2,532	29.09	12.90	

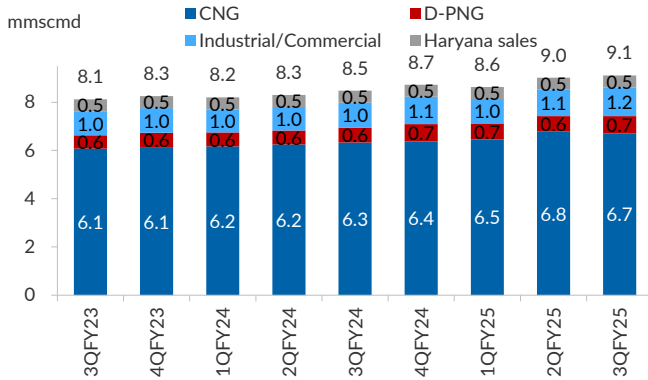
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Revenue	35,562	35,968	35,206	36,973	37,591	5.7	1.7	104,217	109,770	5.3
Expenditure	29,921	30,742	29,388	31,614	33,954	13.5	7.4	85,582	94,956	11.0
- Raw Material	25,459	25,528	24,818	27,068	29,433	15.6	8.7	72,603	81,319	12.0
- Staff Cost	583	660	507	484	502	(13.9)	3.6	1,607	1,493	(7.1)
- Other expenses	3,879	4,555	4,062	4,061	4,020	3.6	(1.0)	11,373	12,143	6.8
Operating Profit	5,641	5,226	5,819	5,359	3,636	(35.5)	(32.1)	18,635	14,814	(20.5)
OPM (%)	15.9	14.5	16.5	14.5	9.7	-619 bps	-482 bps	17.9	13.5	-439 bps
Other Income	550	1,094	727	1,493	1,288	134.2	(13.8)	2,346	3,507	49.5
Depreciation	1,018	1,108	1,143	1,184	1,216	19.4	2.7	3,030	3,543	16.9
Interest	18	26	22	23	21	18.1	(9.9)	66	66	0.3
Excpnl Loss/(Profit)	-	-	-	-	-	na	na	-	-	n.a.
PBT	5,155	5,187	5,380	5,645	3,687	(28.5)	(34.7)	17,885	14,713	(17.7)
Tax	1,235	1,359	1,366	1,334	829	(32.8)	(37.9)	4,232	3,529	(16.6)
PAT	3,921	3,828	4,015	4,311	2,858	(27.1)	(33.7)	13,653	11,184	(18.1)
Adj PAT	3,921	3,828	4,015	4,311	2,858	(27.1)	(33.7)	13,653	11,184	(18.1)

## Exhibit 3: Operating highlights

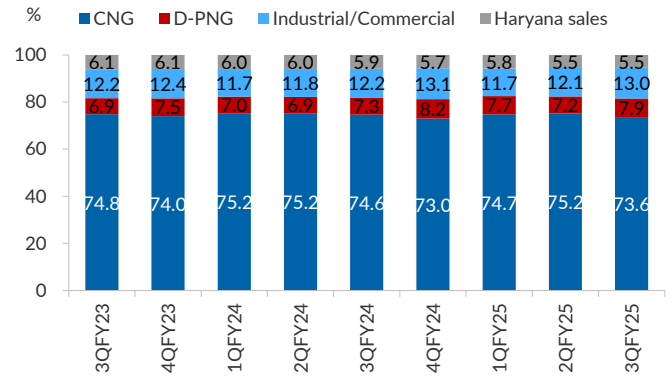
Particulars	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	y/y (%)	q/q (%)	9MFY24	9MFY25	y/y (%)
Volumes (MMSCMD)	8.5	8.7	8.6	9.0	9.11	7.4	1.0	8.33	8.92	7.1
CNG	6.3	6.4	6.5	6.8	6.70	5.9	(1.1)	6.25	6.65	6.3
Domestic	0.6	0.7	0.7	0.6	0.72	16.8	11.3	0.59	0.68	15.1
Industrial/ Commercial	1.0	1.1	1.0	1.1	1.19	14.4	8.8	0.99	1.10	10.6
Haryana Sales	0.5	0.5	0.5	0.5	0.50	0.3	-	0.50	0.50	0.4
Total PNG	2.2	2.4	2.2	2.2	2.41	11.8	7.5	2.08	2.28	9.4
Margins (Rs/scm)										
Revenue	45.6	45.3	44.8	44.6	44.85	(1.6)	0.6	45.50	44.74	(1.7)
GM	12.9	13.1	13.2	11.9	9.73	(24.8)	(18.5)	13.80	11.60	(16.0)
Opex	5.7	6.6	5.8	5.5	5.39	(5.7)	(1.5)	5.67	5.56	(1.9)
EBITDA	7.2	6.6	7.4	6.5	4.34	(40.0)	(32.8)	8.14	6.04	(25.8)
Share of JV PAT (MNGL & CUGL) Rs mn	857.5	815.2	807.7	905.2	819.1	(4.5)	(9.5)	2,595.0	2,532.0	(2.4)
JV Share - EPS	1.2	1.2	1.2	1.3	1.2	(4.5)	(9.5)	3.7	3.6	(2.4)

**Exhibit 4: Volumes**



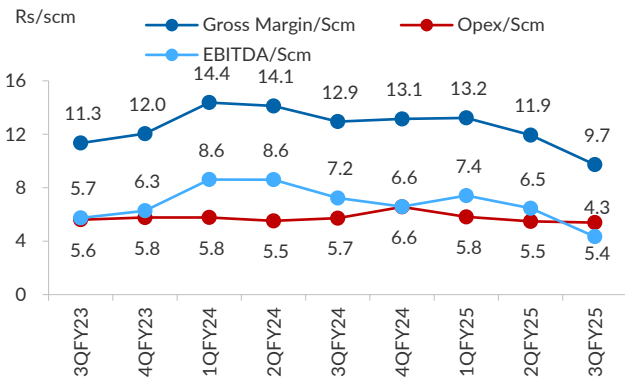
Source: Company, YES Sec

**Exhibit 5: % share of Volumes**



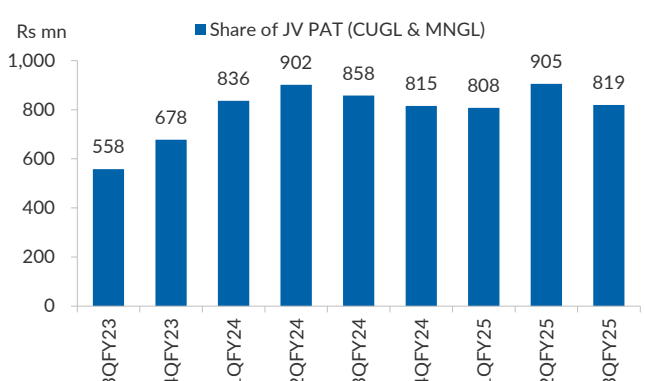
Source: Company, YES Sec

**Exhibit 6: Margins and Opex**



Source: Company, YES Sec

**Exhibit 7: PAT contribution of CUG and MNG**



Source: Company, YES Sec

## CONCALL HIGHLIGHTS

- **Sales and Volume Performance:** Despite initial disruptions from the APM cuts, IGL's Q3FY25 sales volumes are nearing its FY25 exit target of 9.5mmscmd. FY26 targets are set at 10.5mmscmd, driven by 8-10% YoY growth, including contributions from new GAs. Notably, industrial sales surpassed the 1mmscmd mark during the quarter. ~67% of IGL's total CNG sales come from Delhi, ~20% from NCR and the rest by outside areas. In Delhi NCR, overall growth was ~5%, with DTC volumes limiting CNG growth to ~2%. Excluding DTC, CNG volumes in Delhi NCR grew by ~6%. Outside NCR, CNG and PNG volumes grew over 30%, while total CNG volumes saw a 16% YoY growth, supported by ~17,100 new CNG vehicle additions and ~14,700 retrofits.
- **Gas Sourcing:** In Q3FY25, IGL faced challenges with domestic gas allocations. The APM gas supply was reduced by 1.08mmscmd in Oct'24 and another 0.8mmscmd in Nov'24, lowering APM volumes from 5.11mmscmd to 3.23mmscmd. However, the company secured additional volumes from existing suppliers, including: 1mmscmd linked to Henry Hub (5-year contract), 0.65mmscmd initially linked to Henry Hub (for 2 years), later transitioning to Brent linked, with volumes increasing to 1mmscmd over time (~Rs30-40/scm gas cost). In Jan'25, about 1mmscmd of APM gas was restored, with an additional 0.5mmscmd of New Well Gas (NWG) will be allocated in Feb'25. This brings IGL's total available gas to over 9mmscmd, with a 50:50 split between domestic (APM, NWG, HP/HT) and imported RLNG. Spot sourcing comprises ~66% Henry Hub-linked and ~33% oil-linked RLNG.
- **Infrastructure and Customer Base:** IGL continues to expand its infrastructure, operating 892 CNG stations (41% owned by IGL) and maintaining ~28,280km of pipeline (2,280km steel and 26,000+km MDPE). The customer base now includes 2.9mn DPNG households, 5,000 industrial PNG, and 6,600 commercial PNG customers. IGL currently owns ~900 stations in total of which 41% are fully owned, 5% DIMS railways, 54% is OMCs & DODO. There are 400 petrol and diesel stations in Delhi while 500 CNG stations of IGL alone.
- **EBITDA guidance and Pricing Strategy:** The target is to achieve a Rs7-8/scm of EBITDA spreads, IGL requires a Rs2/scm price hike, given that more than 50% of the domestic gas allocation has been restored. The company remains optimistic about maintaining sustainable EBITDA levels with a balanced domestic and RLNG sourcing mix.
- **Volume from new GAs:** Volumes from newer GAs have shown steady growth, with CNG contributing 0.6-0.7mmscmd. In addition, domestic PNG connections are adding ~2 lakh households, and industrial and commercial (I&C) segments are also gaining traction, further bolstering overall volumes. These newer GAs are expected to play a critical role in achieving future growth targets.
- **Capex Plans:** FY25 capex is projected at Rs13-15bn, including diversification initiatives like LNG and CBG. Under the CBG program, IGL plans to commission 10 plants over the next 5-6 months, with Rs3bn allocated to this segment.
- **Interest and Depreciation:** Interest expenses remain negligible due to the company's efficient capital structure. Depreciation for Q3FY25 stood at Rs1.2bn, reflecting a YoY increase. Depreciation is expected to rise to ~Rs1.4bn by the same period next year as asset additions continue.
- **Tax Structure Challenges:** The high VAT (15%) on RLNG and domestic APM gas in Gujarat remains a concern, as does the double taxation issue when gas is transported interstate. CNG is taxed at varying VAT rates across states (e.g., 0% in Delhi and 12.5% in Uttar Pradesh), which increases operational complexities. Inclusion of natural gas under GST would reduce tax burdens and improve input credit availability.
- **LNG and CBG Progress:** IGL has one operational LNG station in Ajmer (~10,000scm/day sales), with three more stations (two in NCR and one in Rewari) in advanced stages of commissioning. For CBG, five to six plants are under construction, with commissioning expected to begin in the next few months.

## VIEW & VALUATION

### ADD with a TP of Rs 438/sh.

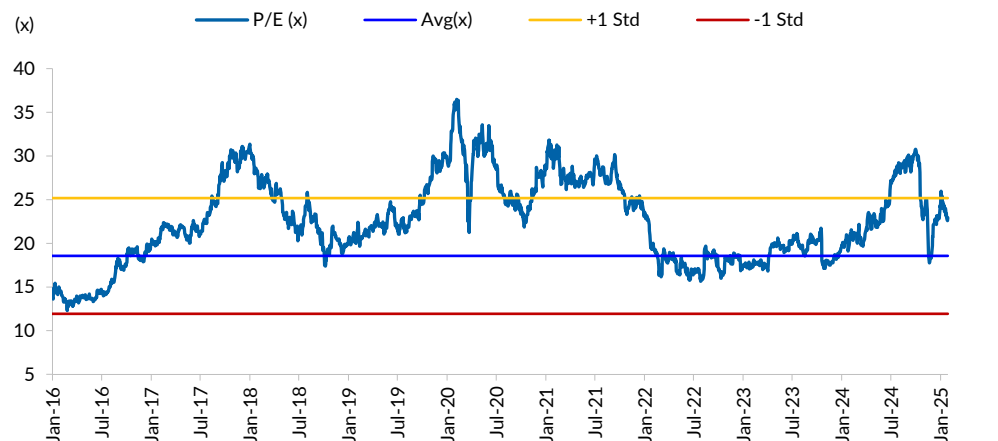
We expect a 6.4% volume CAGR over FY25-FY27 with a spread of Rs5.9-6.5/scm. Delhi is growing at 1-2% annually as the volumes have been impacted by decrease in DTC buses volumes. GautamBudh Nagar and Ghaziabad growing by 10-20% and areas outside these are growing in the range of 10-20% while seeing exponential growth on lower bases. EVs are planned to take the place of the retired DTC buses (which contributes ~18% to the volumes) and it would have a negative impact on IGL volumes.

The stock trades at 18.7x/16.2x/14.6 FY25e/26e/27e PER and at 15.1x/13.2x/11.9x excluding investments in CUGL and MNGL. We maintain our ADD rating on the stock, valuing the stock on a PER basis, assigning a 15x multiple with a revised target of Rs438 (incl. value from investments in MNGL, at Rs54/share and, in CUGL, atRs18/share).

### Exhibit 8: Valuation table

	FY27E
<b>EPS (Rs/share)</b>	
Standalone Earnings (net of dividend from Investments)	24.0
MNGL	3.5
CUGL	1.2
<b>Consolidated EPS</b>	<b>26.7</b>
<b>PE Multiple (x)</b>	
Standalone Earnings	15.0
MNGL	15.0
CUGL	15.0
<b>Fair Value (x)</b>	
Standalone Earnings	366
MNGL	54
CUGL	18
<b>Target Price</b>	<b>438</b>

### Exhibit 9: PER (x) band, one-year-forward



Source: Company, YES Sec

## FINANCIALS

### Exhibit 10: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	77,100	141,327	140,000	147,547	156,421	167,685
Total Expense	58,289	121,072	116,332	128,151	134,365	143,491
<b>Operating Profit</b>	<b>18,811</b>	<b>20,256</b>	<b>23,669</b>	<b>19,396</b>	<b>22,055</b>	<b>24,194</b>
Other Income	2,150	2,762	3,632	3,995	4,395	4,834
Depreciation	3,171	3,634	4,138	4,344	4,562	4,790
EBIT	17,791	19,384	23,163	19,047	21,889	24,238
Interest	132	106	92	92	92	92
Extraordinary Item	-	-	-	-	-	-
<b>PBT</b>	<b>17,659</b>	<b>19,278</b>	<b>23,072</b>	<b>18,955</b>	<b>21,797</b>	<b>24,147</b>
Tax	4,509	4,827	5,591	4,593	5,282	5,851
<b>PAT</b>	<b>13,150</b>	<b>14,451</b>	<b>17,481</b>	<b>14,362</b>	<b>16,515</b>	<b>18,295</b>
Adj. PAT	13,150	14,451	17,481	14,362	16,515	18,295
Eps	18.8	20.6	25.0	20.5	23.6	26.1

### Exhibit 11: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	1,400	1,400	1,400	1,400	1,400	1,400
Reserves	67,962	69,466	84,117	91,829	100,644	110,540
<b>Net worth</b>	<b>69,362</b>	<b>70,866</b>	<b>85,517</b>	<b>93,229</b>	<b>102,044</b>	<b>111,940</b>
Debt	-	-	-	-	-	-
Deferred tax liab (net)	2,737	3,168	3,695	3,695	3,695	3,695
<b>Capital Employed</b>	<b>72,098</b>	<b>74,033</b>	<b>89,213</b>	<b>96,925</b>	<b>105,740</b>	<b>115,635</b>
Fixed assets	63,803	71,673	79,954	91,752	102,615	112,543
Investments	19,758	6,773	14,551	14,551	14,551	14,551
Net working capital	(11,463)	(4,412)	(5,292)	(9,379)	(11,427)	(11,460)
Inventories	455	492	522	550	584	626
Sundry debtors	5,206	9,034	10,185	10,734	11,380	12,199
Cash & Bank Balance	13,616	26,332	21,493	18,189	16,300	16,623
Other current assets	1,685	3,483	4,501	4,524	4,552	4,586
Sundry creditors	7,861	9,013	9,842	10,885	11,350	12,093
Other liabilities	24,564	34,739	32,151	32,491	32,892	33,401
<b>Application of Funds</b>	<b>72,098</b>	<b>74,033</b>	<b>89,213</b>	<b>96,925</b>	<b>105,740</b>	<b>115,635</b>

## Exhibit 12: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	17,659	19,277	23,072	18,955	21,797	24,147
Depreciation & amortization	3,171	3,634	4,138	4,344	4,562	4,790
Interest expense	90	87	68	92	92	92
(Inc)/Dec in working capital	(921)	(1,769)	(2,537)	-	-	-
Tax paid	3,777	6,469	(3,828)	783	159	356
Less: Interest/Dividend Income Received	(3,759)	(4,833)	(4,871)	(4,593)	(5,282)	(5,851)
Other operating Cash Flow	(1,038)	(558)	(685)	-	-	-
<b>Cash flow from operating activities</b>	<b>18,979</b>	<b>22,306</b>	<b>15,357</b>	<b>19,581</b>	<b>21,327</b>	<b>23,532</b>
Capital expenditure	(13,370)	(12,221)	(12,021)	(16,143)	(15,425)	(14,718)
Inc/(Dec) in investments	798	1,618	2,096	-	-	-
Add: Interest/Dividend Income Received	(3,276)	2,189	(1,022)	-	-	-
<b>Cash flow from investing activities</b>	<b>(15,848)</b>	<b>(8,414)</b>	<b>(10,948)</b>	<b>(16,143)</b>	<b>(15,425)</b>	<b>(14,718)</b>
Inc/(Dec) in share capital	-	-	-	-	-	-
Inc/(Dec) in debt	(765)	(551)	(472)	-	-	-
Interest Paid	-	(87)	(68)	(92)	(92)	(92)
Dividend Paid	(2,519)	(12,948)	(2,797)	(6,650)	(7,700)	(8,400)
Others	-	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(3,285)</b>	<b>(13,586)</b>	<b>(3,337)</b>	<b>(6,742)</b>	<b>(7,792)</b>	<b>(8,492)</b>
<b>Net cash flow</b>	<b>(153)</b>	<b>306</b>	<b>1,072</b>	<b>(3,303)</b>	<b>(1,889)</b>	<b>323</b>

## Exhibit 13: Du-pont analysis

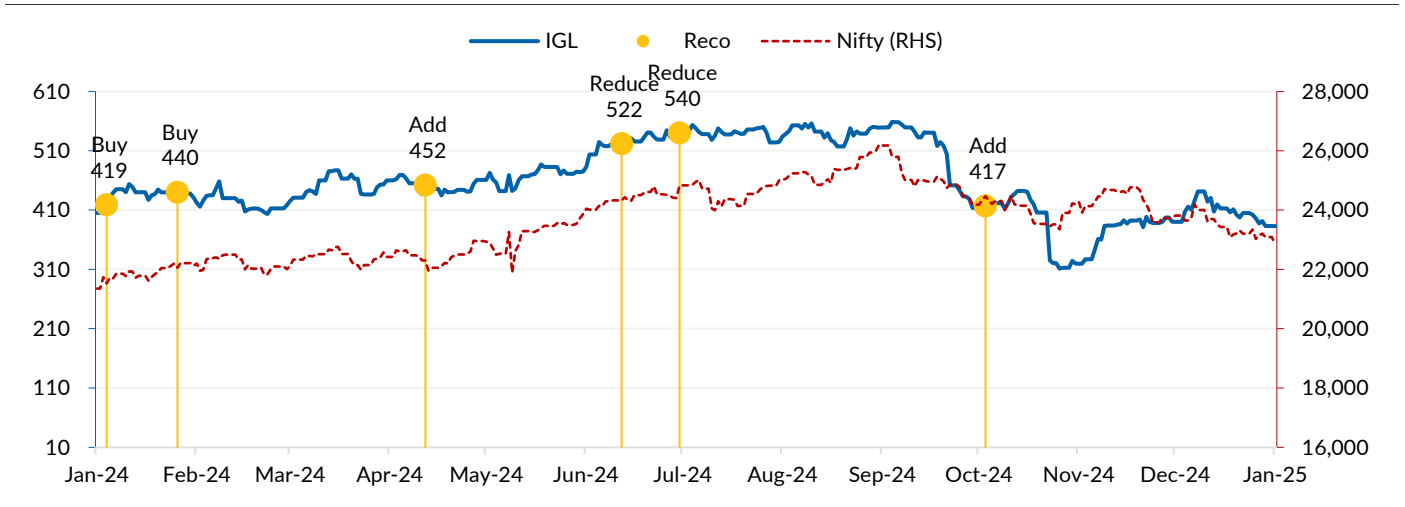
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.7	0.7	0.8	0.8	0.8	0.8
Interest burden (x)	1.0	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.1	0.2	0.1	0.1	0.1
Asset turnover (x)	0.8	1.3	1.1	1.1	1.1	1.1
Financial leverage (x)	1.5	1.6	1.6	1.5	1.5	1.5
<b>RoE (%)</b>	<b>20.5</b>	<b>20.6</b>	<b>22.4</b>	<b>16.1</b>	<b>16.9</b>	<b>17.1</b>

## Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>						
Revenue growth	56.0	83.3	(0.9)	5.4	6.0	7.2
Op profit growth	26.8	7.7	16.8	(18.1)	13.7	9.7
EBIT growth	32.5	9.0	19.5	(17.8)	14.9	10.7
Net profit growth	30.8	9.9	21.0	(17.8)	15.0	10.8
<b>Profitability ratios (%)</b>						
OPM	24.4	14.3	16.9	13.1	14.1	14.4
EBIT margin	23.1	13.7	16.5	12.9	14.0	14.5
Net profit margin	17.1	10.2	12.5	9.7	10.6	10.9
RoCE	26.7	26.5	28.4	20.5	21.6	21.9
RoE	20.5	20.6	22.4	16.1	16.9	17.1
RoA	13.8	13.0	14.0	10.6	11.4	11.8
<b>Per share ratios</b>						
EPS	18.8	20.6	25.0	20.5	23.6	26.1
Dividend per share	5.5	13.0	9.0	9.5	11.0	12.0
Cash EPS	23.3	25.8	30.9	26.7	30.1	33.0
Book value per share	99.1	101.2	122.2	133.2	145.8	159.9
<b>Valuation ratios</b>						
P/E	20.4	18.6	15.3	18.7	16.2	14.7
P/CEPS	16.4	14.8	12.4	14.3	12.7	11.6
P/B	3.9	3.8	3.1	2.9	2.6	2.4
EV/EBIDTA	13.5	11.9	10.4	12.9	11.4	10.4
<b>Payout (%)</b>						
Dividend payout	29.3	63.0	36.0	46.3	46.6	45.9
Tax payout	25.5	25.0	24.2	24.2	24.2	24.2
<b>Liquidity ratios</b>						
Debtor days	24.6	23.3	26.6	26.6	26.6	26.6
Inventory days	2.9	1.4	1.6	1.5	1.5	1.5
Creditor days	37.7	25.4	29.6	29.5	30.2	29.8



## Recommendation Tracker



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