

July 26, 2024

RESULT REPORT Q1 FY25 | Sector: Energy

Indraprastha Gas Ltd

Performance better on higher EBITDA spreads while volumes growth a big disappointment

Our View

Indraprastha Gas Limited (IGL) reported a marginally better than expected Q1FY25 performance, with Rs5.8bn EBITDA being lower 9.4% YoY but up 11.3% QoQ. The Rs4bn PAT demonstrated 8.4% YoY de-growth but experienced a 4.9% QoQ increase. Despite meeting volume expectations, the realizations were better and lower than estimated opex lead to better EBITDA margins. With the stock trading expensive, we maintain our rating of REDUCE with an unchanged target price of Rs 500/share.

Result Highlights

- **Performance:** The Rs5.8bn EBITDA (above our and consensus estimates on higher EBITDA spreads) was down 9.4% YoY and up 11.3% QoQ, while the Rs4bn PAT was down 8.4% YoY and up 4.9% QoQ, higher than our estimates of Rs 3.3bn. Overall strong performance on higher than expected EBITDA spreads but volumes growth a big disappointment given that the management in last quarter concall had highlighted a number of close to 9mmscmd.
- **Volumes** at 8.63mmscmd was up 5.3% YoY but down 1.1% QoQ. CNG volumes were at 6.45mmscmd (our est. 6.53), up 4.6% YoY, 1.2% QoQ. D-PNG volumes were at 0.67mmscmd, up 16% YoY but down 6.8% QoQ. Industrial and commercial sales were 1.01mmscmd, up 5.6% YoY and down 11.2% QoQ. Haryana sale volumes were 0.50mmscmd, stable at peak levels.
- The **gross margin** was Rs13.2/scm, down 8% YoY and flat QoQ. The YoY decrease was due to price cuts and a decreased share of APM, also higher share of sourcing HP/HT and term which are more expensive versus APM.
- **Opex**, at Rs5.8/scm, was flat YoY and down 11.4% QoQ.
- **The EBITDA spread**, at Rs7.4/scm, was down 14% YoY, but up 12.6% QoQ (higher than our estimate of 6.1) supported by lower opex and marginally lower than estimated gas cost.
- The **other income** at Rs 727mn was up 59.2% YoY and down 33.6% QoQ.
- **JV contribution.** The contribution of CUGL and MNGL to Indraprastha's PAT was Rs807.7mn in Q1, down 3.4% YoY from Rs835.9mn in Q1FY24 and down 0.9% QoQ.

Valuation

We expect an 7.4% volume CAGR over FY24-FY26 with a spread of Rs7.5-7.6/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 10-15% and areas outside these are growing in the range of 10-15% 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.

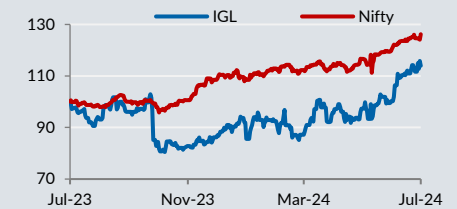
The stock trades at 20.4x/18.7x FY25e/26e PER and at 16.9x/15.5x excluding investments in CUGL and MNGL. We maintain our rating of REDUCE, valuing the stock on a PER basis, assigning an 15x multiple at an unchanged target of Rs500 (incl. value from investments in MNGL, at Rs70/sh and, in CUGL, atRs22/sh).

Reco	: REDUCE
CMP	: Rs 540
Target Price	: Rs 500
Potential Return	: -8%

Stock data (as on Jul 26, 2024)

Nifty	24,839
52 Week h/l (Rs)	553 / 376
Market cap (Rs/USD mn)	384160 / 4590
Outstanding Shares (mn)	700
6m Avg t/o (Rs mn):	1,358
Div yield (%):	1.9
Bloomberg code:	IGL IN
NSE code:	IGL

Stock performance



	1M	3M	1Y
Absolute return	13.6%	17.3%	14.9%

Shareholding pattern (As of Mar '24 end)

Promoter	45.0%
FII+DII	46.1%
Others	9.0%

Δ in stance

(1-Yr)	New	Old
Rating	REDUCE	REDUCE
Target Price	500	500

Δ in estimates

(1-Yr)	FY25e	FY26E
EPS (New)	26.5	28.8
EPS (Old)	26.5	28.8
% Change	-	-

Financial Summary

(Rs bn)	FY24	FY25E	FY26E
Revenue	140.0	141.3	154.6
YoY Growth	(1.0)	1.0	9.4
EBIDTA	23.7	24.9	26.9
OPM %	16.9	17.6	17.4
PAT	17.5	18.5	20.2
YoY Growth	21.0	6.0	9.0
ROE	22.4	20.3	19.6
EPS	25.0	26.5	28.8
P/E	21.6	20.4	18.7
BV	122.2	138.6	156.5
EV/EBITDA	15.1	14.1	12.8

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Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	35,206	36,181	36,346	-2.69	-3.14	Performance better than expectation on higher EBITDA spreads while volumes growth a big disappointment
EBITDA	5,819	4,960	5,456	17.32	6.65	
EBITDA Margin (%)	16.53	13.71	15.01	282bps	152bps	
Adjusted PAT	4,015	3,282	3,816	22.33	5.20	

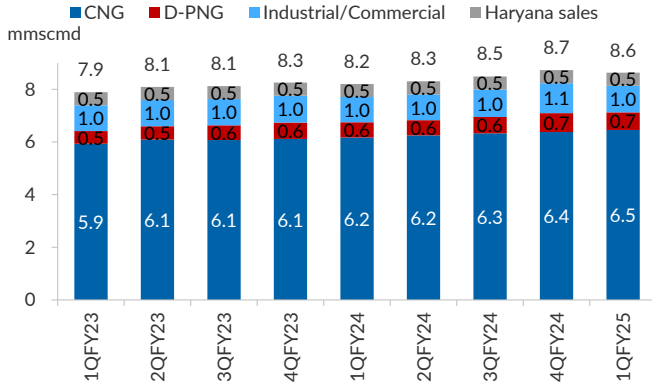
Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Revenue	34,070	34,585	35,562	35,968	35,206	3.3	(2.1)	141,459	140,185	(0.9)
Expenditure	27,646	28,016	29,921	30,742	29,388	6.3	(4.4)	121,061	116,325	(3.9)
-Raw Material	23,341	23,803	25,459	25,528	24,818	6.3	(2.8)	104,360	98,131	(6.0)
-Staff Cost	508	516	583	660	507	(0.3)	(23.1)	1,882	2,266	20.4
- Other expenses	3,797	3,697	3,879	4,555	4,062	7.0	(10.8)	14,819	15,928	7.5
Operating Profit	6,424	6,569	5,641	5,226	5,819	(9.4)	11.3	20,398	23,860	17.0
OPM(%)	18.9	19.0	15.9	14.5	16.5	-233 bps	200 bps	14.4	17.0	260 bps
Other Income	457	1,340	550	1,094	727	59.2	(33.6)	2,619	3,441	31.4
Depreciation	989	1,022	1,018	1,108	1,143	15.5	3.2	3,634	4,138	13.9
Interest	24	25	18	26	22	(6.8)	(13.3)	106	92	(13.6)
Excpnl Loss/(Profit)	-	-	-	-	-	na	na	-	-	n.a.
PBT	5,867	6,862	5,155	5,187	5,380	(8.3)	3.7	19,277	23,072	19.7
Tax	1,483	1,514	1,235	1,359	1,366	(7.9)	0.5	4,827	5,591	15.8
PAT	4,384	5,348	3,921	3,828	4,015	(8.4)	4.9	14,450	17,481	21.0
Adj PAT	4,384	5,348	3,921	3,828	4,015	(8.4)	4.9	14,450	17,481	21.0

Exhibit 3: Operating highlights

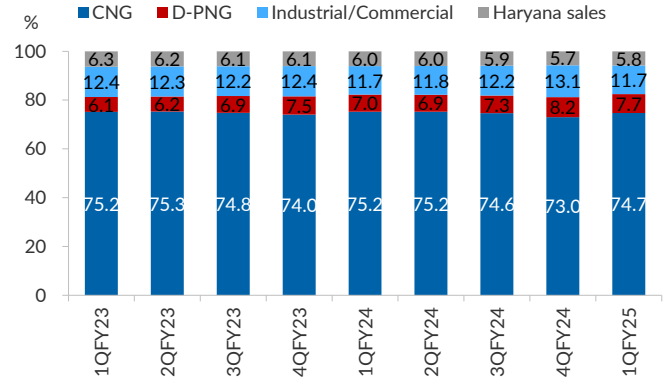
Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Volumes (MMSCMD)	8.2	8.3	8.5	8.7	8.6	5.3	(1.1)	8.1	8.4	4.2
CNG	6.2	6.2	6.3	6.4	6.5	4.6	1.2	6.1	6.3	3.8
Domestic	0.6	0.6	0.6	0.7	0.7	16.0	(6.8)	0.5	0.6	15.1
Industrial/ Commercial	1.0	1.0	1.0	1.1	1.0	5.6	(11.2)	1.0	1.0	3.1
Haryana Sales	0.5	0.5	0.5	0.5	0.5	1.0	0.4	0.5	0.5	(0.2)
Total PNG	2.0	2.1	2.2	2.4	2.2	7.4	(7.4)	2.0	2.1	5.5
Margins (Rs/scm)										
Revenue	45.7	45.3	45.6	45.3	44.8	(1.8)	(1.0)	47.9	45.4	(5.2)
GM	14.4	14.1	12.9	13.1	13.2	(8.0)	0.6	12.6	13.6	8.5
Opex	5.8	5.5	5.7	6.6	5.8	0.8	(11.4)	5.7	5.9	4.3
EBITDA	8.6	8.6	7.2	6.6	7.4	(14.0)	12.6	6.9	7.7	12.0
Share of JV PAT (MNGL & CUGL) Rs mn	835.9	901.6	857.5	815.2	807.7	(3.4)	(0.9)	2,536.3	3,410.2	34.5
JV Share - EPS	1.2	1.3	1.2	1.2	1.2	(3.4)	(0.9)	3.6	4.9	34.5

Exhibit 4: Volumes



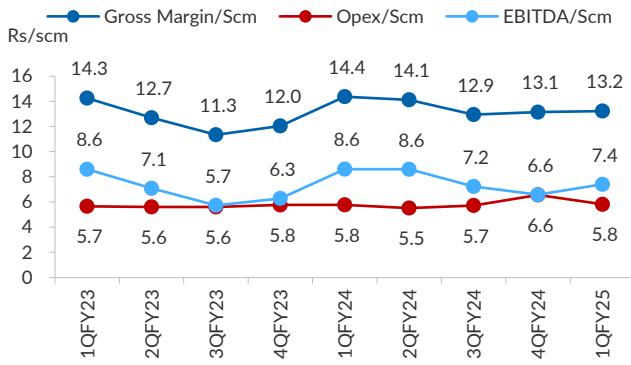
Source: Company, YES Sec

Exhibit 5: % share of Volumes



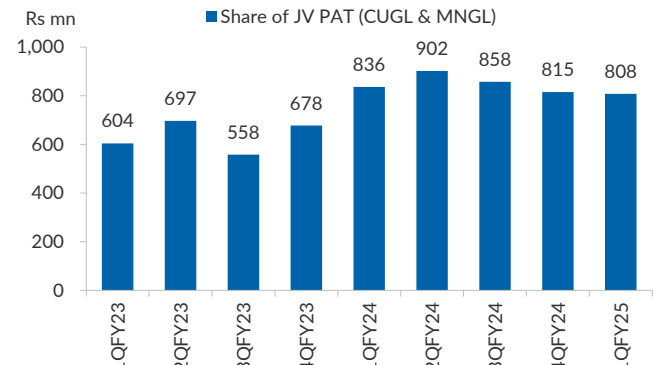
Source: Company, YES Sec

Exhibit 6: Margins and Opex



Source: Company, YES Sec

Exhibit 7: PAT contribution of CUG and MNG



Source: Company, YES Sec

CONCALL HIGHLIGHTS

- **CNG Sales:** Of total CNG volumes, 70% are from Delhi, 30% is non-Delhi. Delhi growth was flat as the volumes have been impacted by decrease in DTC buses volumes. DTC bus segment consumption has come down to 1.5lakh kg/day in 1QFY25 (or around 3% of current CNG volume), from earlier 2.14lakh kg/day in FY24 and 3.1lakh kg/day in FY23. The DTC volume is likely to become NIL in next 2-3 years as per stated policy of Delhi govt. The discount to DTC buses is higher at around Rs5/kg as a bulk discount given they have provided land to set up CNG outlet at DTC station. In Q1 this resulting in rise in IGL's average realization as DTC volumes were down. The management highlighted that Q1 is seasonally weak quarter for IGL due to shutdown of school buses and PNG demand also a bit weak as people go out of Delhi during summer holidays.
- **Volume breakup by State:** State wise volume breakup for Q1FY25 – Delhi: 5.26mmcmd; UP: 2.14mmcmd, Haryana: 0.66mmcmd; and Rajasthan: 0.1mmcmd.
- **Sales growth breakup:** A break-up of YoY sales volume growth in Q1FY25 with Delhi: + 1% YoY due to decline in CNG sales to DTC buses; UP: +14% YoY; Haryana: +12% YoY; Rajasthan over 100% YoY due to low base.
- **CNG volume break-up:** 42% private vehicle; Taxi 13%, Auto 10%, Light good vehicles (LCVs) 18%; and 18% is buses.
- **Gas allocation and sourcing:** During the quarter, APM allocation for CNG and domestic PNG has decreased to 62% including HP/HT, remaining 38% is R-LNG. Of this 38%, HP/HT is 0.4mmcmd, some portion was sourced from IGX/other exchanges and balance from LNG via spot/medium/long term contracts. Out of 2.5mmcmd of medium to long term LNG, ~60% is HH linked and 40% is Brent linked.
- **EBITDA spread guidance:** The management highlighted that they are committed to uphold an EBITDA margin in the range of Rs7-Rs8.5/scm and remain flexible in adjusting prices to address margin fluctuations in an annual. In Q2FY25, expect over Rs8/scm of EBITDA spread given recent Rs1/kg hike in CNG price on 22nd Jun'24.
- **Volume guidance:** The management is confident of 8-10% YoY growth in CNG volume in 2QFY25, also highlight a volume guidance to exit Q4FY25 at ~9.5mmcmd vs earlier guidance for average FY25 volume of 9.5mmcmd. Targeting for 10-12% volume CAGR in next 5-6 years which would be supported by an expansion into new GA's, rise in inter-state buses and gradual commissioning of LNG retail outlet for LNG sales for long haul LNG trucks (IGL has tied up with CONCOR for their truck fleet for using LNG, initial 100 trucks). Industrial segment and is looking at some formula linked pricing for Industrial segment to give customers visibility of better economics for gas vs alternative liquid fuels.
- **New 2-W demand:** the management is hopeful of good demand potential from 2-wheeler CNG segment with Bajaj having launched 2-wheeler CNG bike and TVS also showing interest for the same.
- **Capex:** For FY25 IGL is targeting total Rs 17-18bn and has spent Rs3bn in Q1. They are targeting to add 90 CNG stations on a current 882 base. There is also a plan to set up 10 CBG plants in own GA's with potential capex of Rs3-3.5bn along with JV partners; and expect use this CBG gas as it could be cheaper than APM gas and will save on transportation cost and lower taxes.

VIEW & VALUATION

REDUCE with a TP of Rs 500/sh.

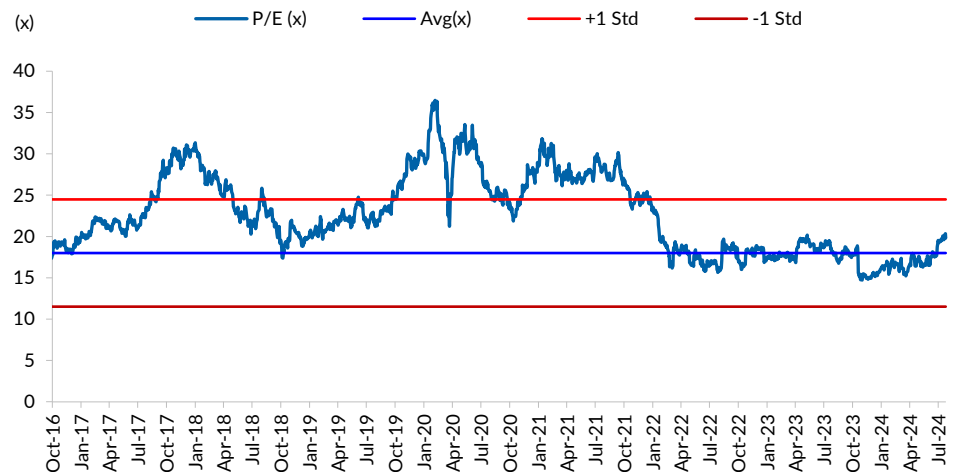
We expect an 7.4% volume CAGR over FY24-FY26 with a spread of Rs7.5–7.6/scm. Delhi is growing at 1-2% annually as the volumes have been impacted by decrease in DTC buses volumes. GautamBudh Nagar and Ghaziabad growing by 10-15% and areas outside these are growing in the range of 10-15% while seeing exponential 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 20.4x/18.7x FY25e/26e PER and at 16.9x/15.5x excluding investments in CUGL and MNGL. We maintain our rating of REDUCE, valuing the stock on a PER basis, assigning an 15x multiple at an unchanged target of Rs500 (incl. value from investments in MNGL, at Rs70/sh and, in CUGL, atRs22/sh).

Exhibit 8: Valuation table

FY26E	
EPS (Rs/share)	
Standalone Earnings (net of dividend from Investments)	27.2
MNGL	4.7
CUGL	1.5
Consolidated EPS	33.3
PE Multiple (x)	
Standalone Earnings	15.0
MNGL	15.0
CUGL	15.0
Fair Value (x)	
Standalone Earnings	408
MNGL	70
CUGL	22
Target Price	500

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
Revenue	77,100	141,459	140,000	141,346	154,571
Total Expense	58,289	121,061	116,332	116,454	127,660
Operating Profit	18,811	20,398	23,669	24,891	26,911
Other Income	2,150	2,619	3,632	3,995	4,395
Depreciation	3,171	3,634	4,138	4,344	4,562
EBIT	17,791	19,383	23,163	24,542	26,744
Interest	132	106	92	92	92
Extraordinary Item	-	-	-	-	-
PBT	17,659	19,277	23,072	24,451	26,653
Tax	4,509	4,827	5,591	5,925	6,459
PAT	13,150	14,450	17,481	18,526	20,194
Adj. PAT	13,150	14,450	17,481	18,526	20,194
Eps	18.8	20.6	25.0	26.5	28.8

Exhibit 11: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	1,400	1,400	1,400	1,400	1,400
Reserves	67,962	69,466	84,117	95,643	108,137
Net worth	69,362	70,866	85,517	97,043	109,537
Debt	-	-	-	-	-
Deferred tax liab (net)	2,737	3,168	3,695	3,695	3,695
Capital Employed	72,098	74,033	89,213	100,739	113,233
Fixed assets	63,803	71,673	79,954	86,612	93,362
Investments	19,758	6,773	14,551	14,551	14,551
Net working capital	(11,463)	(4,412)	(5,292)	(425)	5,319
Inventories	455	492	522	527	577
Sundry debtors	5,206	9,034	10,185	10,283	11,245
Cash & Bank Balance	13,616	26,332	21,493	26,107	32,310
Other current assets	1,685	3,456	4,501	4,505	4,546
Sundry creditors	7,861	9,013	9,842	9,636	10,550
Other liabilities	24,564	34,713	32,151	32,211	32,809
Application of Funds	72,098	74,033	89,213	100,739	113,233

Exhibit 12: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	17,659	19,283	23,072	24,451	26,653
Depreciation & amortization	3,171	3,634	4,138	4,344	4,562
Interest expense	(132)	(106)	68	92	92
(Inc)/Dec in working capital	3,777	6,469	(2,537)	-	-
Tax paid	(3,759)	(4,833)	(3,828)	(253)	459
Less: Interest/Dividend Income Received	(384)	(590)	(4,871)	(5,925)	(6,459)
Other operating Cash Flow	(1,038)	(564)	(685)	-	-
Cash flow from operating activities	18,979	22,306	15,357	22,709	25,307
Capital expenditure	(13,370)	(11,221)	(12,021)	(11,003)	(11,312)
Inc/(Dec) in investments	(829)	13,599	2,096	-	-
Add: Interest/Dividend Income Received	(1,649)	(10,792)	(1,022)	-	-
Cash flow from investing activities	(15,848)	(8,414)	(10,948)	(11,003)	(11,312)
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(765)	(638)	(472)	-	-
Interest Paid	-	(87)	(68)	(92)	(92)
Dividend Paid	(2,519)	(12,948)	(2,797)	(7,000)	(7,700)
Others	-	-	-	-	-
Cash flow from financing activities	(3,285)	(13,586)	(3,337)	(7,092)	(7,792)
Net cash flow	(153)	306	1,072	4,614	6,203

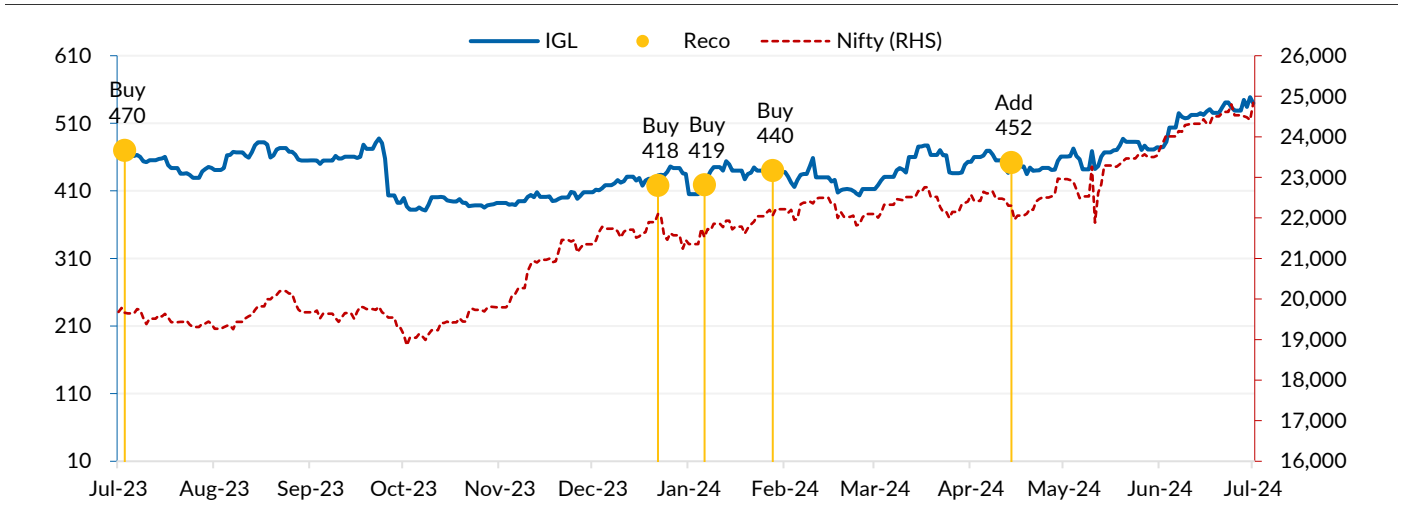
Exhibit 13: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.7	0.7	0.8	0.8	0.8
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.1	0.2	0.2	0.2
Asset turnover (x)	0.8	1.3	1.1	1.0	1.0
Financial leverage (x)	1.5	1.6	1.6	1.5	1.4
RoE (%)	20.5	20.6	22.4	20.3	19.6

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth matrix (%)					
Revenue growth	56.0	83.5	(1.0)	1.0	9.4
Op profit growth	26.8	8.4	16.0	5.2	8.1
EBIT growth	32.5	9.0	19.5	6.0	9.0
Net profit growth	30.8	9.9	21.0	6.0	9.0
Profitability ratios (%)					
OPM	24.4	14.4	16.9	17.6	17.4
EBIT margin	23.1	13.7	16.5	17.4	17.3
Net profit margin	17.1	10.2	12.5	13.1	13.1
RoCE	26.7	26.5	28.4	25.8	25.0
RoE	20.5	20.6	22.4	20.3	19.6
RoA	13.8	13.0	14.0	13.5	13.5
Per share ratios					
EPS	18.8	20.6	25.0	26.5	28.8
Dividend per share	5.5	13.0	9.0	10.0	11.0
Cash EPS	23.3	25.8	30.9	32.7	35.4
Book value per share	99.1	101.2	122.2	138.6	156.5
Valuation ratios					
P/E	28.7	26.2	21.6	20.4	18.7
P/CEPS	23.2	20.9	17.5	16.5	15.3
P/B	5.4	5.3	4.4	3.9	3.5
EV/EBIDTA	19.4	17.2	15.1	14.1	12.8
Payout (%)					
Dividend payout	29.3	63.0	36.0	37.8	38.1
Tax payout	25.5	25.0	24.2	24.2	24.2
Liquidity ratios					
Debtor days	24.6	23.3	26.6	26.6	26.6
Inventory days	2.9	1.4	1.6	1.6	1.6
Creditor days	37.7	25.4	29.6	30.5	28.9

Recommendation Tracker



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