

October 30, 2024

Q2FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		SELL	
Target Price	402		407	
Sales (Rs. bn)	149	159	149	159
% Chng.	(0.1)	0.2		
EBITDA (Rs. bn)	23	25	25	27
% Chng.	(7.4)	(7.3)		
EPS (Rs.)	22.3	24.1	24.5	26.5
% Chng.	(9.0)	(9.0)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	140	139	149	159
EBITDA (Rs. bn)	24	22	23	25
Margin (%)	16.9	16.1	15.5	15.5
PAT (Rs. bn)	19	15	16	17
EPS (Rs.)	26.9	21.9	22.3	24.1
Gr. (%)	30.2	(18.4)	1.7	7.9
DPS (Rs.)	9.0	9.3	9.4	10.2
Yield (%)	2.2	2.2	2.3	2.4
RoE (%)	24.1	17.1	15.8	15.6
RoCE (%)	25.0	19.8	18.5	18.4
EV/Sales (x)	1.9	1.9	1.8	1.7
EV/EBITDA (x)	11.4	12.0	11.7	10.8
PE (x)	15.5	19.0	18.7	17.3
P/BV (x)	3.4	3.1	2.8	2.6

Key Data

IGAS.BO | IGL IN

52-W High / Low	Rs.571 / Rs.376
Sensex / Nifty	80,369 / 24,467
Market Cap	Rs.292bn/ \$ 3,473m
Shares Outstanding	700m
3M Avg. Daily Value	Rs.1281.36m

Shareholding Pattern (%)

Promoter's	45.00
Foreign	16.16
Domestic Institution	25.10
Public & Others	13.74
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(24.1)	(9.7)	9.2
Relative	(19.2)	(16.1)	(13.4)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Payal Shah

payalshah@plindia.com |

Strong volume growth, miss on margins

Quick Pointers:

- Strong volume growth of 8.7% YoY led by 7% growth from Delhi and 29% from newer GAs
- EBITDA/scm of Rs6.5 due to higher sourcing cost

We upgrade the rating from 'SELL' to 'HOLD' post correction in stock price with a TP of Rs402 based on 15x avg FY26-27E standalone EPS and adding the value of investments. Indraprastha Gas (IGL) reported lower-than-expected Q2 results with EBITDA of Rs5.4bn (down 7.9% QoQ, PLe: Rs6.1bn, BBGe: Rs6.3bn) and PAT of Rs4.3bn (PLe: Rs4.4bn, BBGe: Rs4.7bn), up 7.4% QoQ aided by higher other income. While volume growth came in strong at 8.7% YoY, EBITDA/scm was lower than expected at Rs6.5, down 12.8% QoQ. The company is evaluating various sourcing options post the cut in APM allocation, and some price hike can be expected. Going ahead, we build in a conservative volume growth CAGR of 7% over FY24-27E with an EBITDA/scm of Rs6.5 for FY26/27E. The stock is currently trading at 17.2x/15.9x FY25/26 EPS. Upgrade to 'HOLD'.

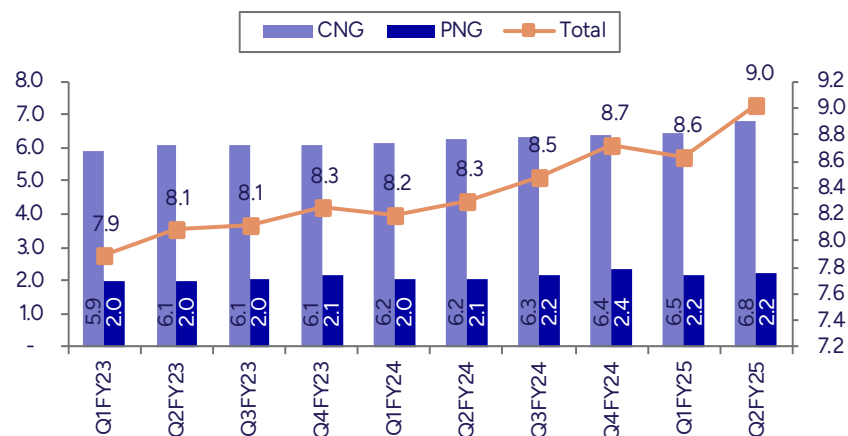
- Operating performance declines sequentially:** Gross margin/scm came in at Rs11.9, down by Rs1.3/scm QoQ. EBITDA came in at Rs5.4bn, down 7.9% QoQ, with an EBITDA/scm of Rs6.5 (below PLe of Rs7.5). Other income rose 105.5% QoQ to Rs1.5bn. Subsequently, PAT grew 7.4% QoQ to Rs4.3bn. On a YoY basis, EBITDA/PAT declined 18.4%/19.4%. Going ahead, in line with the company's guidance of EBITDA/scm of Rs6-7, we build in an EBITDA of Rs6.8/6.5/6.5/scm for FY25/26/27E.
- Volume grows 8.7% YoY:** Total sales volume came in above our estimates at 9mmscmd, up 8.7% YoY (PLe: 8.8mmscmd). The strong volume growth was aided by 7% growth from Delhi and 29% growth from newer GAs. CNG volume grew 8.6% YoY to 6.8mmscmd (PLe: 6.5mmscmd). PNG volume increased by 8.9% YoY to 2.2mmscmd (PLe: 2.3mmscmd). On a QoQ basis, CNG volume grew by 5.1%, while PNG volume grew 2.7%. The company has guided for an exit volume of 9.5mmscmd for FY25 with 8-10% volume growth for FY26. However, we build in a conservative volume growth of 7% CAGR over FY24-27E to ~10.4mmscmd.
- Concall Highlights:** **1)** Gautam Buddha Nagar is growing at 11%, Ghaziabad at 20%, other parts of UP at 40%, Haryana at 21%, Gurugram at 12%, Karnal at 29-30%, and Ajmer at 95% (on a low base). **2)** Capex incurred in H1 was Rs5bn, while guidance for FY25 is Rs17bn. 45-50% capex would be incurred on Delhi NCR. **3)** IGL has one LNG station in Ajmer and plans to commission 3 new LNG stations by FY25 end. It targets to set up 50 LNG stations in next 3-5 years. **4)** IGL has not seen any major impact due to Delhi government's EV policy. **5)** IGL is sourcing 3.12mmscmd of R-LNG and 0.6mmscmd of HPHT.

Exhibit 1: IGL's quarterly and half yearly financials

(Rs bn)	Q2FY25	Q1FY25	QoQ gr.	Q2FY25E	% Var	Q2FY24	YoY gr.	H1FY25	H1FY24	YoY gr.
Net Sales	37.0	35.2	5.0%	34.1	8.3%	34.6	6.9%	72.2	68.7	5.1%
YoY Change (%)	-2.7	6.7		-4.3		-99.8				
Raw Material Consumed	27.1	24.8	9.1%	23.0	17.7%	23.8	13.7%	51.9	47.1	10.1%
Staff Cost	0.5	0.5	-4.5%	0.6	-20.7%	0.5	-6.1%	1.0	1.0	-3.2%
Other Exp (incl Stock Adj)	4.1	4.1	0.0%	4.5	-9.5%	3.7	9.8%	8.1	7.5	8.4%
EBITDA	5.4	5.8	-7.9%	6.1	-11.5%	6.6	-18.4%	11.2	13.0	-14.0%
EBITDA (Rs/scm)	6.5	7.4	-12.8%	7.5	-13.6%	8.6	-25.0%	6.9	8.6	-19.5%
Depreciation	1.2	1.1	3.6%	1.2	2.2%	1.0	15.8%	2.3	2.0	15.7%
Interest	0.0	0.0	5.0%	0.0	0.2%	0.0	-5.7%	0.0	0.0	-6.2%
Other Income	1.5	0.7	105.5%	1.0	51.6%	1.3	11.5%	2.2	1.8	23.6%
PBT	5.6	5.4	4.9%	5.9	-3.7%	6.9	-17.7%	11.0	12.7	-13.4%
Tax	1.3	1.4	-2.3%	1.5	-9.5%	1.5	-11.9%	2.7	3.0	-9.9%
Rate (%)	23.6	25.4		25.2		22.1		24.5	23.5	
PAT	4.3	4.0	7.4%	4.4	-1.7%	5.3	-19.4%	8.3	9.7	-14.5%
Gas Volumes (mmscmd)										
CNG	6.8	6.5	5.1%	6.5	4.3%	6.2	8.6%	6.6	6.2	6.7%
PNG	2.2	2.2	2.7%	2.3	-3.1%	2.1	8.9%	2.2	2.0	8.2%
Total	9.0	8.6	4.5%	8.81	2.4%	8.3	8.7%	8.8	8.3	7.0%

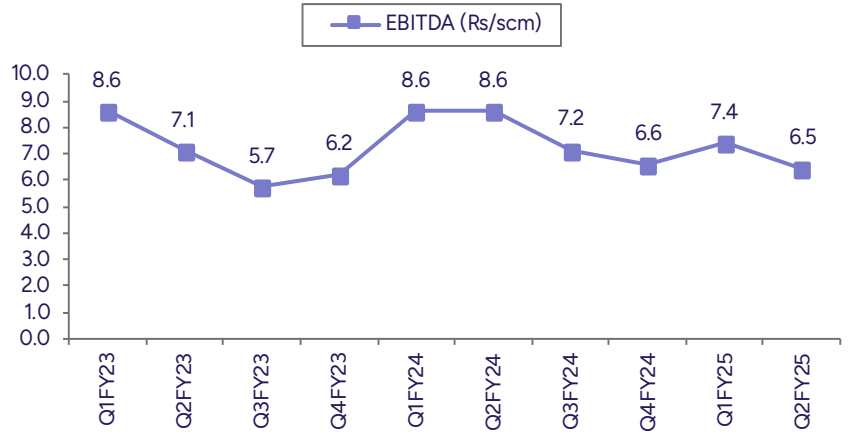
Source: Company, PL

Exhibit 2: Total volume grew 8.7% YoY



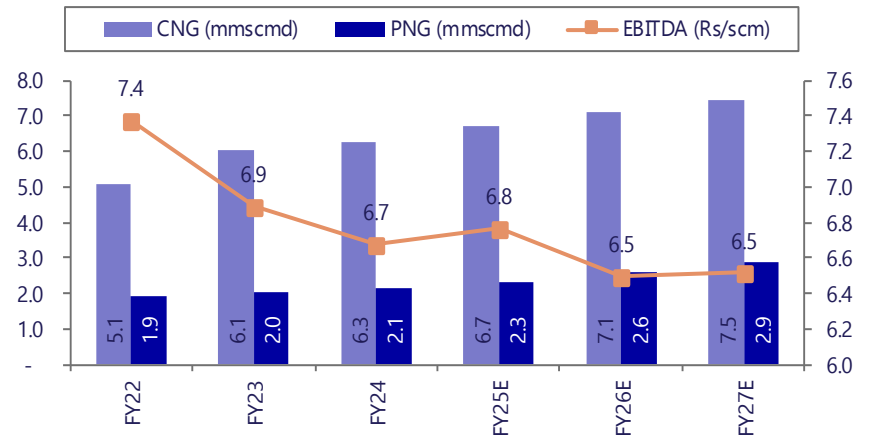
Source: Company, PL

Exhibit 3: EBITDA/scm fell by Rs0.9 in Q2



Source: Company, PL

Exhibit 4: EBITDA/scm estimated at Rs6.5/6.5 in FY26/27E



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	140	139	149	159
YoY gr. (%)	(0.9)	(0.4)	6.8	6.7
Cost of Goods Sold	98	97	106	113
Gross Profit	42	42	43	46
Margin (%)	29.9	30.3	29.1	29.1
Employee Cost	2	2	2	3
Other Expenses	16	17	18	19
EBITDA	24	22	23	25
YoY gr. (%)	16.9	(5.3)	2.6	7.2
Margin (%)	16.9	16.1	15.5	15.5
Depreciation and Amortization	4	5	5	5
EBIT	20	18	18	20
Margin (%)	14.0	12.8	12.3	12.5
Net Interest	0	0	0	0
Other Income	4	3	3	3
Profit Before Tax	23	21	21	23
Margin (%)	16.5	14.7	14.0	14.2
Total Tax	4	5	5	6
Effective tax rate (%)	18.4	25.2	25.2	25.2
Profit after tax	19	15	16	17
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	19	15	16	17
YoY gr. (%)	30.2	(18.4)	1.7	7.9
Margin (%)	13.4	11.0	10.5	10.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	19	15	16	17
YoY gr. (%)	30.2	(18.4)	1.7	7.9
Margin (%)	13.4	11.0	10.5	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19	15	16	17
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	26.9	21.9	22.3	24.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	99	108	117	126
Tangibles	99	108	117	126
Intangibles	-	-	-	-
Acc: Dep / Amortization	35	40	45	49
Tangibles	35	40	45	49
Intangibles	-	-	-	-
Net fixed assets	64	68	72	77
Tangibles	64	68	72	77
Intangibles	-	-	-	-
Capital Work In Progress	14	20	26	32
Goodwill	-	-	-	-
Non-Current Investments	14	14	14	14
Net Deferred tax assets	(4)	(4)	(4)	(4)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1	0	1	1
Trade receivables	10	9	10	10
Cash & Bank Balance	21	23	24	26
Other Current Assets	7	7	7	7
Total Assets	131	142	154	166
Equity				
Equity Share Capital	1	1	1	1
Other Equity	84	93	102	112
Total Networkth	86	94	103	113
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	42	44	47	49
Total Equity & Liabilities	131	142	154	166

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	23	21	21	23
Add. Depreciation	4	5	5	5
Add. Interest	0	0	0	0
Less Financial Other Income	4	3	3	3
Add. Other	(3)	-	-	-
Op. profit before WC changes	24	25	26	27
Net Changes-WC	(4)	3	2	2
Direct tax	(5)	(5)	(5)	(6)
Net cash from Op. activities	15	23	22	24
Capital expenditures	(12)	(15)	(15)	(15)
Interest / Dividend Income	-	-	-	-
Others	1	-	-	-
Net Cash from Inv. activities	(11)	(15)	(15)	(15)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3)	(6)	(7)	(7)
Interest paid	-	0	0	0
Others	(1)	-	-	-
Net cash from Fin. activities	(3)	(7)	(7)	(7)
Net change in cash	1	2	1	1
Free Cash Flow	3	8	7	9

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	36	36	35	37
YoY gr. (%)	(4.3)	(2.3)	3.3	6.9
Raw Material Expenses	25	26	25	27
Gross Profit	10	10	10	10
Margin (%)	28.3	29.0	29.5	26.8
EBITDA	6	5	6	5
YoY gr. (%)	30.7	13.4	(9.4)	(18.4)
Margin (%)	15.8	14.5	16.5	14.5
Depreciation / Depletion	1	1	1	1
EBIT	5	4	5	4
Margin (%)	12.9	11.5	13.3	11.3
Net Interest	-	-	-	-
Other Income	1	1	1	1
Profit before Tax	5	5	5	6
Margin (%)	14.6	14.4	15.3	15.3
Total Tax	1	1	1	1
Effective tax rate (%)	23.9	26.2	25.4	23.6
Profit after Tax	4	4	4	4
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4	4	4	4
YoY gr. (%)	41.5	16.1	(8.4)	(19.4)
Margin (%)	11.1	10.6	11.4	11.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4	4	4	4
YoY gr. (%)	41.5	16.1	(8.4)	(19.4)
Margin (%)	11.1	10.6	11.4	11.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4	4	4	4
Avg. Shares O/s (bn)	1	1	1	1
EPS (Rs)	5.6	5.5	5.7	6.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	26.9	21.9	22.3	24.1
CEPS	32.8	28.5	29.0	30.8
BVPS	122.2	134.8	147.7	161.6
FCF	4.8	12.1	10.5	12.5
DPS	9.0	9.3	9.4	10.2
Return Ratio(%)				
RoCE	25.0	19.8	18.5	18.4
ROIC	17.8	15.0	14.1	14.2
RoE	24.1	17.1	15.8	15.6
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	15.5	19.0	18.7	17.3
P/B	3.4	3.1	2.8	2.6
P/CEPS	12.7	14.6	14.4	13.5
EV/EBITDA	11.4	12.0	11.7	10.8
EV/Sales	1.9	1.9	1.8	1.7
Dividend Yield (%)	2.2	2.2	2.3	2.4

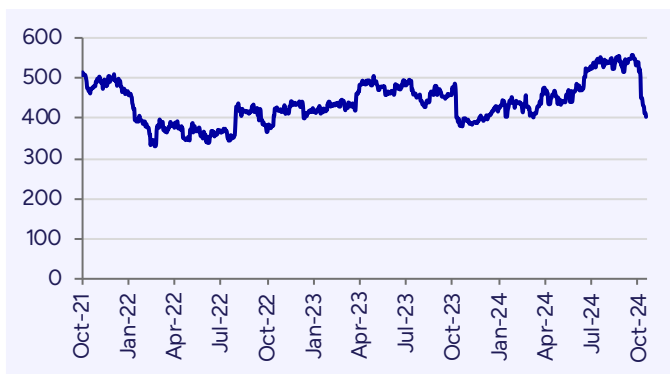
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Total Volume (mmscmd)	8.4	9.1	9.7	10.4
EBITDA (Rs/scm)	6.7	6.8	6.5	6.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Sell	407	543
2	29-Jul-24	Sell	374	541
3	07-Jul-24	Sell	374	522
4	08-May-24	Sell	368	452
5	09-Apr-24	Sell	383	475
6	31-Mar-24	Reduce	382	425
7	27-Jan-24	Hold	382	405
8	08-Jan-24	Hold	416	431
9	03-Nov-23	Hold	406	390

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,831	1,657
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Sell	205	224
16	Gujarat Fluorochemicals	Reduce	3,771	4,065
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Sell	407	543
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Sell	218	276
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	15,045	12,528
29	Navin Fluorine International	Accumulate	3,523	3,307

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com