

May 8, 2024

**RESULT REPORT Q4 FY24** | Sector: Energy

# Indraprastha Gas Ltd

**Weak performance on lower EBITDA spreads; overall volumes were in line**

## Our View

Indraprastha Gas Limited (IGL) reported a poor Q4 FY24 performance, with Rs5.2bn EBITDA increasing by 12.1% YoY but falling short of our estimates. The Rs3.8bn PAT demonstrated 16.1% YoY growth but experienced a 2.4% QoQ decline. Despite meeting volume expectations, higher gas costs impacted EBITDA margins, signalling challenges. With the stock trading at 17.1x/15.7x FY25e/26e PER, we lower our rating to an ADD from BUY earlier with a target price of Rs 500/share.

## Result Highlights

- **Performance.** The Rs5.2bn EBITDA (below our and consensus estimates on lower EBITDA spreads) was up 12.1% YoY and down 7.4% QoQ, while the Rs3.8bn PAT was up 16.1% YoY but down 2.4% QoQ, lower than our estimates of Rs 4.3bn. **Overall weak performance**, despite in line volumes to our estimates, the EBITDA margins were weaker on higher opex and marginally higher gas cost.
- **Volumes** at 8.73mmscmd was up 5.7% YoY, 2.9% QoQ. CNG volumes were weaker at 6.37mmscmd (our est. 6.51), up 4.3% YoY, 0.7% QoQ. D-PNG volumes grew strong and were 0.72mmscmd, up 15.3% YoY, 16.3% QoQ. Industrial and commercial sales were 1.14mmscmd, up 11.5% YoY and 9.8% QoQ. Haryana sale volumes were 0.50mmscmd, stable at peak levels.
- The **gross margin** was Rs13.1/scm, up 9.2% YoY and 1.5% QoQ. The YoY increase was due to a revision in APM pricing formula which reduced the gas prices, while sequential decline was on price cuts and possible decreased share of APM, also higher share of sourcing HP/HT and term.
- **Opex**, at Rs6.57/scm, was up 13.9% YoY and 14.8% QoQ. This comes in as a surprise which led to decrease in EBITDA spreads.
- **The EBITDA spread**, at Rs6.58/scm, was up 4.8% YoY, but down 9% QoQ (below our estimate of 7.86) weaker on higher opex and marginally higher gas cost.
- The **other income** at Rs 1.1bn was up 67.2% YoY and 99.1% QoQ on possible dividend income from its JVs- CUGL and MNGL.
- **JV contribution.** The contribution of CUGL and MNGL to Indraprastha's PAT was Rs815.2mn in Q4 up 20.3% YoY from Rs677.6mn in Q4FY23 and down 4.9% QoQ.
- **FY24 performance:** EBITDA/PAT was at Rs 23.7/17.5bn vs Rs 20.4/14.5bn last year. The volumes at 8.43mmscmd (vs 8.09 last year), of which CNG was at 6.28mmscmd vs 6.05. The EBITDA spread was at Rs 7.7/scm vs 6.9 last year. The contribution of CUGL and MNGL to Indraprastha's PAT was Rs 3.4bn vs Rs 2.5bn.

## Valuation

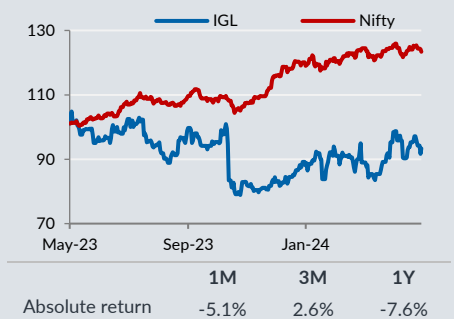
We expect an 6% volume CAGR over FY24-FY26 with a spread of Rs7.5-7.6/scm. The stock trades at 17.1x/15.7x FY25e/26e PER. We value the stock on a PER basis, assigning an 15x multiple and lowering our rating to an ADD from a BUY earlier arriving at a target of Rs500 (incl. value from investments in MNGL, at Rs70/sh and, in CUGL, atRs22/sh).

Reco	: ADD
CMP	: Rs 452
Target Price	: Rs 500
Potential Return	: +10.6%

## Stock data (as on May 8, 2024)

Nifty	22,303
52 Week h/l (Rs)	516 / 376
Market cap (Rs/USD mn)	305585 / 3662
Outstanding Shares (mn)	700
6m Avg t/o (Rs mn):	1,032
Div yield (%):	2.9
Bloomberg code:	IGL IN
NSE code:	IGL

## Stock performance



## 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	ADD	BUY
Target Price	500	540

## Δ in estimates

(1-Yr)	FY25e	FY26E
EPS (New)	26.5	28.8
EPS (Old)	25.9	27.9
% Change	2.4	3.3

## 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	20.4	19.1	18.4
EPS	25.0	26.5	28.8
P/E	18.1	17.1	15.7
BV	122.2	138.6	156.5
EV/EBITDA	12.5	11.7	10.6

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Lead Analyst

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## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	35,968	35,403	35,599	1.60	1.04	Below our estimates on lower spreads while overall volumes were in line
EBITDA	5,225	6,222	6,057	-16.01	-13.73	
EBITDA Margin (%)	14.53	17.57	17.02	-305bps	-249bps	
Adjusted PAT	3,828	4,290	4,233	-10.77	-9.58	

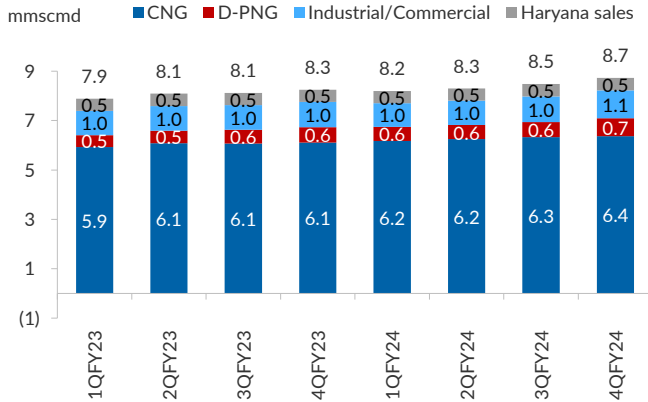
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Revenue	36,872	34,070	34,585	35,562	35,968	(2.5)	1.1	141,459	140,185	(0.9)
Expenditure	32,209	27,646	28,016	29,921	30,742	(4.6)	2.7	121,061	116,325	(3.9)
- Raw Material	27,925	23,341	23,803	25,459	25,528	(8.6)	0.3	104,360	98,131	(6.0)
- Staff Cost	467	508	516	583	660	41.3	13.2	1,882	2,266	20.4
- Other expenses	3,817	3,797	3,697	3,879	4,555	19.3	17.4	14,819	15,928	7.5
Operating Profit	4,663	6,424	6,569	5,641	5,226	12.1	(7.4)	20,398	23,860	17.0
OPM(%)	12.6	18.9	19.0	15.9	14.5	188 bps	-134 bps	14.4	17.0	260 bps
Other Income	654	457	1,340	550	1,094	67.2	99.1	2,619	3,441	31.4
Depreciation	938	989	1,022	1,018	1,108	18.1	8.8	3,634	4,138	13.9
Interest	26	24	25	18	26	-	44.1	106	92	(13.6)
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	-	-	n.a.
PBT	4,354	5,867	6,862	5,155	5,187	19.1	0.6	19,277	23,072	19.7
Tax	1,057	1,483	1,514	1,235	1,359	28.6	10.1	4,827	5,591	15.8
PAT	3,298	4,384	5,348	3,921	3,828	16.1	(2.4)	14,450	17,481	21.0
Adj PAT	3,298	4,384	5,348	3,921	3,828	16.1	(2.4)	14,450	17,481	21.0

## Exhibit 3: Operating highlights

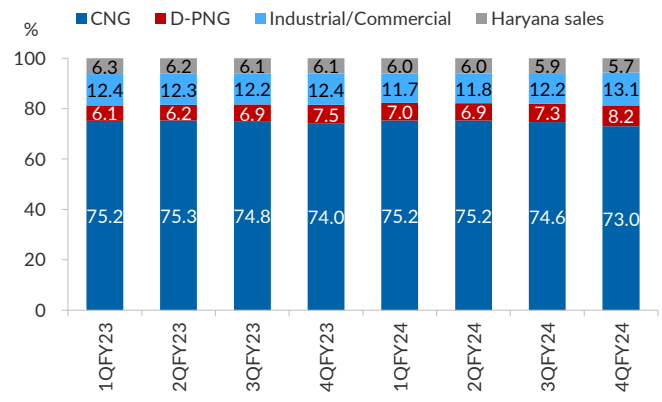
Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Volumes (MMSCMD)	8.3	8.2	8.3	8.5	8.7	5.7	2.9	8.1	8.4	4.2
CNG	6.1	6.2	6.2	6.3	6.4	4.3	0.7	6.1	6.3	3.8
Domestic	0.6	0.6	0.6	0.6	0.7	15.3	16.3	0.5	0.6	15.1
Industrial/ Commercial	1.0	1.0	1.0	1.0	1.1	11.5	9.8	1.0	1.0	3.1
Haryana Sales	0.5	0.5	0.5	0.5	0.5	(0.4)	(0.1)	0.5	0.5	(0.2)
Total PNG	2.1	2.0	2.1	2.2	2.4	9.8	9.4	2.0	2.1	5.5
Margins (Rs/scm)										
Revenue	49.6	45.7	45.3	45.6	45.3	(8.7)	(0.6)	47.9	45.4	(5.2)
GM	12.0	14.4	14.1	12.9	13.1	9.2	1.5	12.6	13.6	8.5
Opex	5.8	5.8	5.5	5.7	6.6	13.9	14.8	5.7	5.9	4.3
EBITDA	6.3	8.6	8.6	7.2	6.6	4.8	(9.0)	6.9	7.7	12.0
Share of JV PAT (MNGL & CUGL) Rs mn	677.6	835.9	901.6	857.5	815.2	20.3	(4.9)	2,536.3	3,410.2	34.5
JV Share - EPS	1.0	1.2	1.3	1.2	1.2	20.3	(4.9)	3.6	4.9	34.5

**Exhibit 4: Volumes**



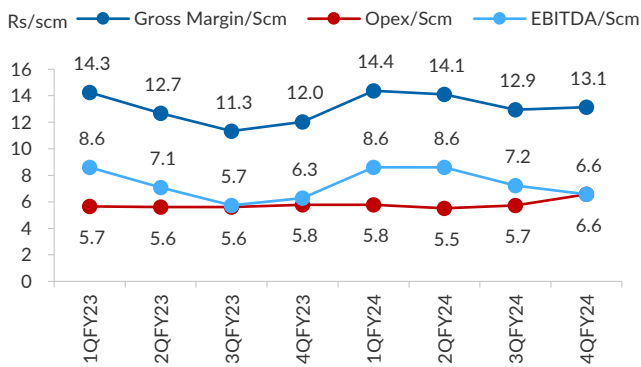
Source: Company, YES Sec

**Exhibit 5: % share of Volumes**



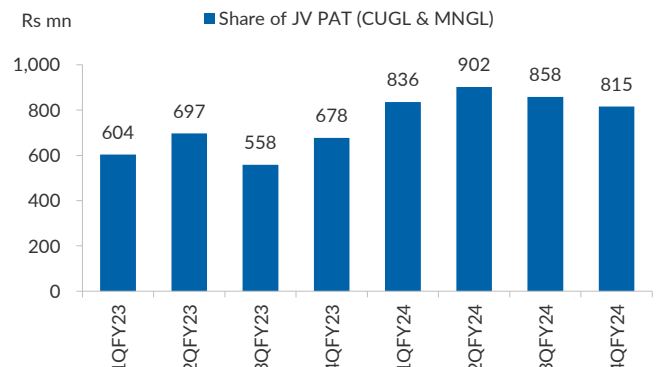
Source: Company, YES Sec

**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 is growing at 4-5% annually as the volumes have been impacted by decrease in DTC buses volumes. GautamBudh Nagar and Ghaziabad growing by 10% and areas outside these are growing in the range of 10-15% while seeing exponential growth on lower bases.
- **CNG conversions:** IGL saw vehicle conversions at ~16,800/month during the quarter (Q3FY24 at ~15,000). The LCV and MHCV segment (commercial vehicles) conversion was at 2,400/month vs 18-1,900/month earlier. Only bus segment is degrowing and is being made up by passenger and commercial vehicle conversions. **Overall CNG** conversions in April 2024 was at 15,500/month, Mar 15,700, Feb 15,800, Jan 19,000 (new variants were added), Dec and prior at 13-15000/month. The EV impact on aggregator is minimal as of now. **Taxi conversions** 2,100 in April, Mar 2,000, Feb 1,950, Jan 23,00, Dec 1,700.
- **CNG Stations:** There are 882 CNG stations of which 90 were new additions in FY24 while 36 was upgraded.
- **Allocation:** During the quarter, APM allocation for CNG and domestic PNG has decreased to 72% (compared to the previous 78) including HP/HT, remaining 28% is R-LNG.
- **Margin impact:** The quarter experienced a margin impact due to higher gas cost and opex. 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.
- **Tied-up contracts:** Approximately there are 2.5mmscmd of tied-up contracts include 1.77 mmscmd in the mid-term, linked to HH (115% of HH price with a constant USD 0.55/mmbtu), and an additional 0.58 mmscmd in the long-term, currently priced at USD 13-14/mmbtu. A volume of 0.38mmscmd of HP/HT has been tied up.
- **Volume guidance:** Volume growth is picking up in newer GAs while Delhi has slowed down. The year-end target of 9mmscmd was met by the company and are targeting 9.5mmscmd of average volumes in FY25. A ~10% volume growth over next two years, industrial segment to grow over 15% and new LNG trading business to also support growth. IGL is planning to set up 10 LNG plants and working on converting dumpers and commercial trucks to CNG.
- **Newer GAs:** Expanding its LNG footprint with one station already operational and 5-6 more stations in the advanced planning and construction stages, aiming for completion within this year. Additionally, a MoU with CONCOR for their captive consumption has been signed, leading to the establishment of LNG stations in their depot, the Noida region, and Bangalore.
- **Capex:** For FY24 IGL is spending total Rs 12.7bn of which Delhi is around ~5.1bn, remaining 7.6 was spent on newer GAs. The annual capex to remain at ~Rs 18bn for couple of years of which ~12bn to be used for core business and rest for diversification and renewables with subject to the aggregator policy.
- **DTC impact on IGL volumes:** Regarding DTC buses, ~1,300 buses have already phased out as they have reached the end of their operational life and cannot be redeployed. These retirements are expected to continue over the next two years, with an additional 1300-1400 buses scheduled for replacement. EVs are planned to take the place of the retired buses and it would have a negative impact on IGL volumes.
- **EV policy:** To offset the impact of EV on CNG sales volume by focusing on interstate transport buses and LNG on long haul transportation.

## VIEW & VALUATION

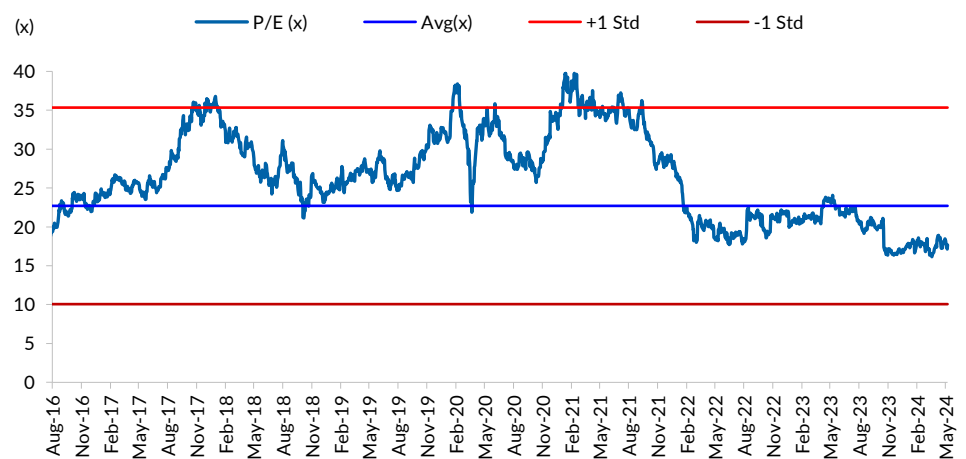
### ADD with a TP of Rs 500/sh.

We expect an 6% volume CAGR over FY24-FY26 with a spread of Rs7.5-7.6/scm. The stock trades at 17.1x/15.7x FY25e/26e PER. We value the stock on a PER basis, assigning an 15x multiple and lowering our rating to an ADD from a BUY earlier arriving at a 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
<b>Consolidated EPS</b>	<b>33.3</b>
PE Multiple (x)	
Standalone Earnings	15.0
MNGL	15.0
CUGL	15.0
Fair Value (x)	
Standalone Earnings	408
MNGL	70
CUGL	22
<b>Target Price</b>	<b>500</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
Revenue	77,100	141,459	140,000	141,346	154,571
Total Expense	58,289	121,061	116,332	116,454	127,660
<b>Operating Profit</b>	<b>18,811</b>	<b>20,398</b>	<b>23,669</b>	<b>24,891</b>	<b>26,911</b>
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	-	-	-	-	-
<b>PBT</b>	<b>17,659</b>	<b>19,277</b>	<b>23,072</b>	<b>24,451</b>	<b>26,653</b>
Tax	4,509	4,827	5,591	5,925	6,459
<b>PAT</b>	<b>13,150</b>	<b>14,450</b>	<b>17,481</b>	<b>18,526</b>	<b>20,194</b>
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
<b>Net worth</b>	<b>69,362</b>	<b>70,866</b>	<b>85,517</b>	<b>97,043</b>	<b>109,537</b>
Debt	-	-	-	-	-
Deferred tax liab (net)	2,737	3,168	3,695	3,695	3,695
<b>Capital Employed</b>	<b>72,098</b>	<b>74,033</b>	<b>89,213</b>	<b>100,739</b>	<b>113,233</b>
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
<b>Application of Funds</b>	<b>72,098</b>	<b>74,033</b>	<b>89,213</b>	<b>100,739</b>	<b>113,233</b>

## 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)	(92)	(92)	(92)
(Inc)/Dec in working capital	3,777	6,469	(3,828)	(253)	459
Tax paid	(3,759)	(4,833)	(4,871)	(5,925)	(6,459)
Less: Interest/Dividend Income Received	(384)	(590)	(1,023)		
Other operating Cash Flow	(1,038)	(564)	(685)		
<b>Cash flow from operating activities</b>	<b>18,979</b>	<b>22,306</b>	<b>15,357</b>	<b>22,526</b>	<b>25,124</b>
Capital expenditure	(13,370)	(11,221)	(12,021)	(11,003)	(11,312)
Inc/(Dec) in investments	(829)	13,599	(3,934)	-	-
Add: Interest/Dividend Income Received	(1,649)	(10,792)	5,008	-	-
<b>Cash flow from investing activities</b>	<b>(15,848)</b>	<b>(8,414)</b>	<b>(10,948)</b>	<b>(11,003)</b>	<b>(11,312)</b>
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(765)	(638)	(540)	-	-
Dividend Paid	(2,519)	(12,948)	(2,797)	(7,000)	(7,700)
Others	-	-	-	92	92
<b>Cash flow from financing activities</b>	<b>(3,285)</b>	<b>(13,586)</b>	<b>(3,337)</b>	<b>(6,909)</b>	<b>(7,609)</b>
<b>Net cash flow</b>	<b>(153)</b>	<b>306</b>	<b>1,072</b>	<b>4,614</b>	<b>6,203</b>

## Exhibit 13: Du-pont analysis

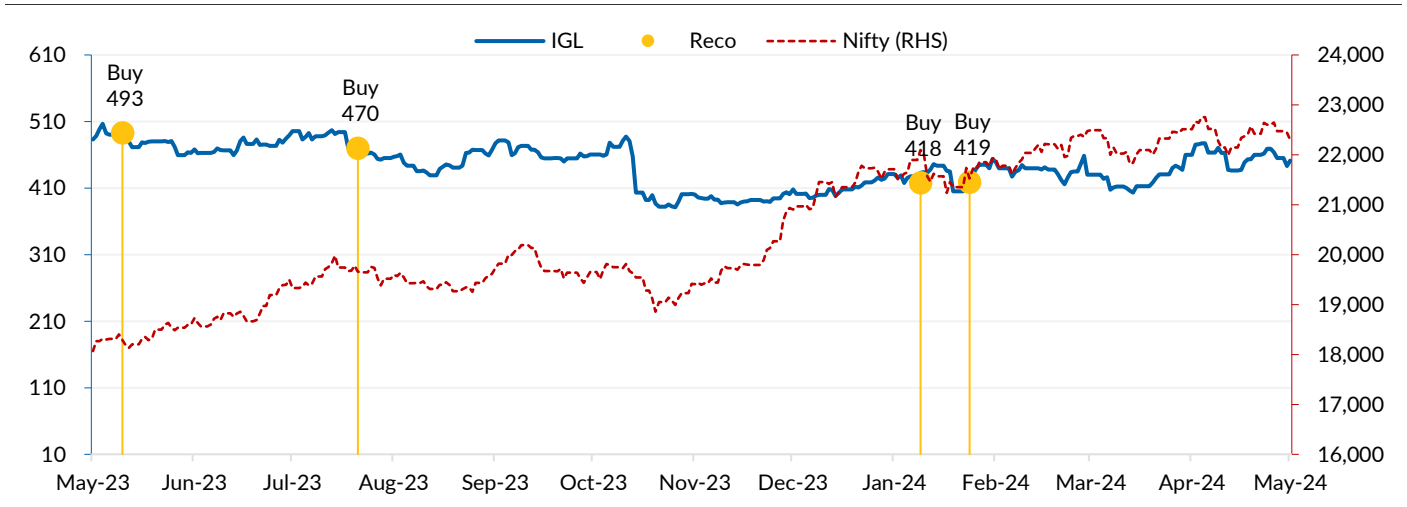
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.7	0.7	0.8	0.8	0.8
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.1	0.2	0.2	0.2
Asset turnover (x)	0.8	1.3	1.1	1.0	1.0
Financial leverage (x)	1.5	1.6	1.6	1.5	1.4
RoE (%)	20.5	20.6	22.4	20.3	19.5

## Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
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
<b>Profitability ratios (%)</b>					
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	24.7	26.2	26.0	24.4	23.6
RoE	19.0	20.4	20.4	19.1	18.4
RoA	13.8	13.0	14.0	13.5	13.5
<b>Per share ratios</b>					
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
<b>Valuation ratios</b>					
P/E	24.1	21.9	18.1	17.1	15.7
P/CEPS	19.4	17.5	14.6	13.8	12.8
P/B	4.6	4.5	3.7	3.3	2.9
EV/EBIDTA	16.1	14.2	12.5	11.7	10.6
<b>Payout (%)</b>					
Dividend payout	29.3	63.0	36.0	37.8	38.1
Tax payout	25.5	25.0	24.2	24.2	24.2
<b>Liquidity ratios</b>					
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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