

Indraprastha Gas

Looking beyond near-term headwinds

The Indraprastha Gas (IGL) stock price has rallied ~2% over the last 3M and underperformed the Sensex by ~0.3%. We maintain our BUY recommendation on Indraprastha Gas (IGL) with a target price of INR 635, given (1) a strong portfolio of new geographical areas (GAs) ensuring volume growth visibility, (2) healthy long-term volume growth of ~10% CAGR over FY24-29E, and (3) robust margins supported by pricing power and higher allocation of gas from the high-pressure, high-temperature (HPHT) fields to the priority sector. We anticipate volume growth to be led by the company's focus on expanding its city gas network, especially in new GAs and competitive CNG price vs petrol/diesel. While the Vahan data for its core GAs for FY25YTD indicates a ~3% YoY decline in new CNG vehicle registrations, we believe CNG volume growth levers are in place to achieve 8% CAGR volume growth over FY24-27E. We reiterate a BUY rating on IGL with a target price of INR 635.

- CNG vehicle registrations fall YoY in Aug:** The recent Vahan data for IGL's core GAs for FY25YTD (Apr-Aug 2024) suggests a ~3% YoY drop in new CNG vehicle registrations to 50,562 vehicles from 52,337 vehicles during the same period last year. The new CNG vehicle registrations for August 2024 were 9,159, down 22% YoY. However, as per Vahan data of new registrations of vehicles in the country during FY25YTD (Apr-Aug 2024), new CNG vehicle registrations have seen a growth of 22% YoY.
- CNG two-wheelers—early days but could open up a new growth opportunity:** As per SIAM, Bajaj Auto sold 1,933 units of CNG motorcycles (Bajaj Freedom 125) in July 2024 and 9,215 units in Aug 2024. Bajaj Auto has indicated that the total addressable market for this CNG bike is about 4,50,000-5,00,000 units per month. To capture this demand, the company is likely to increase capacity for CNG motorcycles to 40,000 per month by Q4FY25 from 10,000 units per month in Q2FY25. TVS is also expected to enter this segment soon. While the consumption per bike would be low, new models in this segment should improve CNG's long-term volume growth outlook.
- Volume growth to be driven by newer GAs:** We expect IGL's volumes at 9/9.7mmscmd for FY25/26, implying a 7.2% CAGR volume growth over FY24-26E, driven by the expansion of the city gas network in newer GAs. Declining gas consumption for DTC buses should weigh on volume growth in Delhi GA. We expect price increases, such as the INR 1/kg CNG price increase in June, to enable IGL to sustain the EBITDA margin of around INR 7.5/scm in FY25/26E.
- Valuation:** We have revised the target price to INR 635/sh (from INR 615/sh) on the back of higher volume growth assumption in the long term and a slight increase in margins in FY25/26E. At the current market price, IGL is trading at 17.7x Mar-26E EPS, a discount of ~9% to its 5-year average P/E multiple. We reiterate our BUY rating on IGL with a target price of INR 635/sh.

Financial summary (consolidated)

(INR mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	77	141	140	151	166
EBITDA	18.8	20.4	24	25	26
APAT	13	14	16	18	19
AEPS (INR)	21	23	28	29	31
P/E (x)	25.6	23.4	19.4	18.9	17.7
EV/EBITDA(x)	19.7	17.6	15.4	14.7	13.4
RoE (%)	21.6	21.1	22.6	19.7	18.4

Source: Company, HSIE Research

BUY

CMP (as on 27 Sep 2024)	INR 549
Target Price	INR 635
NIFTY	26,179

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 615	INR 635
EPS %	FY25E	FY26E
	0.6%	2.1%

KEY STOCK DATA

Bloomberg code	IGL IN
No. of Shares (mn)	700
MCap (INR bn) / (\$ mn)	385/4,595
6m avg traded value (INR mn)	1,642
52 Week high / low	INR 571/376

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	1.6	(8.0)	(3.2)
Relative (%)	(0.3)	(17.8)	(29.1)

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	45.00	45.00
FIs & Local MFs	27.74	29.23
FPIs	17.90	16.82
Public & Others	9.36	8.95
Pledged Shares	0.00	0.00

Source: BSE

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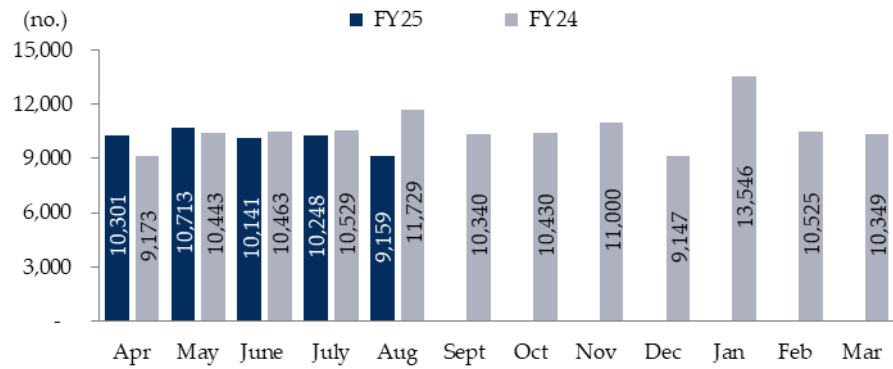
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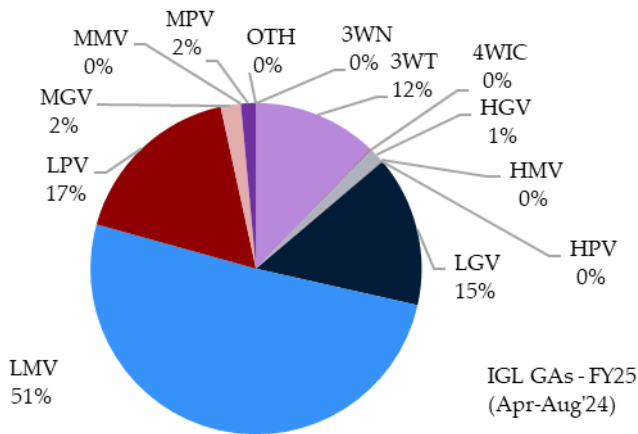
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Exhibit 1: Monthly new CNG vehicle registrations declined in Aug-24; FY25YTD down ~3% YoY



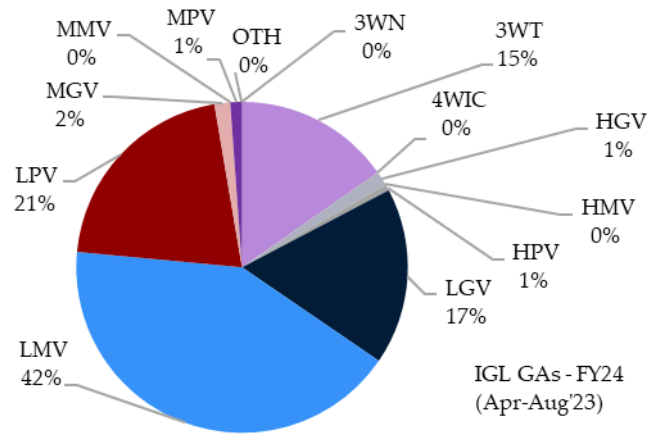
Source: Vahan Dashboard, HSIE Research | Note: Vahan data includes IGL's core areas of Delhi, Gurugram, Noida, and Ghaziabad

Exhibit 2: decrease in CNG & Petrol+CNG vehicle categories was mainly due to 3WT & LPV segments...



Source: Vahan Dashboard, HSIE Research

Exhibit 3: ...however, LMV vehicle segment saw a growth



Source: Vahan Dashboard, HSIE Research

Exhibit 4: IGL key metrics

(Rs bn)	FY22	FY23	FY24	FY25E	FY26E
Volumes (mmcmd)	7.0	8.1	8.4	9.03	9.68
Revenue	77	141	140	151	166
EBITDA	18.8	20.4	24	25	26
EBITDA (Rs/scm)	7.4	6.9	7.7	7.5	7.5
PAT	15.0	16.4	20	20	22
EPS (Rs/sh)	21.5	23.4	28.3	29.1	31.0
RoE (%)	21.6	21.1	22.6	19.7	18.4

Source: Company, HSIE Research

Exhibit 5: Change in estimates

Company	FY25E EPS			FY26E EPS			Target Price (INR)		
	Old	New	Ch%	Old	New	Ch%	Old	New	Ch%
IGL	28.9	29.1	0.6	31.7	31.0	-2.1	615	635	3.5%

Source: HSIE Research

Exhibit 6: Peer Comparison

Company	MCap (INR bn)	RECO	CMP (INR)	TP (INR)	P/E (x)		P/BV (x)		ROE (%)		EV/EBITDA (x)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
IGL	384	BUY	549	635	18.9	17.7	3.5	3.1	19.7	18.4	14.7	13.4
GGL	423	ADD	611	655	28.0	21.2	4.9	4.2	18.4	21.4	17.1	12.8
MGL	192	BUY	1946	2320	15.8	14.7	3.3	2.9	22.1	20.9	10.0	8.9
IRM	18	BUY	439	630	14.3	10.1	1.7	1.5	12.7	15.9	7.7	5.5

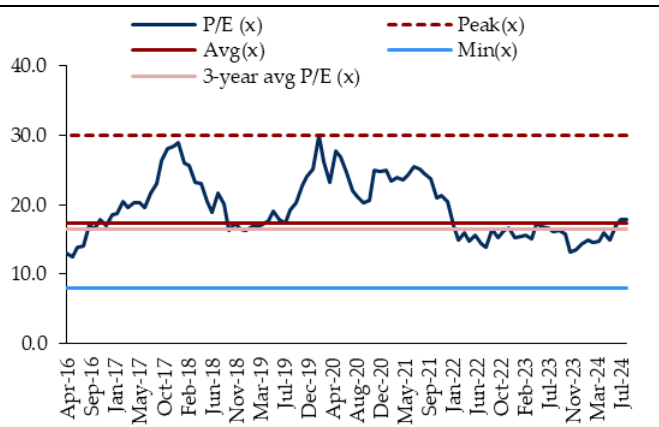
Source: NSE, Company, HSIE Research

Exhibit 7: HSIE vs. consensus

(INR/sh)	Consensus EPS		HSIE EPS		Variance (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
IGL	29.3	31.6	29.1	31.0	-1%	-2%

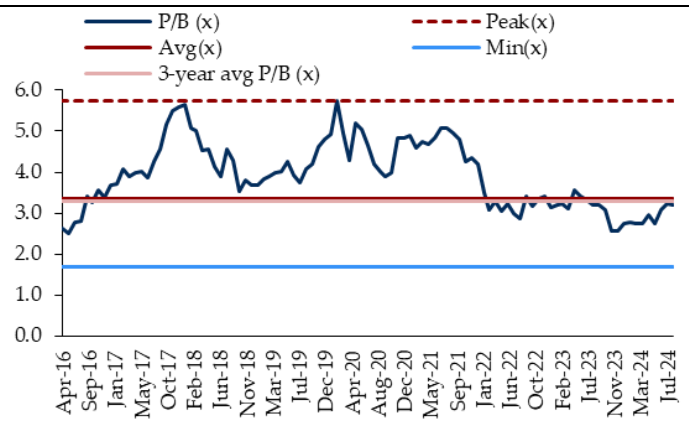
Source: Bloomberg, HSIE Research

Exhibit 8: IGL P/E chart



Source: NSE, Company, HSIE Research

Exhibit 9: IGL P/BV chart



Source: NSE, Company, HSIE Research

Financials (Consolidated)

Income Statement

(INR bn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	77	141	140	151	166
<i>Growth %</i>	56	83	(1)	8	10
Raw Material	44	104	98	106	119
Employee Cost	2	2	2	2	3
Other Expenses	13	15	16	17	18
EBITDA	19	20	24	25	26
<i>EBITDA Margin (%)</i>	24	14	17	16	16
<i>EBITDA Growth %</i>	27	8	16	4	8
Depreciation	3	4	4	4	5
EBIT	16	17	19	20	21
Other Income (Including EO Items)	2	2	3	4	4
Interest	0	0	0	0	0
PBT	17	19	22	24	25
Tax	5	5	6	6	6
RPAT	13	14	16	18	19
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-
APAT	13	14	16	18	19
Share from associates	2	3	3	2	3
Consolidated APAT	15	16	20	20	22
<i>Consolidated APAT Growth (%)</i>	28	9	21	3	7
AEPS	21	23	28	29	31
<i>AEPS Growth %</i>	28	9	21	3	7

Source: Company, HSIE Research

Balance Sheet

(INR bn)	FY22	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS					
Share Capital	1	1	1	1	1
Reserves And Surplus	74	78	95	109	124
Total Equity	76	79	96	110	125
Minority Interest			0	0	0
Long-term Debt	-	-	-	-	-
Short-term Debt	-	-	-	-	-
Total Debt	-	-	-	-	-
Deferred Tax Liability	3	3	4	4	4
Long-term Provision and others	1	1	1	1	1
TOTAL SOURCES OF FUNDS	80	84	101	116	131
APPLICATION OF FUNDS					
Net Block	50	57	66	75	82
Capital WIP	14	14	14	16	20
LT Loans And Advances	1	1	5	5	5
Total Non-current Investments	26	15	22	22	22
Total Non-current assets	91	88	107	119	129
Inventories	0	0	1	1	1
Debtors	5	9	10	11	12
Cash and Cash Equivalents	14	26	22	22	28
Other Current Assets	1	2	3	7	7
Total Current Assets	20	38	35	42	49
Creditors	8	9	10	11	12
Other Current Liabilities & Provns	23	33	31	33	35
Total Current Liabilities	31	42	41	43	47
Net Current Assets	(11)	(4)	(6)	(2)	3
TOTAL APPLICATION OF FUNDS	80	84	101	116	131

Source: Company, HSIE Research

Cash Flow Statement

Year ending March	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	17	19	22	24	25
Non-operating & EO Items	0	1	1	(1)	(1)
Interest Expenses	0	0	0	0	0
Depreciation	3	4	4	4	5
Working Capital Change	5	6	(3)	(3)	2
Tax Paid	(4)	(4)	(5)	(6)	(6)
OPERATING CASH FLOW (a)	22	25	19	18	25
Capex	(15)	(12)	(12)	(15)	(16)
Free Cash Flow (FCF)	6	13	6	3	9
Investments	(3)	11	(7)	-	-
Non-operating Income	2	2	3	4	4
Others	0	(1)	(4)	(0)	(0)
INVESTING CASH FLOW (b)	(17)	1	(21)	(12)	(12)
Debt Issuance/(Repaid)	-	-	-	-	-
Interest Expenses	(0)	(0)	(0)	(0)	(0)
FCFE	6	13	6	3	9
Share Capital Issuance	-	-	-	-	-
Dividend	(4)	(9)	(6)	(6)	(7)
Others	1	(4)	3	0	0
FINANCING CASH FLOW (c)	(3)	(13)	(3)	(6)	(7)
NET CASH FLOW (a+b+c)	2	13	(5)	0	6
EO Items, Others					
Closing Cash & Equivalents	14	26	22	22	28

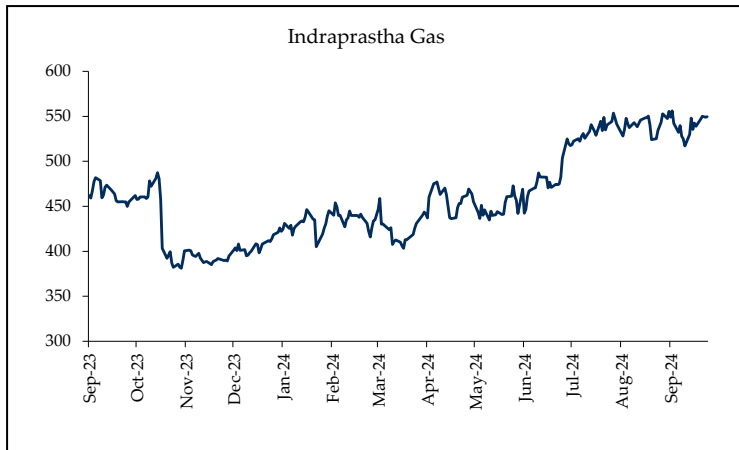
Source: Company, HSIE Research

Key Ratios

	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY %					
EBITDA Margin	24.4	14.4	16.9	16.3	15.9
EBIT Margin	20.3	11.9	13.9	13.4	12.9
APAT Margin	19.5	11.6	14.2	13.5	13.1
RoE	21.6	21.1	22.6	19.7	18.4
RoIC	26.9	30.5	33.3	25.4	24.0
RoCE	21.7	21.2	22.7	19.8	18.5
EFFICIENCY					
Tax Rate %	26.1	25.8	25.4	25.2	25.2
Fixed Asset Turnover (x)	1.3	2.0	1.7	1.6	1.5
Inventory (days)	2.2	1.3	1.4	1.4	1.4
Debtors (days)	24.6	23.3	26.6	26.6	26.6
Other Current Assets (days)	5.6	5.8	6.7	17.4	16.3
Payables (days)	65.4	31.5	36.6	36.6	36.6
Other Current Liab & Provns (days)	110.5	85.9	80.7	79.1	76.0
Cash Conversion Cycle (days)	(143.5)	(87.1)	(82.7)	(70.4)	(68.4)
Net Debt/EBITDA (x)	(0.7)	(1.3)	(0.9)	(0.9)	(1.1)
Net D/E	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)
Interest Coverage	118.4	158.3	212.6	221.6	234.7
PER SHARE DATA (Rs)					
EPS	21.5	23.4	28.3	29.1	31.0
CEPS	26.0	28.6	34.2	35.3	38.2
Dividend	5.5	13.0	9.0	9.0	9.5
Book Value	108.4	113.3	137.6	157.8	179.3
VALUATION					
P/E (x)	25.6	23.4	19.4	18.9	17.7
P/Cash EPS (x)	21.1	19.2	16.0	15.5	14.4
P/BV (x)	5.1	4.8	4.0	3.5	3.1
EV/EBITDA (x)	19.7	17.6	15.4	14.7	13.5
EV/Revenue (x)	4.8	2.5	2.6	2.4	2.1
Dividend Yield (%)	1.0	2.4	1.6	1.6	1.7
OCF/EV (%)	5.8	6.9	5.2	5.1	6.9
FCFF/EV (%)	1.7	3.7	1.8	0.8	2.6
FCFE/M Cap (%)	1.6	3.4	1.7	0.8	2.4

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

Disclosure:

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