KEYNOTE

Indraprastha Gas Limited

A Well-Oiled Growth Machinery

20th Sept 2022

Indraprastha Gas Limited (IGL) is a joint venture between GAIL (India) Ltd. and BPCL along with Govt of NCT of Delhi. The Company is in the City Gas Distribution (CGD) business and provides safe and uninterrupted gas supply through its extensive distribution network to transportation vehicles, households, commercial, and industrial consumers. IGL has laid out its CGD infrastructure in Delhi, Noida, Greater Noida, Ghaziabad, Rewari, Gurugram, Karnal, Kaithal, Fatehpur, and Muzaffarnagar, which consists of over 16,500 Kms of the pipeline network. IGL is meeting the fuel requirements of over 1.4 Mn vehicles running on CNG in NCR through a network of 711 CNG stations. IGL is supplying PNG to nearly 2.1 Mn households in these cities. IGL is further expanding the pipeline network to cover Ajmer, Pali, and Rajsamand in Rajasthan, Shamli, parts of Meerut, Hamirpur, and parts of Kanpur in Uttar Pradesh.

New Geographical Areas (GA's) to contribute to future volume growth

In the 9/10/11th bidding round, IGL has been awarded 5 GA's where IGL is expected to develop 400+ CNG stations, 1.5 Mn+ new connections, and 9,500 Km+ steel pipeline in the next few years. IGL has already commenced natural gas distribution in GA's awarded in the 9th & 10th rounds of bidding, which will likely drive future growth.

Govt crack down on polluting fuels to drive volume growth

The authorities have undertaken several measures to reduce pollution levels in Delhi and NCR. Some measures include a ban on diesel vehicles, compulsory conversion of petrol & diesel taxis to CNG taxis, a ban on using pet coke and furnace oil by industries, etc. These are structural changes to control the pollution level in the Capital of India, and we believe they are more sustainable in nature.

Actively working on exploring alternative fuels

As a diversification strategy, IGL is working on multiple energy sources. They have forayed into EV charging and battery swapping stations across Delhi/NCR; they have been running a pilot project for Hydrogen CNG in partnership with IOCL and have also set up their own Compressed Biogas plants.

View & Valuation

We initiate coverage on Indraprastha Gas Limited with a BUY rating and a target of Rs. 585 (21.4x FY24 earnings). CGD companies are at a pivot point as 3x of the infrastructure developed in the last 20-30 years is expected to be developed in the next ten years. We expect IGL to be a key beneficiary of this structural change. IGL has a strong balance sheet, and they are one of the fastest growing CGD company available at a ~24% discount from its historical median valuation (6 Years). Based on the expansion plans, we expect IGL's growth trajectory for the next decade to be completely different from the last decade.

BUY

CMP Rs. 424

TARGET Rs. 585 (+38%)

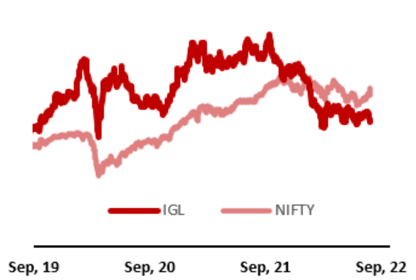
Company Data

MCAP (Rs. Mn)	2,96,520
O/S Shares (Mn)	700
52w High/Low	572 / 322
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	972

Shareholding Pattern %

	Jun 22	Mar 22	Dec 21
Promoters	45.0	45.0	45.0
FIIs	20.3	19.9	20.2
DIIs	21.8	21.9	21.7
Non-Institutional	12.9	13.2	13.1

IGL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY22	FY23E	FY24E
Revenue	77.1	100.1	115.8
EBITDA	18.9	20.6	23.6
Net Profit	15.0	16.4	18.5
Total Assets	111.0	126.8	144.7
ROCE (%)	23.0%	20.2%	19.5%
ROE (%)	21.6%	19.9%	19.2%

Source: Company, Keynote Capitals Ltd.

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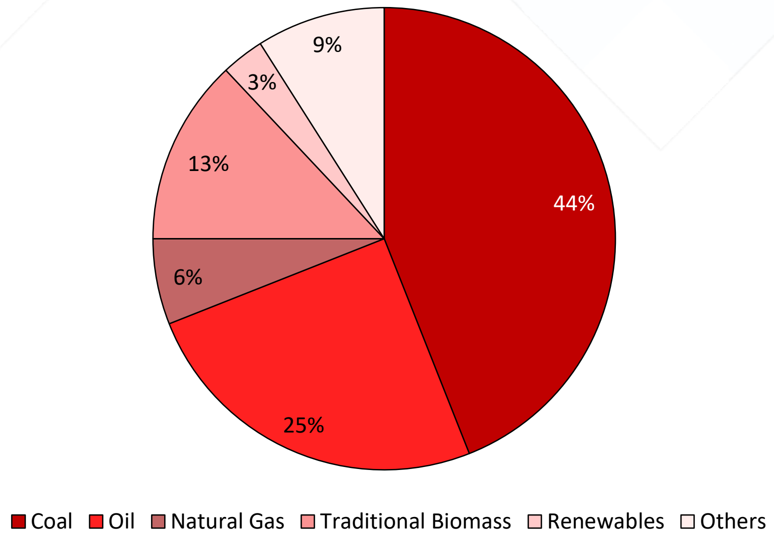
Industry Overview

India's Energy basket

Energy is a master resource that can catapult or cripple a growing economy. India has set an ambitious target of becoming a gas-based economy by increasing its share in the primary energy basket from 6% in FY20 to 15% by FY30. In 2020, India consumed 880 Million Tonnes of Oil Equivalent (MTOE) energy.

1 Tonne of Oil Equivalent = 1.24 Million Standard Cubic Meter gas (MMSCM), approximately

India's Energy Basket (2020)



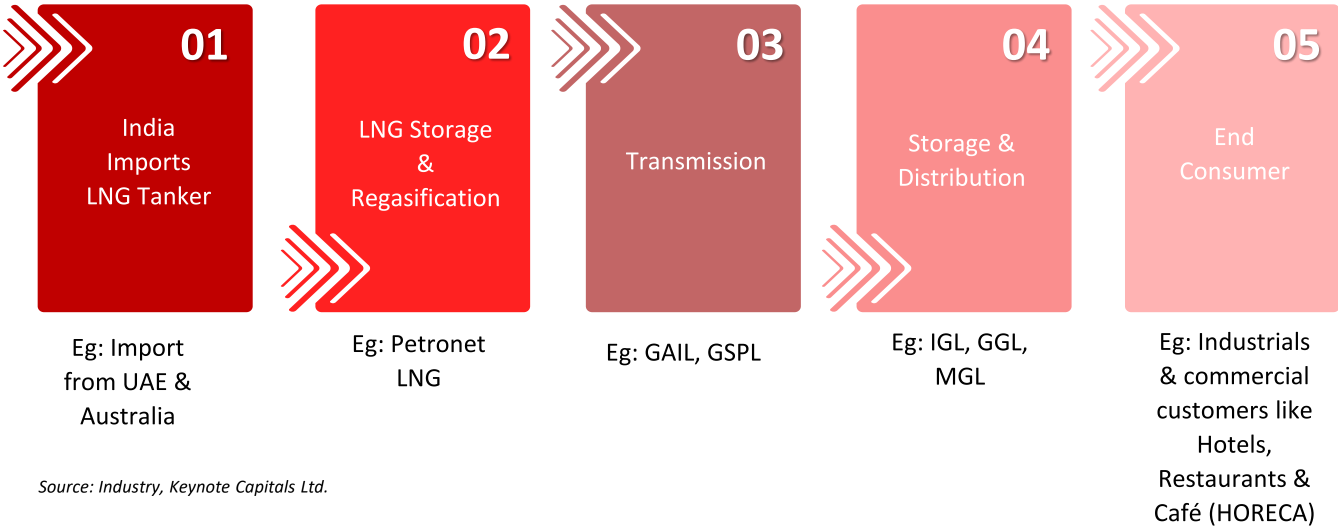
Source: International Energy Agency (IEA), Keynote Capitals Ltd.

Natural Gas Supply Chain

The natural gas supply chain can be divided into two sub parts: 1) Imported and 2) Domestic, depending on initial sourcing.

Imported Gas Supply Chain

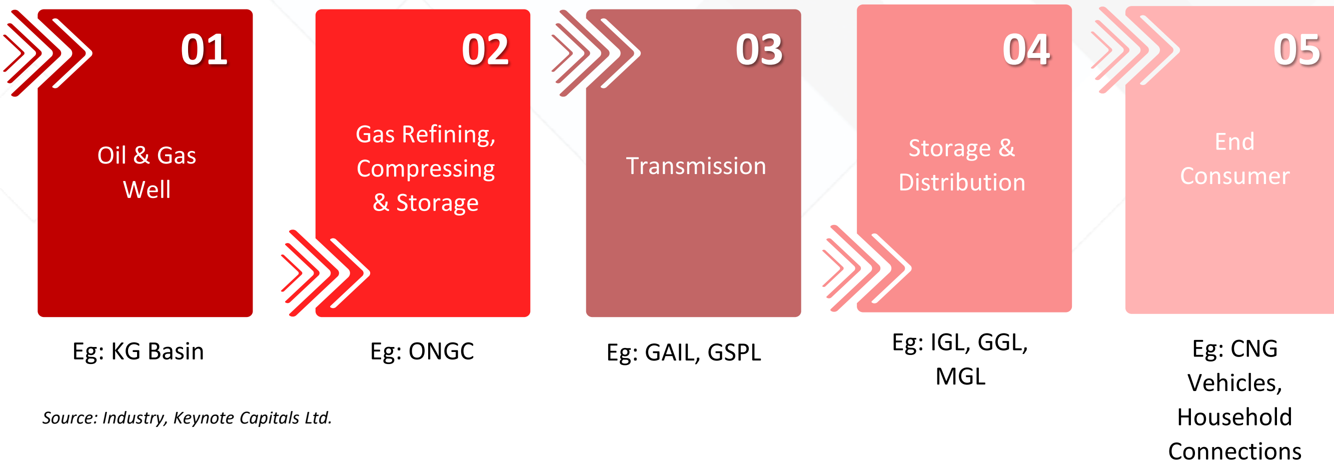
India imports natural gas in a liquified form in Liquified Natural Gas (LNG) tankers through the ocean, which gets stored & regasified at LNG terminals. Post regasification, it is transmitted to different industries or CGD companies to distribute to end consumers.



Source: Industry, Keynote Capitals Ltd.

Domestic Gas Supply Chain

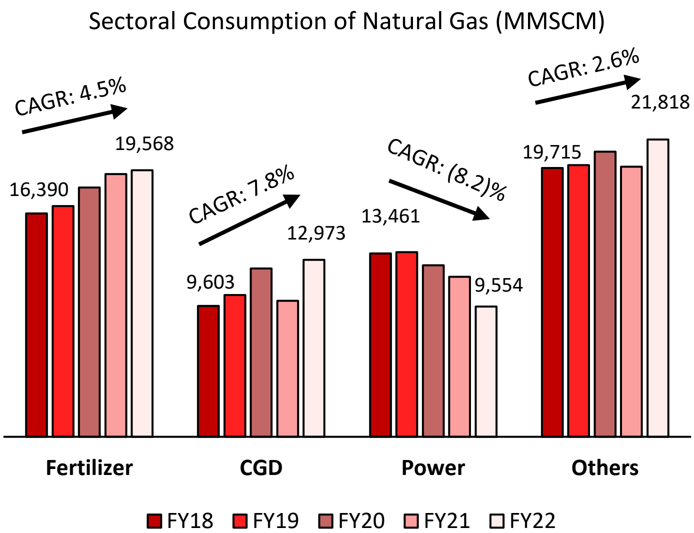
In India, gas is explored in basins like Krishna Godavari (KG) basin, Panna-Mukti Oil Field, etc., which is refined and compressed by refineries. Post-refining it is transmitted directly to industries or CGD companies for distribution.

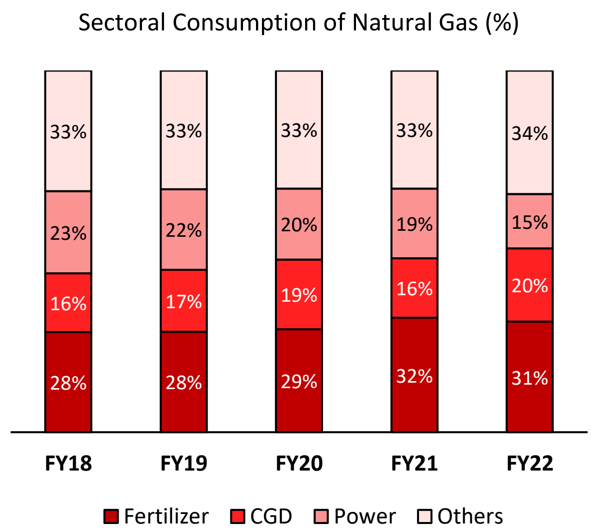


Source: Industry, Keynote Capitals Ltd.

Sectoral Consumption of Natural Gas

Major consumers of natural gas in India are fertilizer manufacturers, power generation companies, and CGD companies. Fertilizer manufacturers remain the leading consumer of natural gas, and the CGD sector has recently overtaken the power sector to become the second largest consumer of gas. Demand growth of natural gas is expected to come from transportation, household, and energy sector.





Source: PPAC, Company, Keynote Capitals Ltd.

In 2014, for the development of the CGD network, the Government of India (GoI) allowed more than 100% allocation of Administered Price Mechanism (APM) gas for Domestic PNG & CNG vehicles consumption. Through this policy, the government prioritized CGD sectors for natural gas consumption. Currently, The GoI has allowed 94% of the Domestic PNG & CNG requirements to be met by APM Gas.

Government fixes the prices of natural gas produced from nominated fields in India via predetermined pricing formula, which is recomputed bi-annually and is called APM gas. Prices of APM gas is lower than imported gas or non-APM gas.

APM gas allocation changes bi-annually.

The above prioritization by GoI has resulted in CGD being the fastest-growing consumer of natural gas. It is expected to grow at a 10% CAGR from 2020 to 2030 (as per reportlinker.com). Lower allocation of APM gas resulted in an increased cost of sourcing gas, which led to a sharp fall in gas consumption by the power sector.

City Gas Distribution

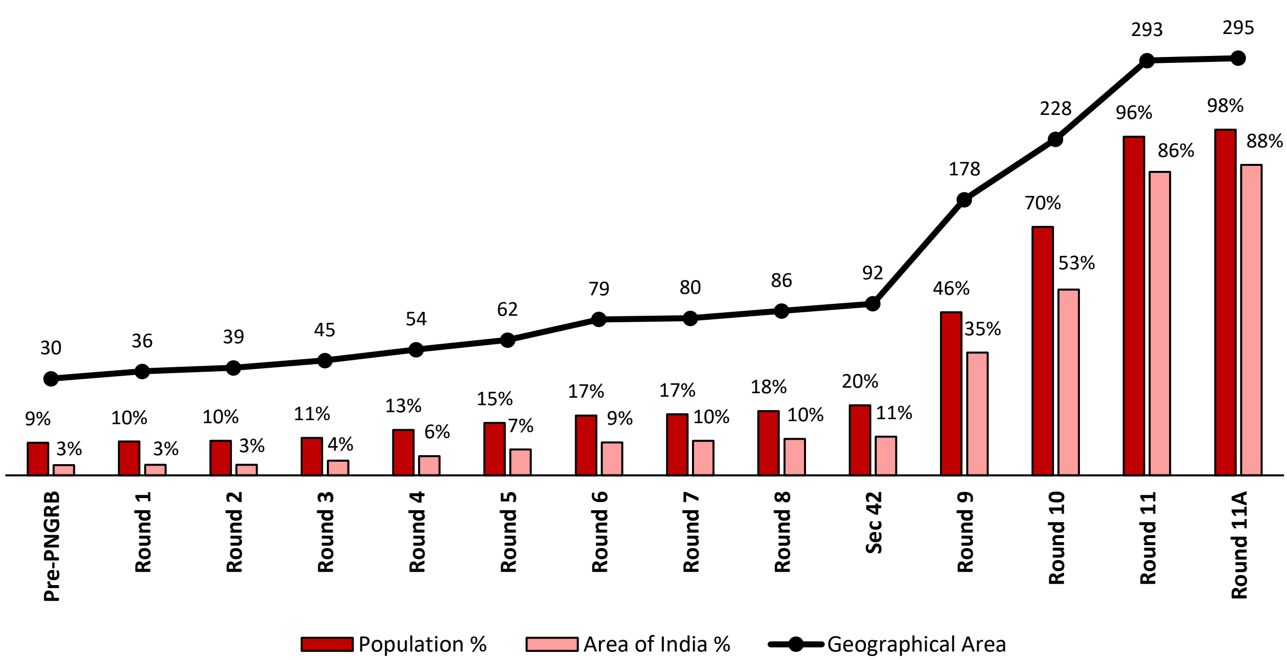
The CGD system was introduced 30 years ago to transform energy delivery across the country. Government grants authorization for laying, building & operating natural gas distribution networks to CGD companies for a particular geographical area through a bidding process. Once a CGD company wins a geographical area, they gain exclusive rights to construct natural gas distribution network. This industry has attracted several companies to lay a natural gas pipeline network in the last decade.

As per the Ministry of Petroleum & Natural Gas (MoPNG), the CGD industry will play a pivotal role in achieving the government's ambitious target of increasing natural gas share in the energy mix from 6.7% in 2022 to 15% by 2030.

The first eight rounds covered 92 geographic areas within the CGD network; the subsequent round covered 203 geographical areas. After completion of 11 & 11A CGD round, 295 geographical areas have been authorized, covering 98% of India's population & 88% of India's area.

Bidding for Round took place in September 2021 and 11A in January 2022

Growth in CGD Network

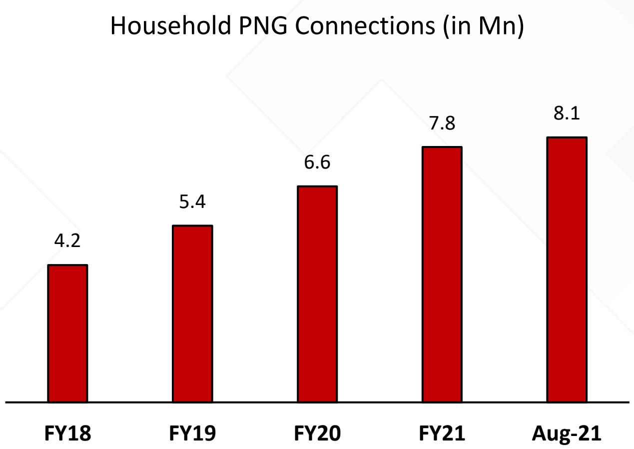


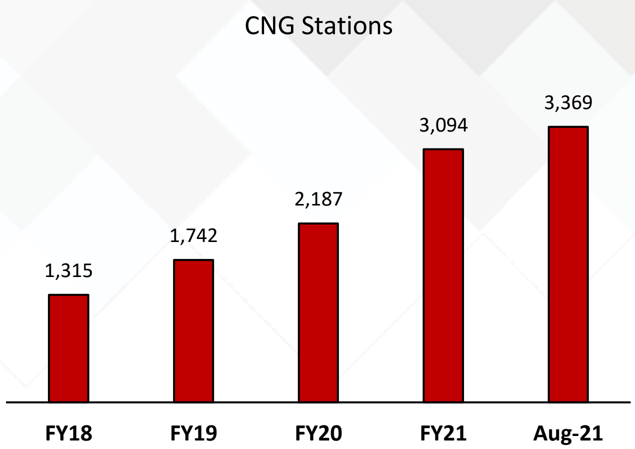
Source: PNGRB, Keynote Capitals Ltd.

Gas Infrastructure of India – Post Eleventh Round of Bidding

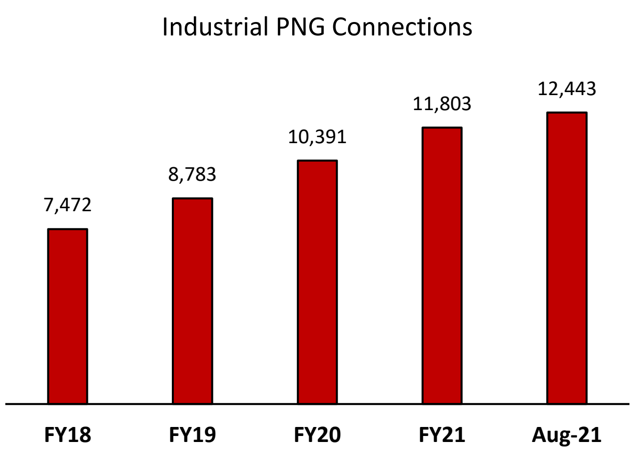
Source: PNGRB, Keynote Capitals Ltd.

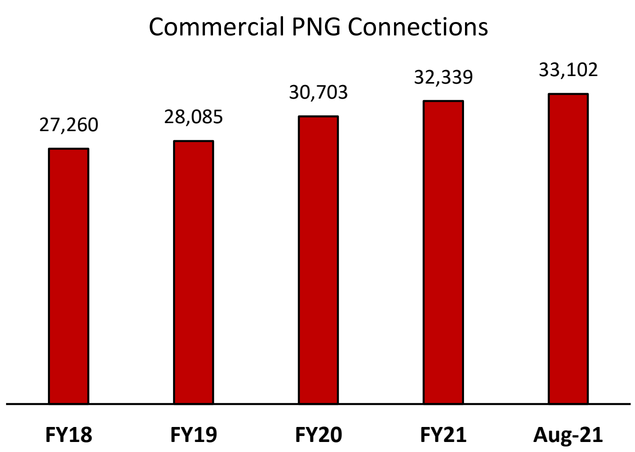
City Gas Distribution Infrastructure



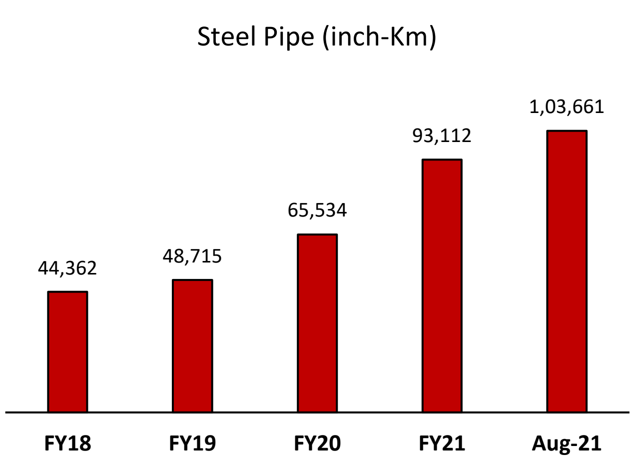


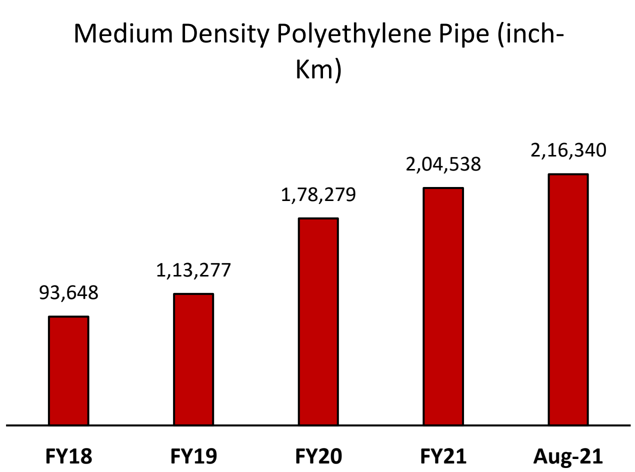
Source: PNGRB, Keynote Capitals Ltd.





Source: PNGRB, Keynote Capitals Ltd.





Source: PNGRB, Keynote Capitals Ltd.

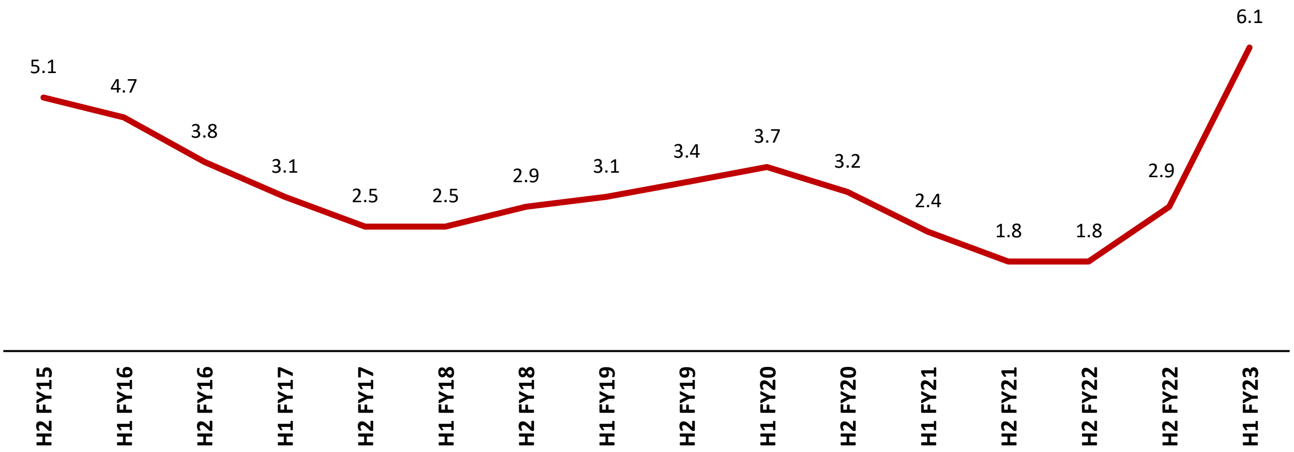
Domestic Gas Pricing Mechanism

India has a complex and heterogenous gas pricing system mainly composed of two regimes, APM & non-APM (also known as free market gas price).

APM Gas Pricing

In 2014, MoPNG issued domestic natural gas pricing guidelines for determining domestic natural gas prices on half yearly basis. Pricing is determined based on annual consumption & annual average daily prices of 4 hubs in the US Henry Hub, Canada Alberta Gas, UK NBP, and Russian Natural Gas. APM gas pricing regime is applicable only to select nominated gas fields.

APM Gas Prices ($ per MMBTU* [gross calorific value])



Source: PPAC, Keynote Capitals Ltd.
MMBTU: Million Metric British Thermal Units

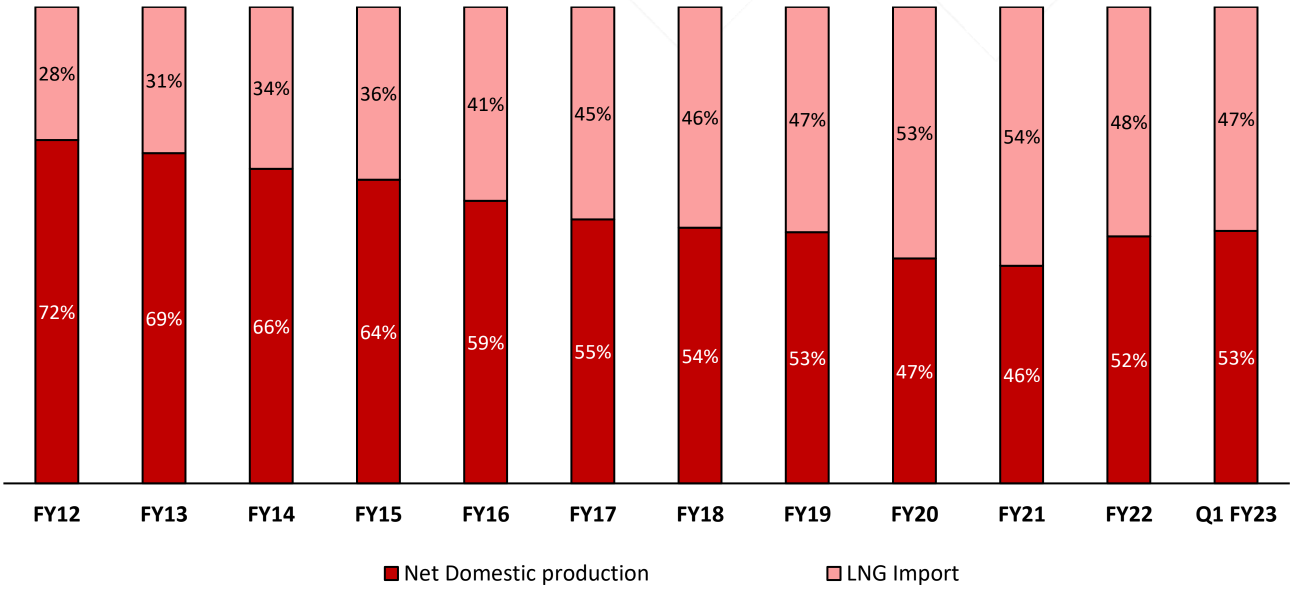
Non-APM Gas Pricing

Non-APM gas prices is further divided into two categories, namely, domestically produced gas from Joint Venture (JV) fields & imported LNG. The pricing for JV gas is based on a formula laid out by Production Sharing Contracts (PSCs). Generally, it is costlier than APM gas prices. Whereas the price of LNG under term contracts is governed by the Sale & Purchase Agreement (SPA) between the LNG seller and the buyer, the spot cargoes are purchased on mutually agreeable commercial terms.

Global prices of natural gas have an impact on domestic prices. Domestic prices are expected to hit new highs as future quotes at Henry Hub for the month of Oct-Nov 2022 are beyond $8 per MMBTU (almost at historic high levels). Other than this, European Union proposes reducing their LNG imports from Russia, which will also increase prices.

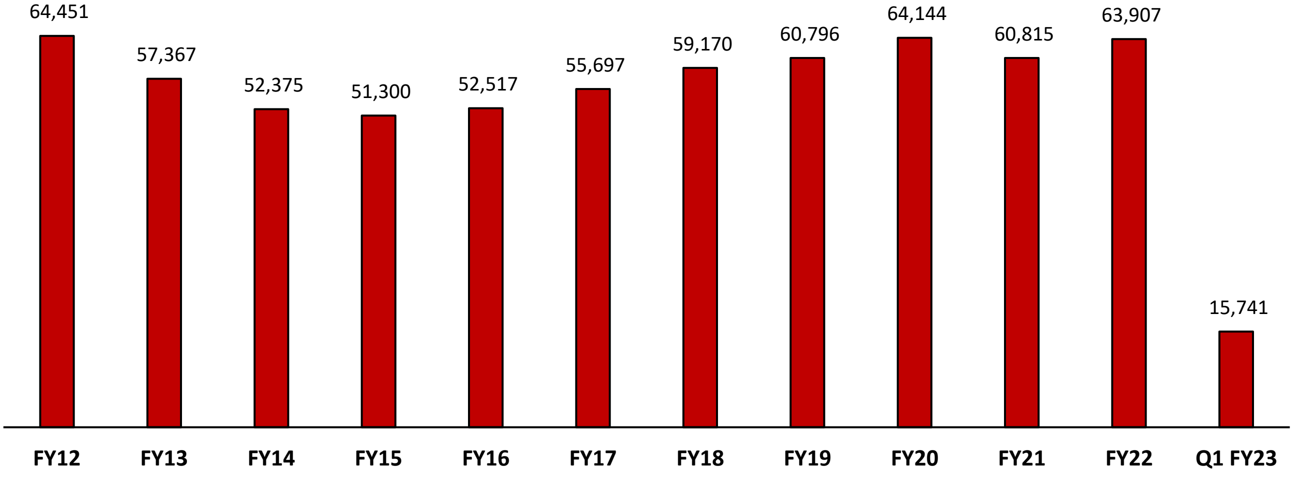
At lower APM prices, the oil exploration companies were not finding it viable to invest in the nominated fields, resulting in decreased domestic natural gas production. This has led to an increased demand-supply mismatch between domestic production and consumption, resulting in increased import of Natural Gas. However, with increased domestic prices, we expect many exploration fields to become economically viable for producing higher natural gas. Reliance Industries is expected to increase its production at the KG basin by ~4,380 MMSCM in the second half of FY23.

Source of Natural Gas consumed in India (%)



Source: PPAC, Keynote Capitals Ltd.

Natural Gas Consumption (MMSCM) in India



Source: PPAC, Keynote Capitals Ltd.

Regulatory Aspects

Minimum Work Programme (MWP)

After receiving a grant of authorization for laying, building, and operating natural gas distribution network for a particular geographical area, CGD companies are expected to complete the construction of minimum infrastructure within 8 years. The percentage of MWP to be achieved as a percentage of committed MWP during each contract year has been mentioned in the regulation as given in the table below. This is expected to help in the fast-track development of infrastructure and avoid the tendency of deferring the work until the later part of the contract.

By the end of contract year	Percentage of work programme to be achieved		
	PNG Connection (cumulative)	CNG stations (cumulative)	Inch-km of steel pipeline (cumulative)
1	0	0	5%
2	10%	15%	20%
3	20%	30%	40%
4	30%	45%	60%
5	40%	60%	70%
6	60%	75%	80%
7	80%	90%	90%
8	100%	100%	100%

Source: PNGRB, Keynote Capitals Ltd.

Note: *in case derived numbers are in fractions, the small shall be rounded off to the nearest whole number & fraction 0.5 shall be rounded off to next higher whole number*

The revised regulations provide for the levy of a specified pre-determined penalty on failure to achieve the cumulative committed target for infrastructure development at the end of each contract year. This regulation is expected to mitigate the risk of a levy of a lump-sum penalty on the authorized entity, irrespective of the quantum of the shortfall. These penalties are levied within three months.

The revised regulations provide that if the entity has not been able to complete at least 30% of the committed MWP during the first three contract years, the Board may terminate the authorization.

Particulars	Penalty
Per PNG Household Connection	Rs. 750
Per CNG Station	Rs. 2 Mn
Per inch-Km	Rs. 0.15 Mn

Source: PNGRB, Keynote Capitals Ltd.

Marketing Exclusivity

The marketing exclusivity period for the successful bidders was increased from 5 years to 8 years to ensure higher payback for their investment in infrastructure.

Further, as an incentive, if an entity achieves the work program as scheduled in each of the eight contract years, the marketing exclusivity shall be extended an additional two years. Also, if an entity cannot achieve the work program in some of the eight contract years but is successfully achieving the cumulative work program at the end of the eighth year, in that case, exclusivity shall be extended by a period of one year.

Company Background

Incorporated in 1998 as a joint venture promoted by GAIL (India) Limited and Bharat Petroleum Corporation Limited (BPCL). The Company is in the business of City Gas Distribution and provides safe and uninterrupted gas supply through its extensive distribution network to transport domestic, commercial, and industrial consumers. The Company's operations are spread over National Capital Territory (NCT) of Delhi, Uttar Pradesh (Noida, Greater Noida, Ghaziabad & Hapur, Gurugram, Meerut (EAAA), Shamli, Kanpur (EAAA), Fatehpur), Bihar (Muzaffarnagar), Haryana (Karnal, Rewari, Kaithal), Himachal Pradesh (Hamirpur) and Rajasthan (Ajmer, Pali & Rajsamand).

EAAA: Except Areas Already Authorised

Areas of Operation

Financial Year	Bidding Round	Region
FY1997-98	Pre-PNGRB	NCT Delhi and Ghaziabad
FY15-16	6th Round	Rewari District
FY17-18	Taken over from Haryana Gas Distribution	Gurugram, Haryana
FY17-18	8th Round	Karnal District
FY18-19	9th Round	Meerut (EAAA), Muzaffarnagar & Shamli District
FY18-19	10th Round	i) Kaithal District ii) Ajmer, Pali and Rajsamand District iii) Kanpur (except area already authorised), Fatehpur and Hamirpur District
FY21-22	11th Round	Banda, Chitrakoot and Mahoba (UP)

Source: Company, PNGRB, Keynote Capitals Ltd.
EAAA: Except Areas Already Authorised

Delhi: This region has enormous demand potential. Public transport vehicles must run on CNG (as per Supreme Court order). It has the highest number of private vehicles compared to any other city in India and is thickly populated with a large number of residential and commercial complexes and hospitals.

Noida: The most advanced city of Uttar Pradesh has vast potential for CNG, PNG-residential, and commercial volumes.

Greater Noida & Ghaziabad: This region has enormous potential for PNG residential, commercial and industrial.

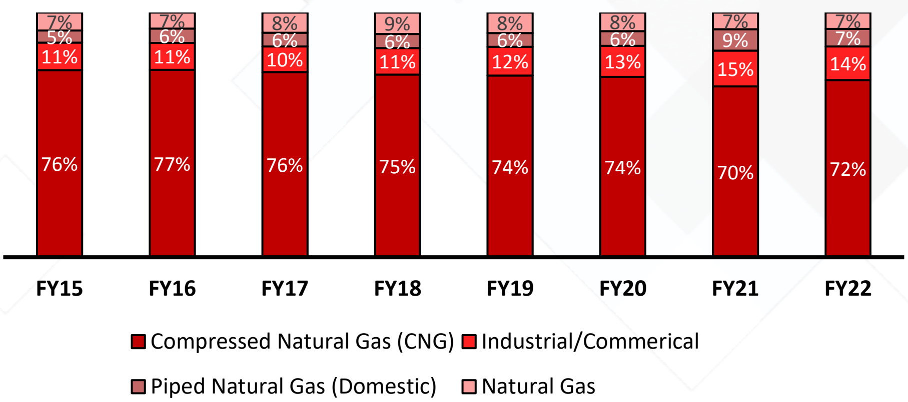
Rewari, Dharuhera & Bawal: Bawal is the industrial town of Haryana and hence has tremendous potential for PNG industrial. IGL has commissioned CNG stations and the sale of PNG to domestic households in Rewari.

Karnal and Gurugram: CNG & PNG sales have commenced. The company has started laying infrastructure in Gurugram. IGL has commissioned fifteen CNG stations in Gurugram. IGL has commissioned eleven CNG stations in Karnal, GA.

Kaithal, Kanpur, Fatehpur & Hamirpur and Ajmer, Pali & Rajsamand: CNG sale has commenced in these regions. Rajmer, Pali & Rajsamand are expected to contribute significantly to Domestic PNG volumes as IGL is expected to provide domestic connection to 10L households compared to the 20L households they supply today.

Revenue Mix

CNG continues to remain major volume contributor (%) for IGL



Particulars (Volume)	7 Year CAGR
Compressed Natural Gas (CNG)	8.1%
Industrial/Commercial	12.1%
Piped Natural Gas (Domestic)	14.6%
Natural Gas	7.6%
Total Volume	**8.9%**

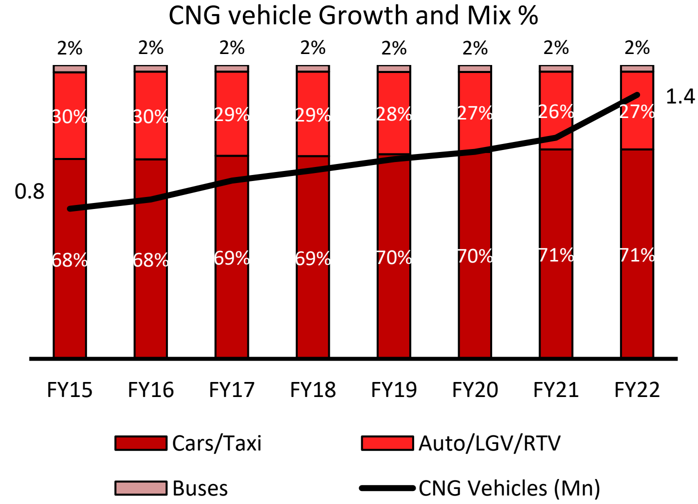
Source: Company, Keynote Capitals Ltd.

Over years, majority of volumes sold is contributed by CNG (~70%), which includes sales made via CNG pumps either operated by IGL or Dealer owned dealer operated or OMCs etc. CNG volume growth will be driven by increasing vehicle conversion to CNG as it is more economical, cost-effective, and cleaner than other liquid fossil fuels such as petrol and diesel. A significant hindrance to the non-conversion of vehicles to CNG is the non-availability of CNG infrastructure in the area. IGL setting up CNG infrastructure in new areas will result in more people buying CNG-fitted cars or converting existing vehicles to CNG.

CNG pumps have grown at a CAGR of 13% from FY16-22. During the same period, the number of CNG vehicles and CNG sales volume has grown at a CAGR of 9%. Within the CNG vehicle mix, cars/taxis contribute more than 70% of the mix. In IGL's CNG pump infrastructure, ~62% is contributed by CNG pumps with OMCs, 21% by IGL-owned pumps, 13% by DTC/UPSRTC, and the rest is dealer owned dealer operated.

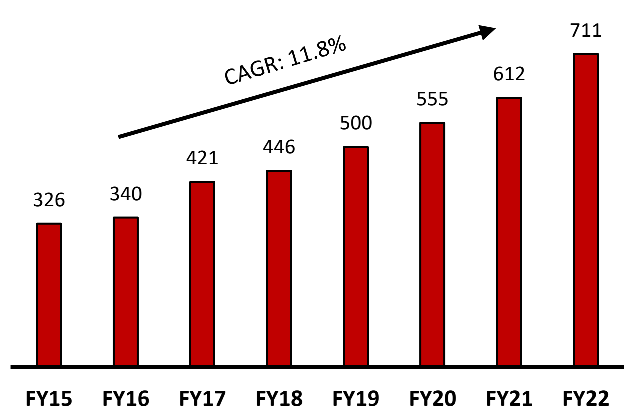
Certain measures taken by authorities have also triggered demand for CNG, for instance, compulsory conversion of all buses to CNG (Dec-15), mandatory conversion of taxis to CNG (May-16), ban on 10-year-old diesel vehicles in the Delhi NCR region, etc.

CNG vehicle Growth and Mix %



Source: Company, Keynote Capitals Ltd.

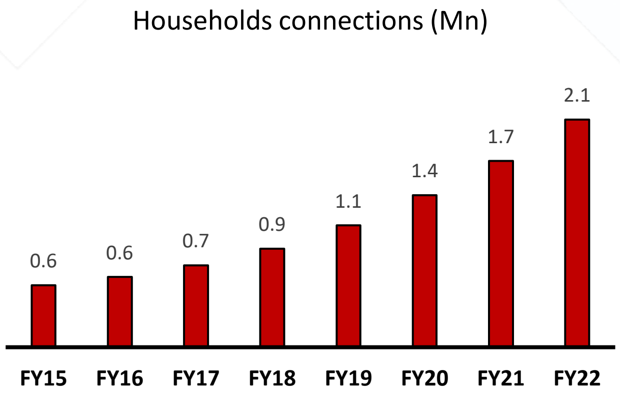
IGL's CNG Pump infrastructure

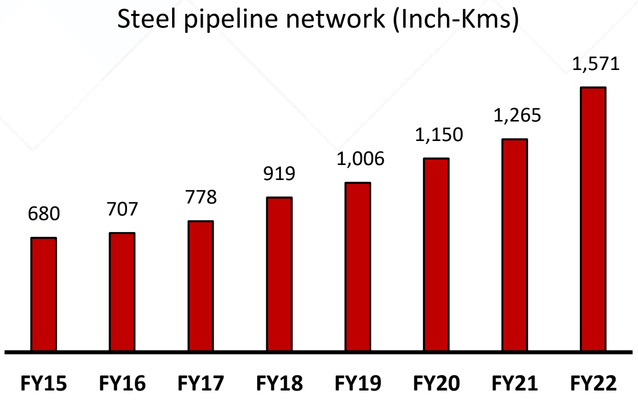


Source: Company, Keynote Capitals Ltd.

Piped Natural Gas (Domestic) contributes ~7% to IGL's overall volume and includes volume from the sale of gas to households. Volume growth is directly proportional to the number of households IGL is able to supply via its infrastructure.

As IGL starts penetrating new geographies and build its infrastructure, conversion from LPG to PNG will drive volume growth for the company. PNG (Domestic) volume has grown at a CAGR of 14.6% from FY15-22. During the same period, household connections have grown at a CAGR of 20.4%.

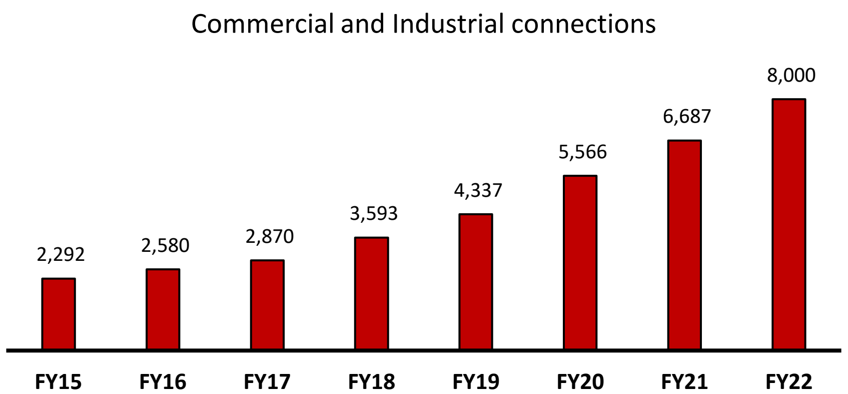




Source: Company, Keynote Capitals Ltd.

Industrial & Commercial segment contributes 14% to the overall volume and includes the sale of gas to industrial plants or establishments run for commercial purposes like hospitals/hotels etc. Statutory bodies in Delhi have banned all other industrial fuels except for PNG and have advised all industrial customers to switch over to PNG. Also, regulatory authorities of Uttar Pradesh, Haryana, and Rajasthan are in the process of shifting industrial units to PNG. Volume growth of this segment is proportional to the number of new industrial & commercial units IGL manages to strap to its infrastructure. Govt push towards cleaner fuel and rapid infrastructure development by IGL will lead to favorable volume growth in this segment.

Volume in this segment has grown by 12.1% from FY15-22.

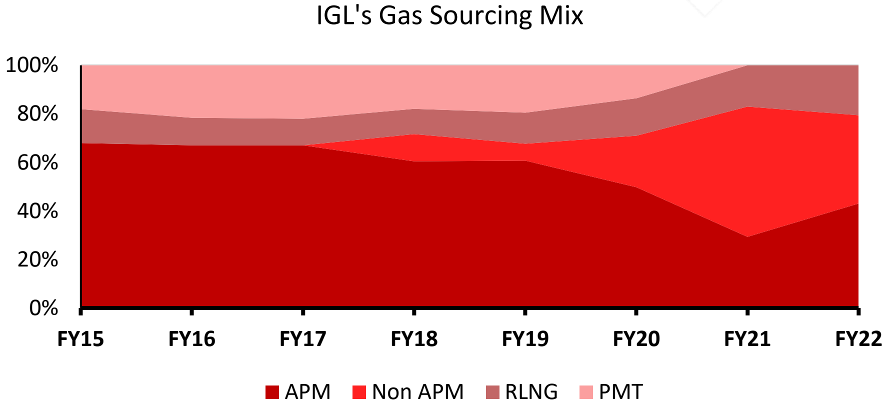


Source: Company, Keynote Capitals Ltd.

Natural Gas segment contribute ~8% to the overall volumes and includes sale to other CGDs. This segment has delivered a volume growth of 7.6% from FY15-22.

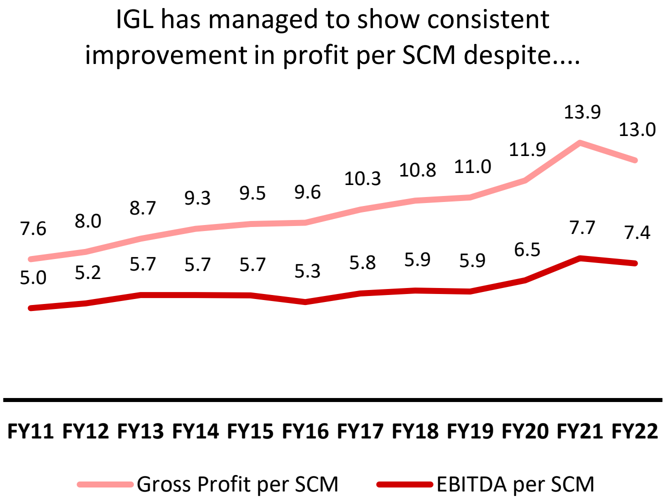
Gas Sourcing

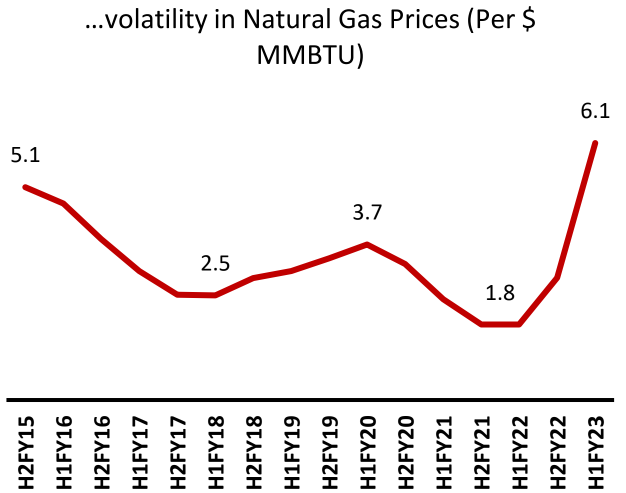
- IGL has allocation from the Government of India for domestic gas for the total consumption of CNG and PNG (Domestic). GAIL allocates the supply of domestic natural gas to IGL based on actual requirements, along with the flexibility to draw 10% over and above the allocation.
- IGL has a long-term contract for Regasified Liquefied Natural Gas (RLNG) from GAIL/BPCL to meet PNG industrial & commercial demand.
- IGL sources its short-term requirement of gas from the open market, i.e., Indian Oil Corp, Gujarat State Petroleum Corp, Petronet LNG, Shell, etc. This short-term requirement is primarily sourced to bridge the shortfall due to the non-availability of APM gas.



Source: Company, Keynote Capitals Ltd.
PMT: Panna-Mukta and Tapti Fields
RLNG: Regasified Liquified Natural Gas

Volatile input prices, but profit per SCM is intact



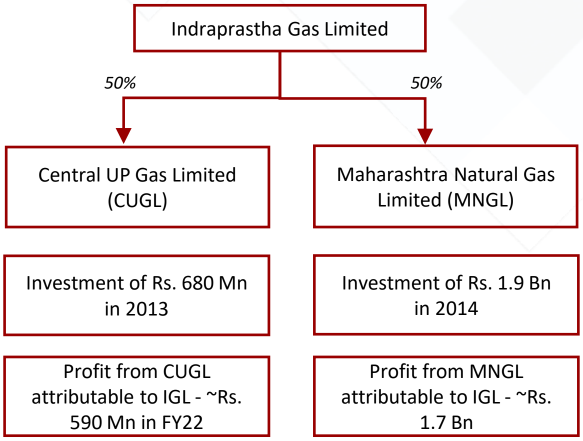


Source: Company, Keynote Capitals Ltd
SCM: Standard Cubic Meter

Despite extreme volatility in input gas price, IGL has managed to maintain its profit per SCM as well as improve it. The company has efficiently passed on the input price increase to its end customers without a lag. This has been possible primarily because of access to cheap natural gas prices and exclusivity of operation in the particular area, leading to a monopoly business model, which has helped them pass on input cost volatility to end customers with ease and maintain consistency in the margin.

Investment in Associates

In order to diversify into other geographical areas, IGL has invested a 50% equity stake in two CGDs, Central UP Gas Limited (CUGL) and Maharashtra Natural Gas Limited (MNGL). Both of IGL's investment decision seems prudent since it has delivered a return ~16-17% CAGR since investment.



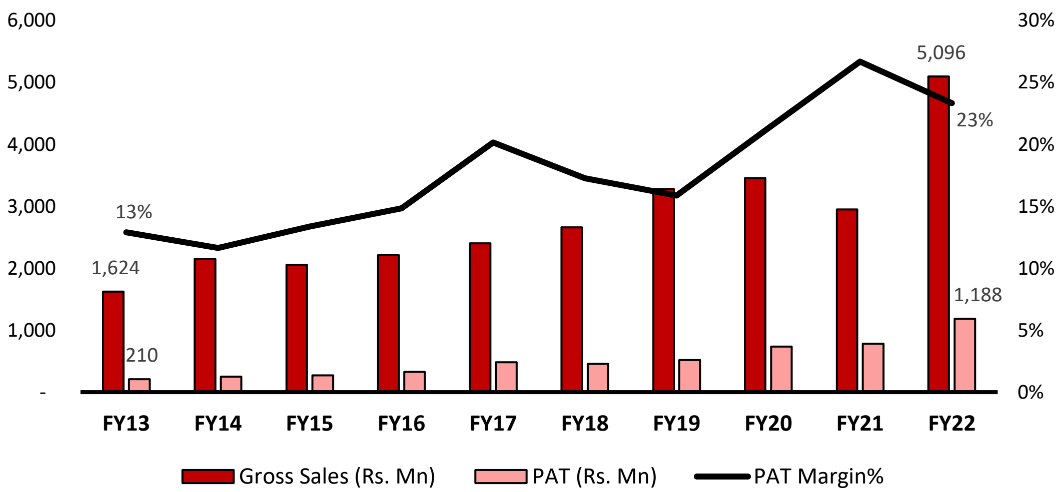
Source: Company, Keynote Capitals Ltd.

Central UP Gas Limited (CUGL)

CUGL is engaged in City Gas Distribution in Kanpur, Bareilly, Jhansi, and Unnao in Uttar Pradesh. IGL holds 50% of the paid-up equity share capital of CUGL. The rest is owned by Bharat Petroleum Corporation (25%) and GAIL (India) Ltd (25%).

CUGL has a network of 57 CNG stations and caters to around 0.12 Mn PNG domestic connections, 451 commercial & industrial customers, and a network of ~2400 Km of natural gas pipeline.

Revenue & PAT CAGR of 13.5% & 21.2% respectively

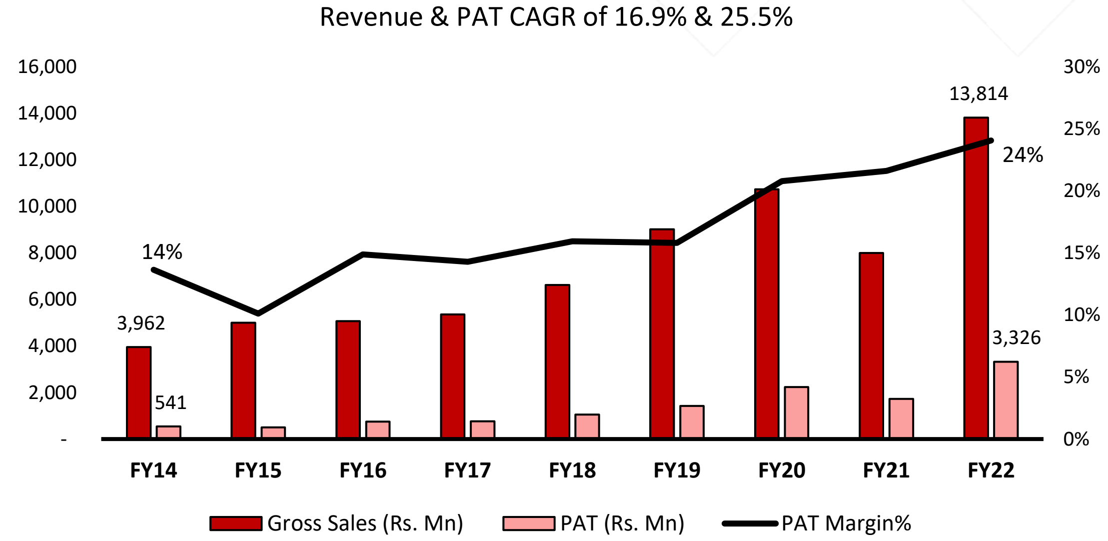


Source: Company, Keynote Capitals Ltd.

Maharashtra Natural Gas Limited (MNGL)

MNGL was incorporated in 2006 as a CGD business in Pune, Pimpri, Chinchwad, Chakan, Talegaon and Hinjewadi, Nasik GA (Nasik, Dhule & part of Valsad), Sindhudurg GA in the state of Maharashtra and Ramanagara GA in the state of Karnataka. IGL holds 50% of the paid-up equity share capital of MNGL. Rest is owned by Bharat Petroleum Corporation (22.5%), GAIL (India) Ltd (22.5%), and Govt of Maharashtra (via MIDC).

MNGL has a network of 132 CNG stations, catering to more than 0.39 Mn PNG domestic connections, 600+ commercial & industrial customers, and a network of more than 1800 km of natural gas pipeline.



Source: Company, Keynote Capitals Ltd.

MNGL has also won an additional 2 GA's in the 11th round, namely Buldana, Nanded, Prabhani District, and Nizamabad, Kamareddy, Adilabad, Nirmal, Mancherial, Kumuram Bheem Asifabad district.

GA's allotted to MNGL in 9th and 11th round of bidding

Financial Year	Bidding Round	Region
FY18-19	9th Round	Ramanagara District
FY18-19	9th Round	Valsad (EAAA), Dhule & Nashik Districts
FY18-19	9th Round	Sindhudurg District
FY21-22	11th Round	Buldana, Nanded, Prabhani District
FY21-22	11th Round	Nizamabad, Kamareddy, Adilabad, Nirmal, Mancherial, Kumuram Bheem Asifabad

Source: Company, PNGRB, Keynote Capitals Ltd.

Innovative steps undertaken by IGL to boost CNG/PNG volumes

IGL is actively exploring the conversion of **long-haul transport** from pollutant fuel (Diesel) to cleaner fuel (CNG) of various State Transport Undertakings (STUs) towards the conversion of their vehicles on CNG. In this regard, the Company has successfully showcased the use of CNG for long-haul buses between Delhi- Dehradun and the Delhi-Jaipur route on a single fill.

The Company has also started **Mobile Refuelling Unit (MRU)** for the first time to deliver CNG for the convenience of the customers.

To curb down air-pollution levels and increase natural gas volumes, IGL has targeted the diesel genset segment, wherein **PNG would replace the use of diesel in gensets**.

Mobile CNG Refueling unit developed by IGL
Source: Company, Keynote Capitals Ltd.

IGL is working on alternative fuel

As a diversification strategy, IGL is working on multiple energy sources.

1. **Electric Vehicle:** IGL forayed into the Electric Vehicle (EV) sector. The Company has a plan to set up 50 EV charging stations at various sites (including IGL CNG stations). Also, they have entered into an agreement with Kinetic Green Energy & Power Solutions Pvt Ltd for setting up battery swapping stations at Delhi/NCR.

2. **Hydrogen CNG (HCNG):** IGL is running a pilot project wherein 50 Delhi Integrated Multi-Modal Transit System (DIMTS) buses were filled with Hydrogen CNG. HCNG is cleaner and more economical than CNG. The Company has entered into an agreement with Indian Oil Corporation Ltd (IOCL) to set up infrastructure for storage, compression, and dispensing of Hydrogen blended Compressed Natural Gas.

3. **Compressed Biogas (CBG):** IGL is working on opening new avenues by setting up its own CBG plants in Muzaffarnagar (Uttar Pradesh) under the Gobardhan scheme & waste to energy initiatives of the Government.

Board of Directors and Top Management

The Company is currently managed by Shri Arun Kumar Singh (Chairman since Jan'21). He is also Chairman & Managing Director of BPCL since Sep'21.

Name	Position Held at IGL	Total Relevant Experience	Education Qualification	Other Comments
Shri Arun Kumar Singh	Chairman	37 Years+	B.S.,Mech Eng	Chairman & Managing Director of BPCL
Shri Sanjay Kumar	Managing Director	34 Years	B.Tech, Mech Eng from IIT, Kharagpur	Has been associated with GAIL since the inception of his career
Shri Pawan Kumar	Director (Commercial)	20 Years	B.Tech, Mech Eng	Has been working in IGL since 2002

Source: Company, Keynote Capitals Ltd.

In IGL, the Chairman/Managing Director position has seen colossal churn. The average tenor of a person is ~2-3 years at this position. All current & past Chairman/MD has been promoted from IGL's parent firm (GAIL/BPCL).

Despite this, IGL has managed to grow in double digits in the last decade. Business growth is not being affected by the short tenure of the Chairman/MD, and it seems decision-making has been decentralized.

Promoter Holding & Top Shareholders

IGL was established in 1998 as a JV promoted by GAIL (India) Ltd and Bharat Petroleum Corporation Ltd (BPCL), each having a stake of 22.5%, with Govt of NCT of Delhi having 5% equity. It was formed following a Supreme Court directive to GAIL to set up a CNG infrastructure unit in the NCR. The Company was listed on the stock exchange on Dec'03.

Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Jun-22
GAIL (India) Ltd	22.5	22.5	22.5	22.5	22.5	22.5
BPCL	22.5	22.5	22.5	22.5	22.5	22.5
Total Promoter Holding	**45.0**	**45.0**	**45.0**	**45.0**	**45.0**	**45.0**

Source: Company, Keynote Capitals Ltd.

Top Shareholders %

Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Jun-22
Life Insurance Corporation	5.27	7.60	8.43	9.11	7.46	8.15
Govt of NCT of Delhi	5.00	5.00	5.00	5.00	5.00	5.00
Kotak Bluechip Fund	-	2.99	3.26	2.66	2.38	2.28
Fidelity Investment Trust	-	1.41	1.72	1.63	1.64	1.64
HDFC Life Insurance Company Limited	-	-	1.96	-	1.20	1.20
BNP Paribas Funds Green Tigers	-	-	-	-	1.29	1.10
Nippon India Arbitrage Fund	-	-	-	-	-	1.03

Source: Company, Keynote Capitals Ltd.

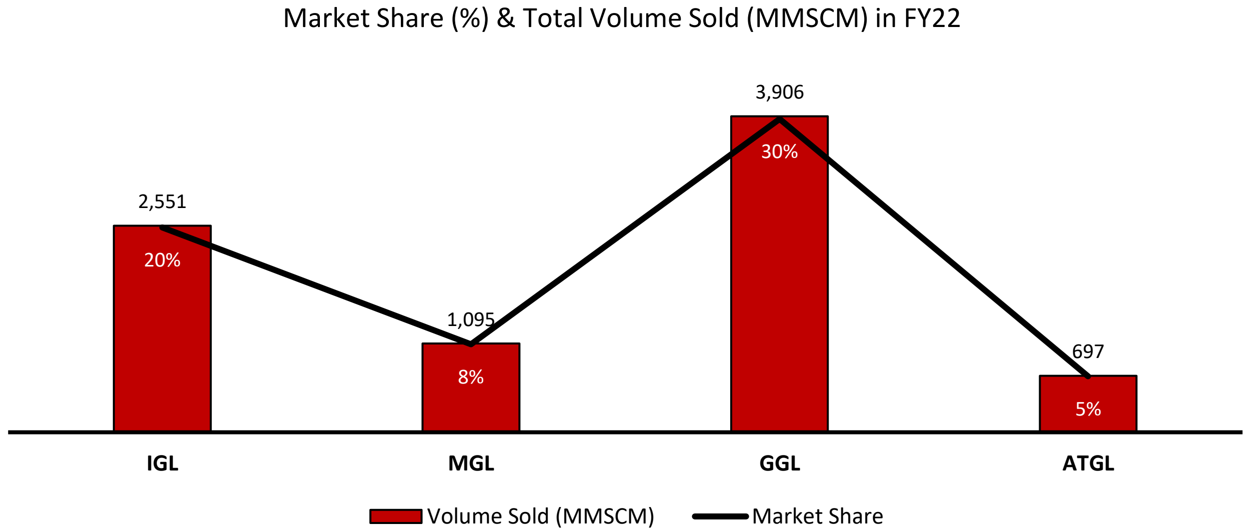
Peer Comparison

There are three listed companies other than IGL engaged in the business of CGD, namely:-

- **Mahanagar Gas Ltd (MGL):** mainly has exposure to the Mumbai regions
- **Gujarat Gas Ltd (GGL):** mainly has exposure to Gujarat's geographical areas. Apart from this, it has exposure to Punjab, Madhya Pradesh, Rajasthan, Maharashtra, and Haryana.
- **Adani Total Gas Ltd (ATGL):** mainly has exposure to Gujarat's & Rajasthan's geographical areas.

Market Share Based on Total Volume Sold (MMSCM)

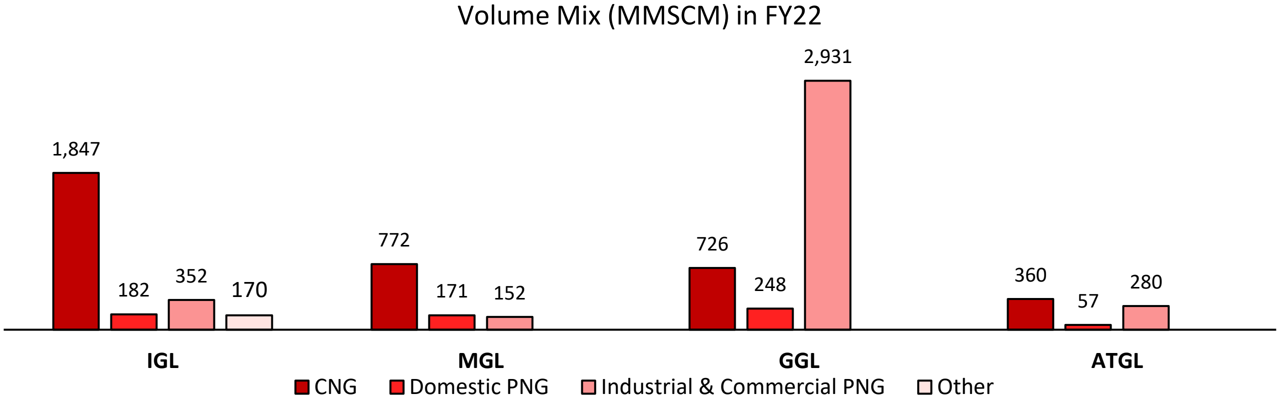
In FY22, the CGD industry recorded a volume sales of 12,973 MMSCM. GGL is the most significant player in the industry with a 30%+ market share, followed by IGL, MGL & ATGL, respectively.



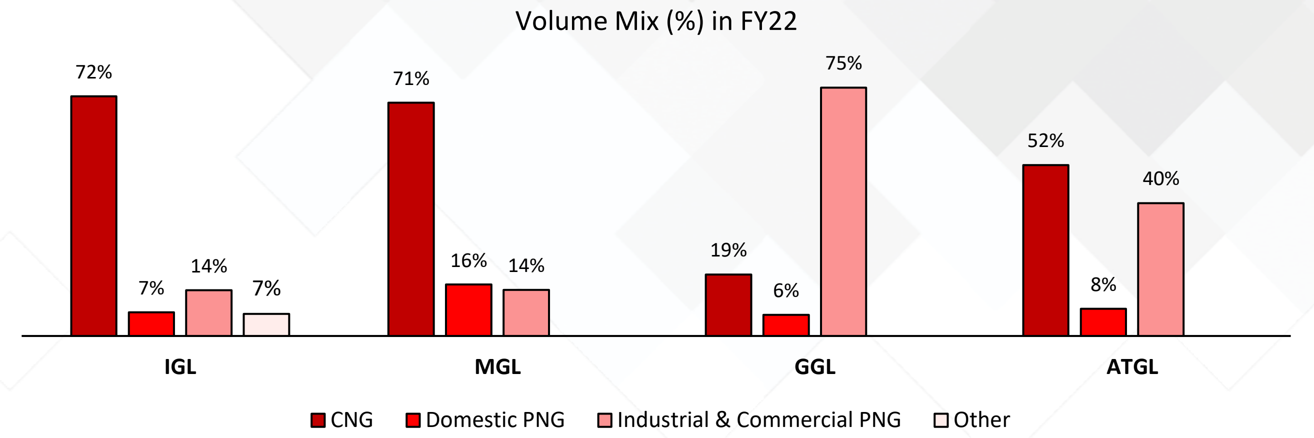
Source: Company, Peer Companies, PPAC, Keynote Capitals Ltd.

Volume Mix

Based on the volume sold, Gujarat Gas Ltd (GGL) is the most significant player in the industry. More than 75% of the volume mix caters to industrial & commercial clients, whereas for other players like IGL & Mahanagar Gas Ltd (MGL), more the 70% of volume comes from CNG, and less than 15% comes from industrial & commercial clients.



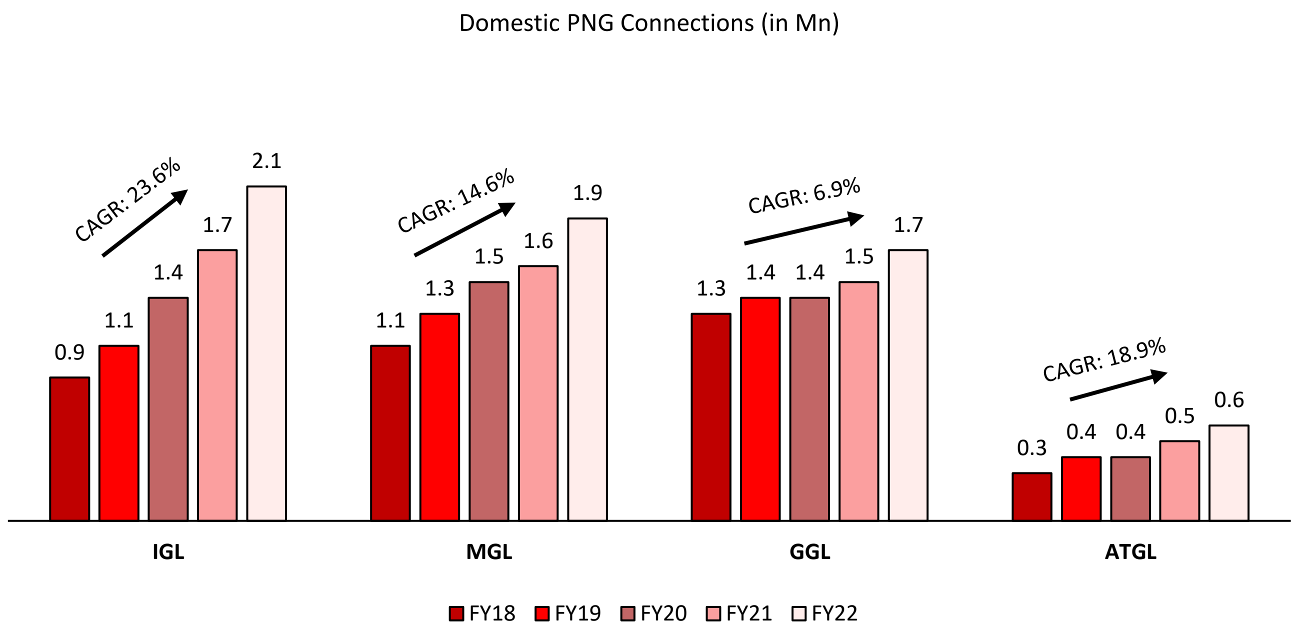
Source: Company, Peer Companies, Keynote Capitals Ltd.



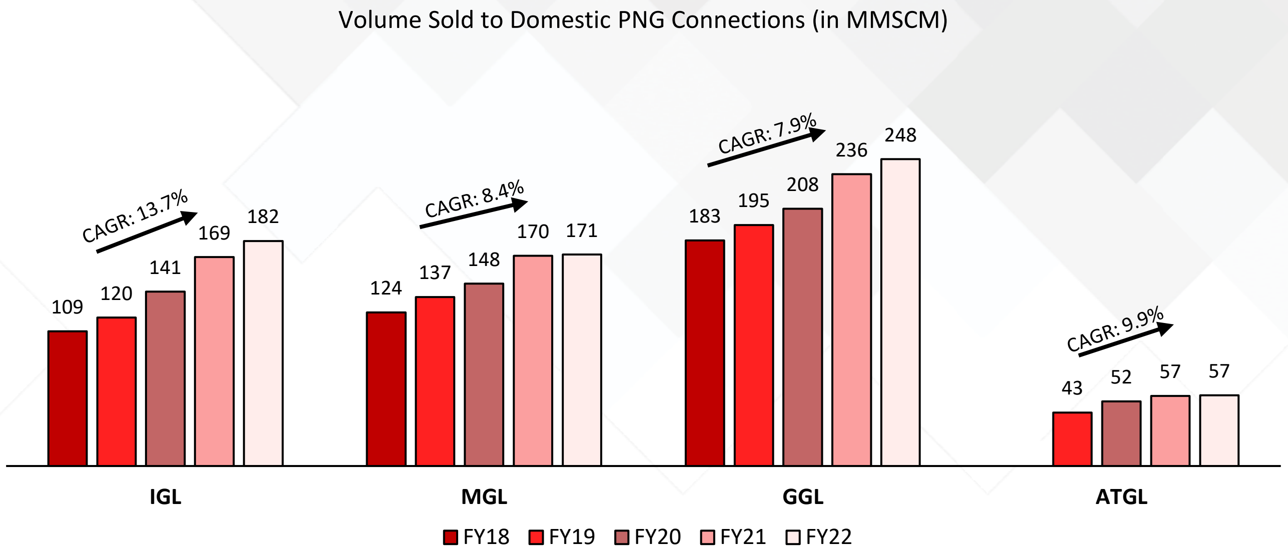
Source: Company, Peer Companies, Keynote Capitals Ltd.

Domestic PNG Connections

Based on Domestic PNG connections, though IGL has the highest number of household connections (2+ Mn), GGL has the highest volume sold (248 MMSCM). We believe that Domestic PNG connections are the most stable & sticky source of volume as gas expenses are a minuscule amount spent by an individual household annually. Superior growth in Domestic PNG Connections (23.6% CAGR in last 4 years) for IGL led to better volume growth (13.7% CAGR in last 4 years) compared to its peers.



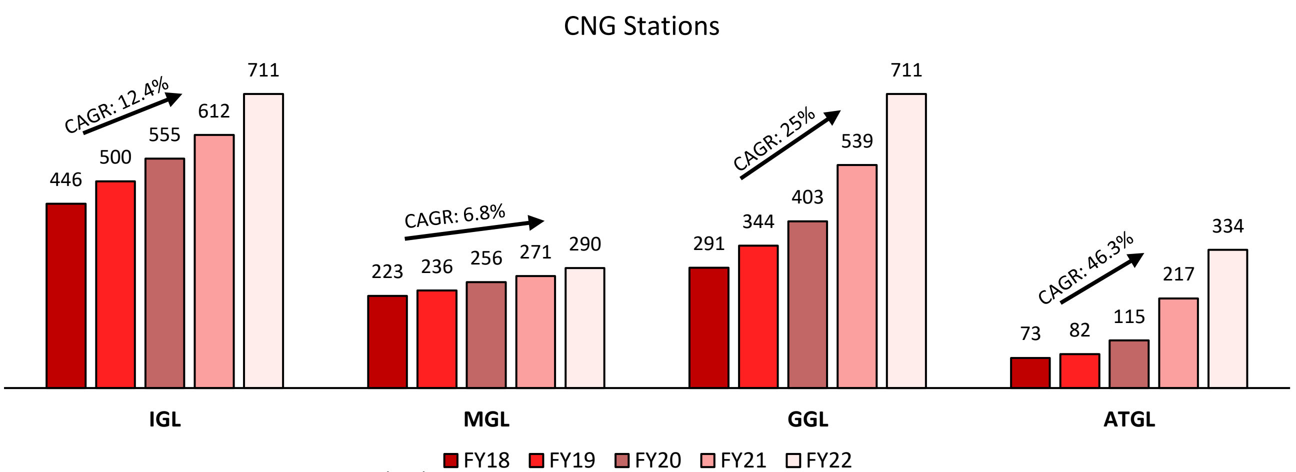
Source: Company, Peer Companies, Keynote Capitals Ltd.



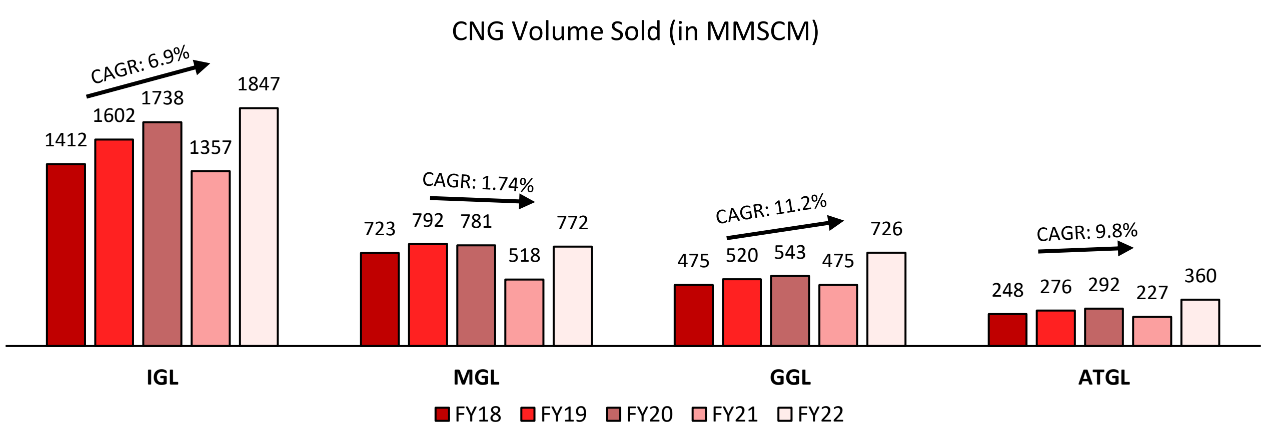
Source: Company, Peer Companies, Keynote Capitals Ltd.

CNG Stations

IGL and GGL have the highest CNG Stations, but IGL has more than 2.5x the volume sold of GGL. For the last two years, both ATGL & GGL have been constructing more than 100 CNG stations annually. This shows that they are improving their focus on volume growth from CNG. Over the years, companies were able to pass on the cost increase to final customers, which showcases that they have pricing power.



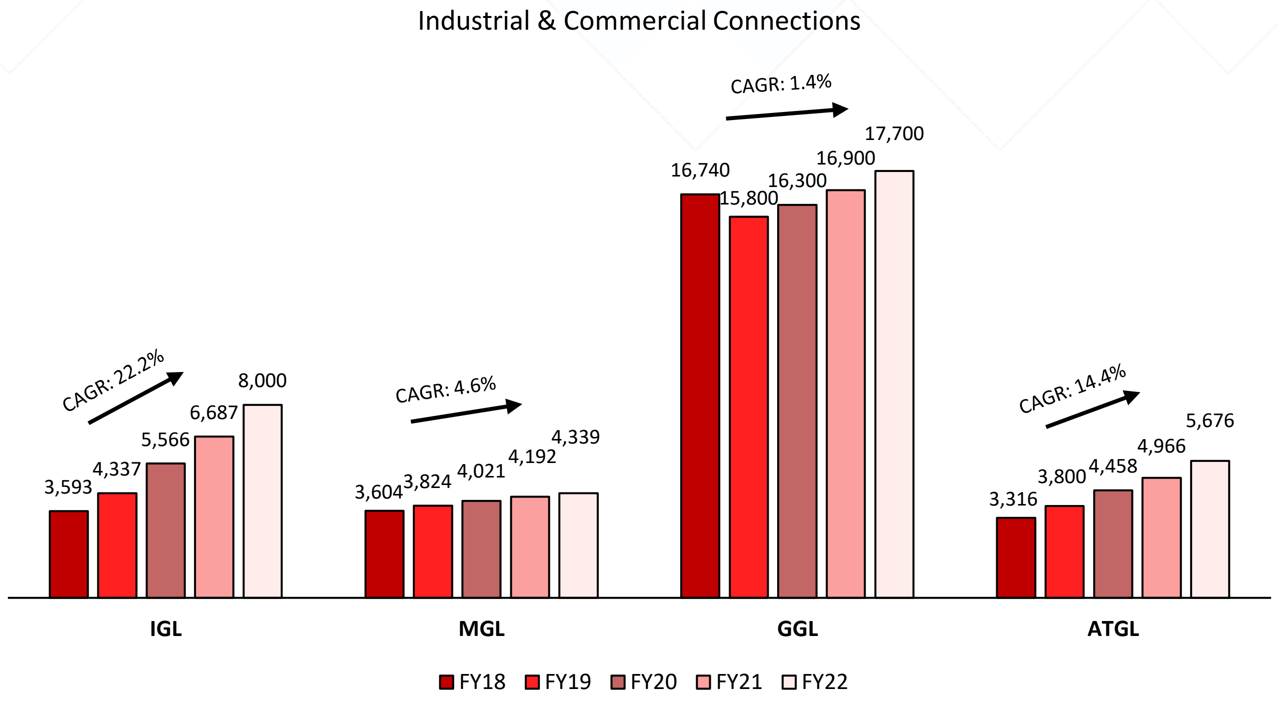
Source: Company, Peer Companies, Keynote Capitals Ltd



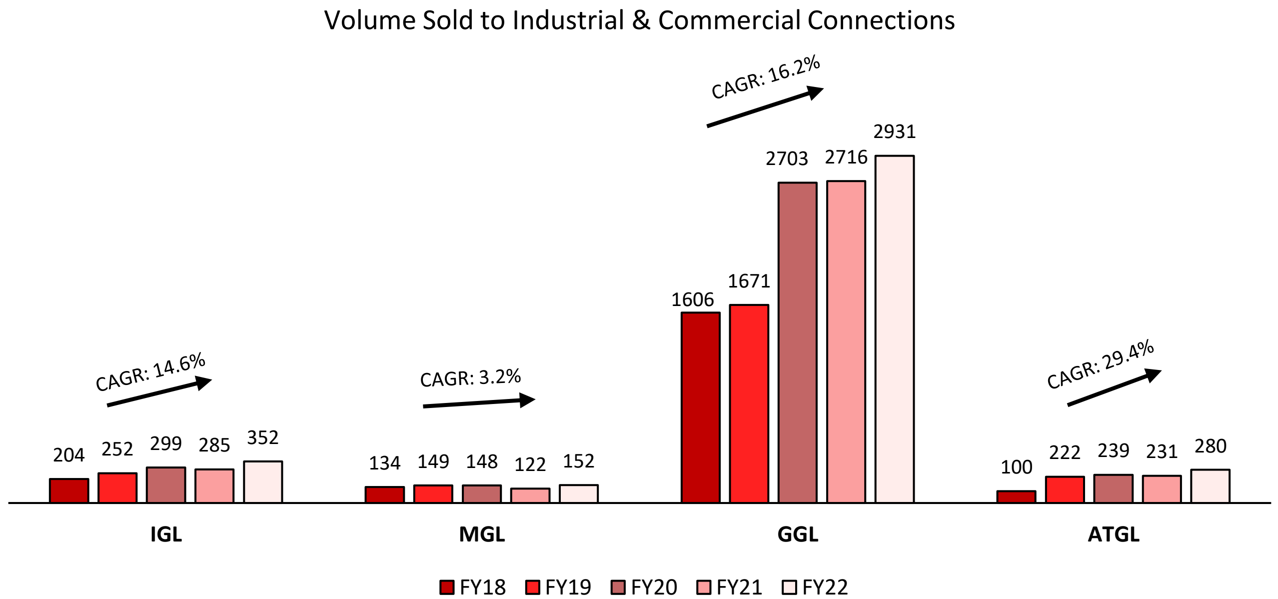
Source: Company, Peer Companies, Keynote Capitals Ltd

Industrial & Commercial Connections

GGL has the highest industrial & commercial connections, which is more than 2x the size of the 2nd largest CGD player and has more than 8x volume sold to industrial & commercial connections. We believe that Industrial clients are the least sticky customers. They can shift to alternatives like Liquified Petroleum Gas (LPG)/propane based on price arbitrage with natural gas.



Source: Company, Peer Companies, Keynote Capitals Ltd.



Source: Company, Peer Companies, Keynote Capitals Ltd.

KEYNOTE

Key Metrics Comparison

IGL	FY18	FY19	FY20	FY21	FY22
Volume (MMSCM)	1,891	2,155	2,357	1,944	2,551
Sales (Rs. Bn)	45	58	65	49	77
Sales per SCM	*24.0*	*26.8*	*27.5*	*25.4*	*30.2*
GP (Rs Bn)	20	24	28	27	33
GP per SCM	*10.8*	*11.0*	*11.9*	*13.9*	*13.0*
EBITDA (Rs. Bn)	11	13	15	15	19
EBITDA per SCM	*5.9*	*5.9*	*6.5*	*7.7*	*7.4*
ROCE (%)	31%	30%	29%	23%	25%

Source: Company, Keynote Capitals Ltd.

MGL	FY18	FY19	FY20	FY21	FY22
Volume (MMSCM)	986	1,077	1,077	810	1,095
Sales (Rs. Bn)	22	28	30	22	36
Sales per SCM	*22.7*	*25.9*	*27.6*	*26.6*	*32.5*
GP (Rs Bn)	12	14	16	14	15
GP per SCM	*12.2*	*12.9*	*14.8*	*17.3*	*13.8*
EBITDA (Rs. Bn)	8	9	11	9	9
EBITDA per SCM	*7.9*	*8.2*	*9.8*	*11.5*	*8.4*
ROCE (%)	37%	37%	37%	27%	24%

Source: MGL, Keynote Capitals Ltd.

GGL	FY18	FY19	FY20	FY21	FY22
Volume (MMSCM)	2,263	2,386	3,454	3,427	3,906
Sales (Rs. Bn)	62	78	103	99	165
Sales per SCM	*27.3*	*32.5*	*29.8*	*28.8*	*42.1*
GP (Rs Bn)	15	17	24	29	30
GP per SCM	*6.6*	*7.0*	*7.0*	*8.4*	*7.7*
EBITDA (Rs. Bn)	9	10	16	21	21
EBITDA per SCM	*4.0*	*4.2*	*4.8*	*6.1*	*5.4*
ROCE (%)	16%	19%	29%	34%	31%

Source: GGL, Keynote Capitals Ltd.

ATGL	FY18	FY19	FY20	FY21	FY22
Volume (MMSCM)	479	541	582	515	697
Sales (Rs. Bn)	14	17	19	17	30
Sales per SCM	*28.7*	*31.8*	*32.2*	*32.9*	*43.6*
GP (Rs Bn)	5	6	8	9	11
GP per SCM	*10.5*	*11.6*	*14.0*	*18.0*	*15.9*
EBITDA (Rs. Bn)	4	5	6	7	8
EBITDA per SCM	*7.6*	*8.4*	*10.2*	*13.7*	*11.1*
ROCE (%)	22%	26%	35%	32%	25%

Source: ATGL, Keynote Capitals Ltd.

Geographical Areas Allotted in 9,10 & 11 Bidding Rounds

Company Name	Bidding Round	Geographical Area Won	Minimum PNG Connections	Minimum CNG Stations	Area name
IGL	9	1	1,05,543	36	- Merrut District, Muzzafarnagar & Shami District (Uttar Pradesh)
	10	3	12,44,088	270	- Kaithal District (Haryana) - Ajmer, Pali & Rajsamand District (Rajasthan) - Kanpur (EAAA) District, Fatehpur, & Hamirpur District (Uttar Pradesh)
	11	1	1,50,006	102	- Banda, Chitrakoot and Mahoba (Uttar Pradesh)
MGL	9	0	0	0	
	10	0	0	0	
	11	0	0	0	
GGL	9	1	1,750	4	- Narmada (rajpipla) District (Gujarat)
	10	6	27,84,636	306	- Sirsa, Fatehabad and Mansa Districts (Haryana & Punjab) - Ujjain (EAAA) District, Dewas (EAAA) District, Indore (EAAA) District (Madhya Pradesh) - Jhabhua, Banswara, Ratlam, & Dungarpur Districts (Madhya Pradesh & Rajasthan) - Ferozepur, Fardikot & Sri Muktsar Sahib Districts (Punjab) - Hoshiarpur, Gurdaspur Districts (Punjab) - Jalore & Sirohi Districts (Rajasthan)
	11	0	0	0	
ATGL	9	13	23,62,544	452	- Surendrenagar District & Morbi District (EAAA) (Gujarat) - Barwala & Ranpur Talukas (Gujarat) - Navsari District, Surat District, Tapi Districts & Dangs District (Gujarat) - Kheda District, Mahisagar District (Gujarat) - Porbandar District (Gujarat) - Bhiwani, Charkhi, Dadri & Mahedragarh District (Haryana) - Nuh & Palwal Districts (Haryana) - Udupi District (Karnataka) - Balasore, Debagarh, Mayurbhani Districts (Odisha) - Bhilwara & Bundi Districts (Rajasthan) - Chittogarh (other than rawatbhata taluka), & Udaipur Districts (Rajasthan) - Cuddalore, Nagapattinam & Tiruvallar Districts (Tamil Nadu) - Tirrupur District (Tamil Nadu)
	10	2	1,87,132	49	- Annappur, Bilaspur & Korba Districts (Madhya Pradesh & Chattisgarh) - Jhansi (EAAA) District, Bhind, Jalaun, lalitpur and Datia Districts (Madhya Pradesh & Uttar Pradesh)
	11	13	61,14,760	1,227	- Nagaon, Morigaon, Hojai, Karbi Anglong, West Karbi Anglong, & Dima Hasao Districts (Assam) - Kokrajhar, Dhubri, South Salmara-Mankachar & Goalpara Districts (Assam) - Kabirdham, Raj Nandgaon & Kanker Districts (Chattisgarh) - Mungeli, Bemetara, Durg, Balod & Dhamtari Districts (Chattisgarh) - Jashpur, Raigarh, Janjgi-Champa & Mahasamund Districts (Chattisgarh) - Gumla, Latehar, Lohardaga, Simdega, Garhwa & Khunti Districts (Jharkhand) - Burhanpur, Khandwa, Khargone & Harda Districts (Madhya Pradesh) - Tikamgarh, Niwari, Chattarpur & Panna Districts (Madhya Pradesh) - Akola, Hingoli & Washim Districts (Maharashtra) - Amravati & Yavatmal Districts (Maharashtra) - Bhnadara, Gondiya & Garchiroli Districts (Maharashtra) - Alirajpur, Nandurbar & Barwani Districts (Maharashtra & Maadhya Pradesh) - koratpur, Malkangiri & Navarangpur Districts (Odisha)

Source: PNGRB, Keynote Capitals Ltd.
Note: This data set does not include geographical areas won by JV's of the above-mentioned companies
EAAA: Except Area Already Authorized

Opportunities

Govt crack down on polluting fuels to drive volume growth

The authorities have undertaken several measures at regular intervals to reduce pollution levels in Delhi and NCR. Some of the actions are as follows:

1. NCT in 2015 banned diesel vehicles over 10 years old from plying on Delhi Roads, and all petrol vehicles which are more than 15 years old shall not be registered in NCR and Delhi

2. Supreme Court in 2015 made it compulsory for diesel and petrol taxis to convert to CNG in National Capital Territory

3. During odd-even scheme implementation, only CNG vehicles were excluded from the scheme and were allowed to operate as usual

4. Supreme Court banned the use of pet coke and furnace oil by industries in Delhi and surrounding states of Haryana, Rajasthan, and Uttar Pradesh

All these measures have resulted in IGL delivering volume growth of 9.7% in the last 6 years. These are structural changes to control the pollution level in the Capital of India, and we believe they are more sustainable in nature.

New GA's to contribute to future volume growth

In the 9/10/11th bidding round, IGL has been awarded 5 GA's where IGL is expected to develop 400+ CNG stations, 15.2L+ new connections, and 9500 Km+ steel pipeline to be developed in the next few years. IGL has already commenced natural gas distribution in GA's awarded in the 9th & 10th rounds of bidding, which will likely drive future growth for the company.

Even Associate of IGL, MNGL has been awarded 5 GA's where they are expected to develop ~900 CNG stations, 43.7L domestic connections, and ~8400 Km steel pipeline. We believe this gives us excellent visibility for the future growth of IGL and its associate (MNGL).

Bidding Round	Minimum Work Program		
	CNG Stations	PNG Domestic Connections	Steel Pipeline (inch Km)
Indraprastha Gas Limited			
6th Round		8,902	605
8th Round		14,604	896
9th Round	36	1,05,543	1,755
10th Round	270	12,44,088	3,924
11th Round	102	1,50,006	2,325
Cumulative Infra Development	**408**	**15,23,143**	**9,550**
Current IGL Infrastructure (FY22)	**711**	**20,60,000**	**1,571**
Maharashtra Natural Gas Limited			
9th Round	218	10,76,859	3,294
11th Round	676	32,94,063	5,100
Cumulative Infra Development	**894**	**43,70,922**	**8,394**
Current MNGL Infrastructure (FY21)	**132**	**3,85,722**	**264**

Source: Company, PNGRB, Keynote Capitals Ltd.

Competitive pricing of CNG and PNG relative to petroleum fuels

CNG and PNG are priced competitively compared to petroleum fuels by almost 40-50%. CNG is priced almost ~25-47% more affordable than petroleum fuels like Diesel & Petrol. PNG is also affordable by 41% compared to LPG cylinders. We expect IGL to continue to maintain this competitive pricing, which will likely result in IGL maintaining its volume growth momentum.

Particulars	Diesel	Petrol	CNG
Mileage	20 Km/l	15 Km/l	22 Km/Kg
Fuel Price	Rs. 89.62/l	Rs. 96.72/l	Rs. 75.61/Kg
Cost per KM run	Rs. 4.5	Rs. 6.4	Rs. 3.4

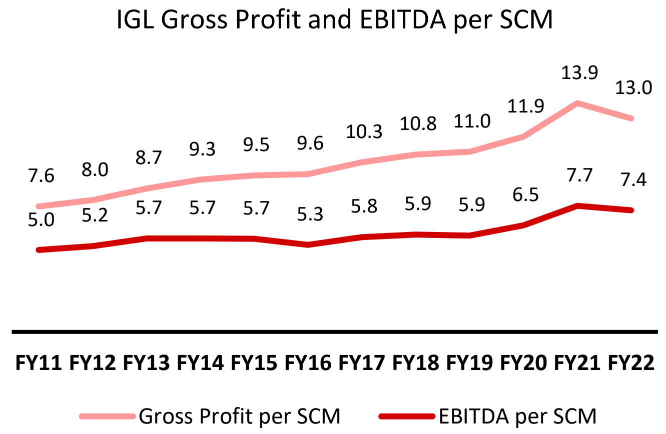
Source: Company, Keynote Capitals Ltd. estimates
Prices are as of Sep'22 for Delhi

Particulars	Unit
LPG Cylinder	
Unit per Cylinder	14.2 Kg
Cost per Cylinder	Rs. 1053
Cost per Kg	**Rs. 74.2 / Kg**
PNG (Domestic)	
Cost per SCM	Rs. 50.6 / SCM
Cost per Kg	**Rs. 43.5 / Kg**

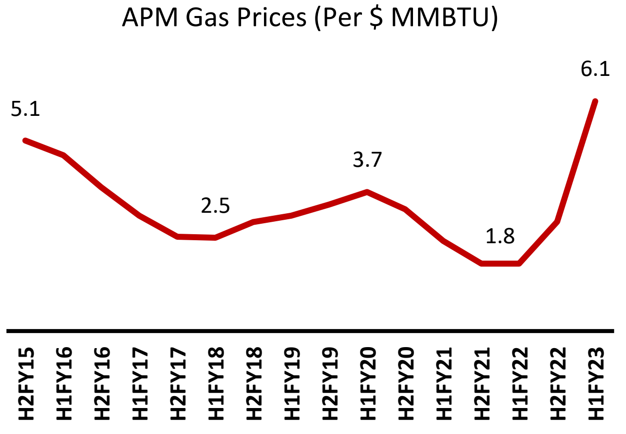
Source: Keynote Capitals Ltd. estimates
1 Kg = 1.164 SCM
Prices are as of Sep'22 for Delhi

Resilient margins despite volatility in input cost

IGL's Gross Profit and EBITDA per SCM have been resilient despite volatility in input cost. This has been possible primarily because of exclusivity of operation in the particular area leading to the monopolistic nature of the business, which has helped them pass on input cost volatility to end customers with ease and maintain a consistent profit per SCM. Also, given that CNG/PNG-Domestic is priced competitively compared to petroleum-based fuels, it leaves certain flexibility with CGDs.



Source: Company, Keynote Capitals Ltd.



Source: Company, Keynote Capitals Ltd.

IGL actively working on exploring alternative fuels

As a diversification strategy, IGL is working on various new strategic and business opportunities to secure its position in a dynamic and competitive environment. They have forayed into EV charging and battery swapping stations across Delhi/NCR; they have been running a pilot project for Hydrogen CNG in partnership with IOCL and setting up their own Compressed Biogas plants. We believe exploring alternative fuels should be the go-to strategy for the company.

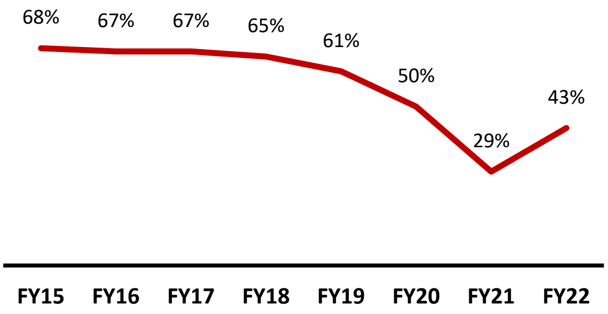
KEYNOTE

Challenges

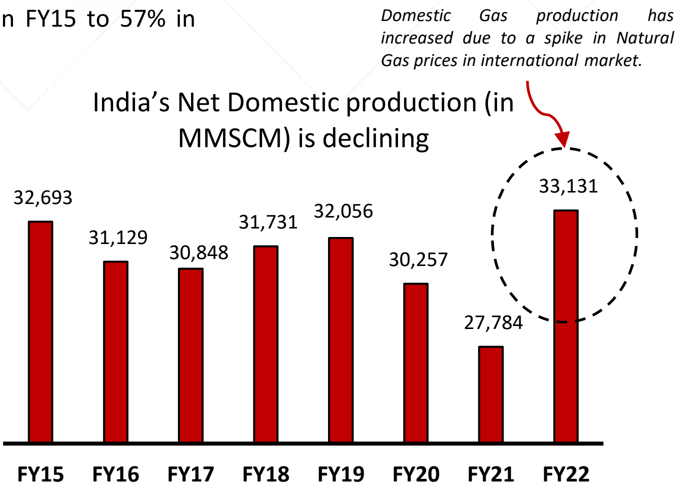
Share of APM gas to decline in overall gas sourcing mix

Demand for gas is expected to increase as IGL penetrates newer geographies and expands its infrastructure network, but with domestic gas production declining in India, we expect the share of APM gas in the overall gas sourcing mix to decline. IGL and other CGD players will have to bridge the demand-supply gap via Non-APM & LNG, which is comparatively expensive. This will increase the cost of sourcing gas and reduce the per km run cost differential between CNG and traditional fuels (Petrol/Diesel). APM share in IGL's gas sourcing mix has declined from 68% in FY15 to 43% in FY22. During the same period, the share of Non-APM & LNG increased from 14% in FY15 to 57% in FY22.

Declining APM share in IGL's gas sourcing mix



India's Net Domestic production (in MMSCM) is declining



Source: Company, PPAC , Keynote Capitals Ltd.

Uncertainty about open access policy

Once the marketing exclusivity period for a CGD expires in a particular geographical area, PNGRB can declare that GA as open access, post which other CGD players can supply in that GA post paying tariff to the incumbent for the infrastructure access. IGL's marketing exclusivity expired in the NCT expired in Dec'11, and infrastructure exclusivity is expected to expire in 2023. NCT region is a significant revenue contributor for IGL; with the increase in competition in the region, its margins could be negatively impacted.

Govt pushes taxi aggregators to switch to Electric Vehicle (EV)

To curb pollution in the Capital of India, authorities have been pushing taxi aggregators and delivery service providers to have a certain portion of the fleet in EVs, which authorities plan to take up to 100% by 2030. This could be a significant deterrent to CNG volume growth for IGL. Taxi aggregators contribute significantly to the CNG volume of IGL.

Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	**49,408**	**77,100**	**1,00,104**	**1,15,841**	**1,33,941**
Growth %		56%	30%	16%	16%
Raw Material Expenses	22,295	43,923	52,215	60,424	69,864
Other Expenses	12,176	14,250	27,280	31,800	37,033
EBITDA	**14,937**	**18,927**	**20,610**	**23,618**	**27,043**
Growth %		27%	9%	15%	15%
Margin%	30%	25%	21%	20%	20%
Depreciation	2,904	3,171	3,819	4,674	5,590
EBIT	**12,033**	**15,756**	**16,790**	**18,944**	**21,453**
Growth %		31%	7%	13%	13%
Margin%	24%	20%	17%	16%	16%
Interest Paid	220	248	302	302	302
Other Income & exceptional	1,148	1,766	1,715	1,638	1,823
PBT	**12,961**	**17,275**	**18,203**	**20,280**	**22,973**
Tax	2,494	4,509	4,551	5,070	5,743
PAT	**10,467**	**12,766**	**13,652**	**15,210**	**17,230**
Others (Minorities, Associates)	1,258	2,257	2,732	3,318	4,039
Net Profit	**11,726**	**15,023**	**16,385**	**18,528**	**21,269**
Growth %		28%	9%	13%	15%
Shares (Mn)	700.0	700.0	700.0	700.0	700.0
EPS	**16.75**	**21.46**	**23.41**	**26.47**	**30.38**

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Cash, Cash equivalents & Bank	11,323	13,616	14,181	14,834	17,391
Current Investments	15,677	17,177	17,177	17,177	17,177
Debtors	2,607	5,206	5,005	5,213	5,358
Inventory	456	455	940	906	908
Short Term Loans & Advances	484	649	649	649	649
Other Current Assets	409	524	524	524	524
Total Current Assets	30,955	37,627	38,476	39,302	42,007
Net Block & CWIP	51,678	63,803	76,501	90,941	1,05,710
Long Term Investments	7,207	9,080	11,266	13,920	17,151
Other Non-current Assets	660	512	512	512	512
Total Assets	**90,500**	**1,11,022**	**1,26,755**	**1,44,676**	**1,65,380**
Creditors	4,186	7,867	8,432	9,059	9,781
Provision	3,470	4,563	4,563	4,563	4,563
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	15,783	18,781	20,841	23,313	26,279
Total Current Liabilities	23,439	31,211	33,836	36,934	40,624
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	2,422	2,737	2,737	2,737	2,737
Other Long Term Liabilities	1,295	1,214	1,214	1,214	1,214
Total Non Current Liabilities	3,717	3,951	3,951	3,951	3,951
Paid-up Capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	61,944	74,460	87,568	1,02,390	1,19,405
Shareholders' Equity	63,344	75,860	88,968	1,03,790	1,20,805
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	**90,500**	**1,11,022**	**1,26,755**	**1,44,676**	**1,65,380**

Cash Flow

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	14,219	19,532	20,936	23,598	27,012
Adjustments	663	-572	-326	21	31
Change in Working Capital	3,473	3,777	2,341	2,924	3,543
Total Tax Paid	-2,895	-3,759	-4,551	-5,070	-5,743
Cash flow from operating Activities	**15,460**	**18,979**	**18,400**	**21,473**	**24,842**
Net Capital Expenditure	-8,829	-13,370	-16,517	-19,114	-20,359
Change in investments	-10,788	-3,224	0	0	0
Other investing activities	1,354	746	2,262	2,301	2,630
Cash flow from investing activities	**-18,264**	**-15,848**	**-14,256**	**-16,812**	**-17,729**
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	-1,960	-2,519	-3,277	-3,706	-4,254
Other financing activities	-1,010	-765	-302	-302	-302
Cash flow from financing activities	**-2,970**	**-3,285**	**-3,579**	**-4,008**	**-4,556**
Net Change in cash	-5,774	-153	565	652	2,558

Valuation Ratios

	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data					
EPS	17	21	23	26	30
Growth %		28%	9%	13%	15%
Book Value Per Share	90	108	127	148	173
Return Ratios					
Return on Assets (%)	14%	15%	14%	14%	14%
Return on Equity (%)	20%	22%	20%	19%	19%
Return on Capital Employed (%)	20%	23%	20%	20%	19%
Turnover Ratios					
Asset Turnover (x)	0.6	0.8	0.8	0.9	0.9
Sales / Gross Block (x)	1.0	1.3	1.4	1.3	1.2
Working Capital / Sales (%)	15%	9%	6%	3%	1%
Receivable Days	16	18	19	16	14
Inventory Days	8	4	5	6	5
Payable Days	53	50	56	53	49
Working Capital Days	-29	-28	-33	-31	-30
Liquidity Ratios					
Current Ratio (x)	1.3	1.2	1.1	1.1	1.0
Interest Coverage Ratio (x)	59.9	70.8	61.2	68.1	77.0
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.2	-0.2	-0.2	-0.1	-0.1
Valuation					
PE (x)	30.6	17.4	18.1	16.0	13.9
Earnings Yield (%)	3%	6%	6%	6%	7%
Price to Sales (x)	7.3	3.4	3.0	2.6	2.2
Price to Book (x)	5.7	3.4	3.3	2.9	2.5
EV/EBITDA (x)	23.3	13.1	13.7	12.0	10.5
EV/Sales (x)	7.0	3.2	2.8	2.4	2.1

Source: Company, Keynote Capitals Ltd.

Valuation & Estimates

Sum of the Parts Valuation	Parent Co.	Associates Co.	
Company	**IGL**	**MNGL**	**CUPL**
Estimate Period	**FY24E**	**FY24E**	**FY24E**
Revenue (Rs. mn)	1,15,841	20,120	5,668
PAT (Rs. mn)	15,210	5,197	1,438
PE	22	16	13
Value of Business (Rs. Mn)	3,34,620	83,152	18,694
Value of Associates attributable to IGL	50,923		
Total IGL Value	3,85,543		
Fair Value per Share	551		

Source: Company, Keynote Capitals Ltd.

IGL owns a 50% stake in two associates, and hence Sum of Part Valuation (SOTP) method has been used to arrive at a fair value for IGL.

IGL: IGL is expected to deliver substantial volume and revenue growth on the back of expansion into new GA's and penetrating its infrastructure deeper into existing GA's. We have assumed a 30%/16% growth in revenue and a 6.9%/11.4% growth in PAT in FY23/FY24. We have assigned median PE of 22 as exit multiple.

MNGL: We expect MNGL to deliver phenomenal growth in the next few years owing to aggressive expansion plans in new GA's. We expect business to grow at a CAGR of 25% from FY22-25. We have assigned a higher exit multiple of 16 than CUPL due to better and faster growth visibility.

CUPL: We expect CUPL to grow at a moderate pace as no new GA's has been allotted to CUPL, and its growth will be driven by further penetration into its existing GA's. We expect CUPL's business to grow at a CAGR of 10% from FY22-25. We have assigned a lower exit multiple of 13 as no new GA's has been allotted, resulting in limited growth for the company.

Valuing IGL using Discounted Cash Flow (DCF)

We have built a multi-stage DCF model for IGL (Stndl), where we have assumed growth of 15-16% during the forecasting period (8 Years), and terminal growth is at 5%, with 11.35% as the cost of equity.

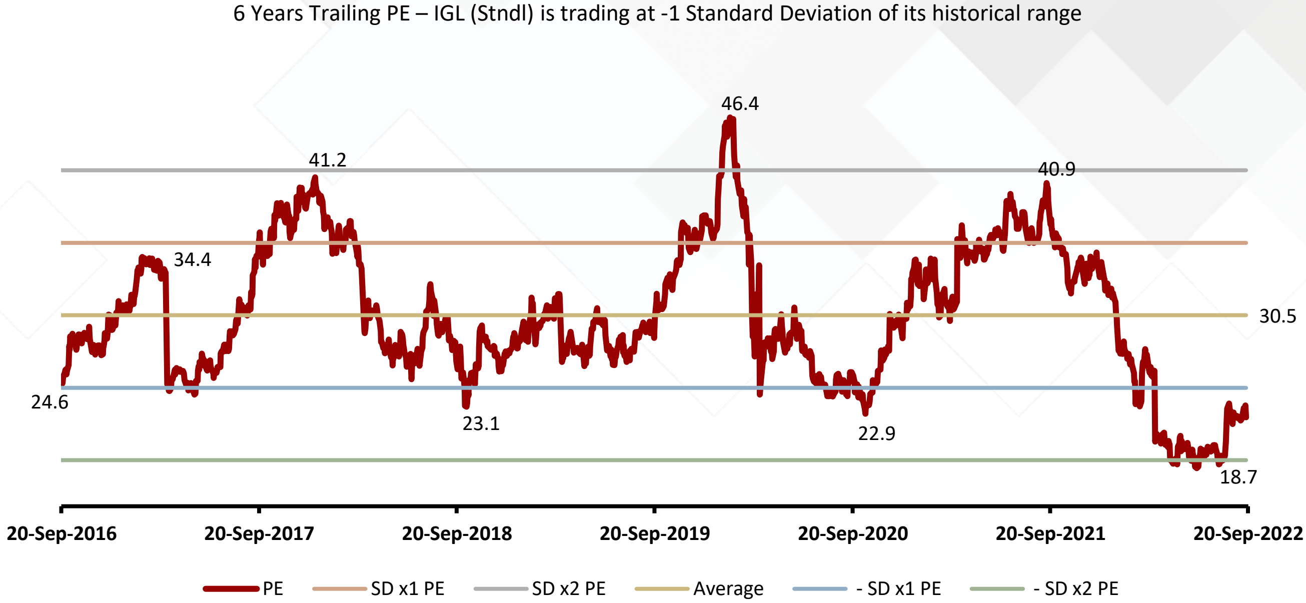
We arrive at a Fair Value of Rs. 382,700 Mn for IGL's business. Adding the value of Associates (Rs. 50,923 Mn), we arrive at a total fair value of Rs. 433,623, translating into Rs. 619/share.

We have given equal weight to exit multiple method and DCF method.

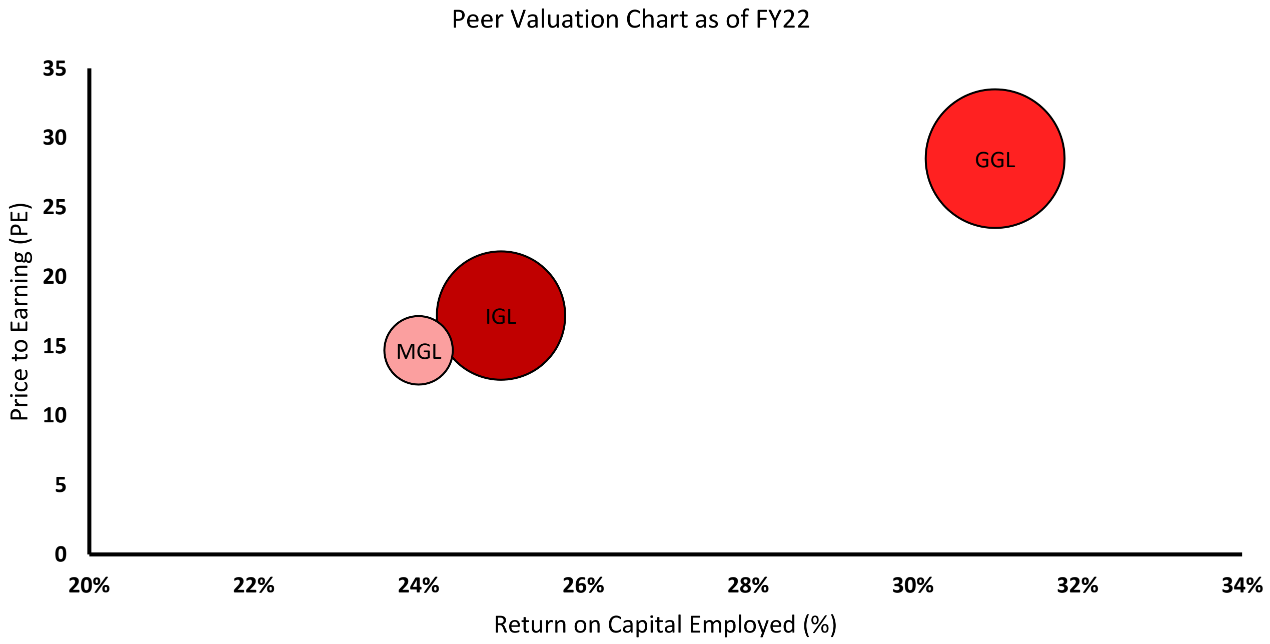
Method	Fair Value per Share
Exit Multiple	Rs. 551
DCF Method	Rs. 619
Fair Value	**Rs. 585**
CMP	Rs. 424
Upside/(Downside)%	38%

Source: Company, Keynote Capitals Ltd.

Valuation & Estimates



Source: Company, Keynote Capitals Ltd.



Source: Company, Peer Companies, Keynote Capitals Ltd. ATGL is trading at PE of 798, giving a distorted picture hence has been excluded from the graph

DEVIN PRAMOD JOSHI
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Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd./Rating & Fair value under Review/Keynote Capitals Ltd. has suspended coverage

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