

Indraprastha Gas Limited

8th May 2024

PNG and new GAs to drive growth

In Q4 FY24, Indraprastha Gas Limited (IGL) reported a sales volume growth of 7% on a YoY basis. Due to the normalization of gas prices, the Company had passed on the cost to customers, leading to a de-growth in topline by 2% on a YoY basis. Despite a decline of 9% in Revenue per SCM on a YoY basis, the Company was able to see an improvement in EBITDA/SCM, which surged by 5% on a YoY basis, reaching to ~Rs. 6.6/SCM. Management is guiding a topline growth of low teens in FY25 led by strong growth in Household – PNG, Industrials customers and new GA's. The Company is also planning to set up LNG stations that will target interstate long-haul buses. Additionally, to counter reducing allocation of APM gas, the Company has started a pilot project of setting up Compressed Bio Gas (CBG) plants which will help in reducing raw material cost.

Stable volume growth

In Q4 FY24, IGL posted a sales volume of ~794 MMSCM, which grew by ~7% & ~2% on a YoY & QoQ basis, respectively. Within the product mix, the Company did ~580 MMSCM in CNG, 65 MMSCM in Household PNG, 104 MMSCM in Industrial & Commercials, which grew by ~5%, ~17%, and ~13% on a YoY basis, respectively and saw a flat growth in Third-Party Sales which were ~45 MMSCM.

Capacity expansion plan

The Company is expected to incur ~Rs. 17-18Bn in FY25 for capacity expansion and new initiatives like CBG plants and LNG stations. The management has guided that ~Rs. 12-13 Bn would be for core activities. The new initiatives will help the Company mitigate the risk of reducing APM gas allocation and loss of CNG sales due to the conversion of vehicles to EVs.

View & Valuation

We have revised our estimates and maintain a BUY rating with a target of Rs. 507 (17x FY25 earnings), incorporating a 15% discount relative to historical valuations. This adjustment accounts for the increasing risk associated with the transition to Electric Vehicles (EVs) in Delhi. Nonetheless, we hold the belief that IGL will sustain a mid to high single-digit volume growth over the next five years and maintain an EBITDA per SCM of 7.2+.

BUY

CMP Rs. 452

TARGET Rs. 507(+12%)

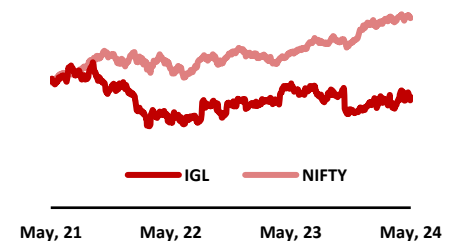
Company Data

Bloomberg Code	IGL IN
MCAP (Rs. Mn)	316,225
O/S Shares (Mn)	700
52w High/Low	516/376
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	1282

Shareholding Pattern %

	Mar 24	Dec 23	Sep 23
Promoters	45.0	45.0	45.0
FII's	16.8	17.9	20.9
DII's	29.2	27.7	26.2
Non-Institutional	9.0	9.4	7.8

IGL vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY23	FY24	FY25E
Revenue	141	141	155
EBITDA	20	24	25
Net Profit	16	20	21
Total Assets	126	142	165
ROCE (%)	21%	23%	20%
ROE (%)	21%	23%	20%

Source: Company, Keynote Capitals Ltd.

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Q4 FY24 Result Update

Result Highlights (Rs. Mn)

Particulars	FY24 Q4	FY23 Q4	Change % (Y-o-Y)	FY24 Q3	Change % (Q-o-Q)	FY24	FY23	Change % (Y-o-Y)
Revenue from Operation	35,968	36,872	-2%	35,562	1%	1,40,185	1,41,458	-1%
Gross Profit	10,439	8,946	17%	10,103	3%	42,053	37,096	13%
Gross Profit %	29.0%	24.3%	476 Bps	28.4%	61 Bps	30.0%	26.2%	377 Bps
Employee Cost	669	466	44%	591	13%	2,285	1,882	21%
Other Expenses	4,558	3,817	19%	3,889	17%	15,941	14,819	8%
EBITDA	5,212	4,663	12%	5,623	-7%	23,827	20,395	17%
EBITDA %	14.5%	12.6%	184 Bps	15.8%	-132 Bps	17.0%	14.4%	258 Bps
Depreciation	1,109	938	18%	1,019	9%	4,139	3,633	14%
EBIT	4,103	3,725	10%	4,604	-11%	19,688	16,762	17%
EBIT %	11.4%	10.1%	130 Bps	12.9%	-154 Bps	14.0%	11.8%	219 Bps
Finance Cost	26	25	4%	18	44%	93	105	-11%
Other Income	799	654	22%	546	46%	2,419	2,028	19%
PBT	4,876	4,354	12%	5,132	-5%	22,014	18,685	18%
Tax Expenses	1,358	1,056	29%	1,235	10%	5,590	4,827	16%
Profit from Associates	815	677	20%	858	-5%	3,411	2,536	35%
PAT	4,333	3,975	9%	4,755	-9%	19,835	16,394	21%
EPS	6.20	5.68		6.79		28.35	23.42	

Source: Company, Keynote Capitals Ltd.

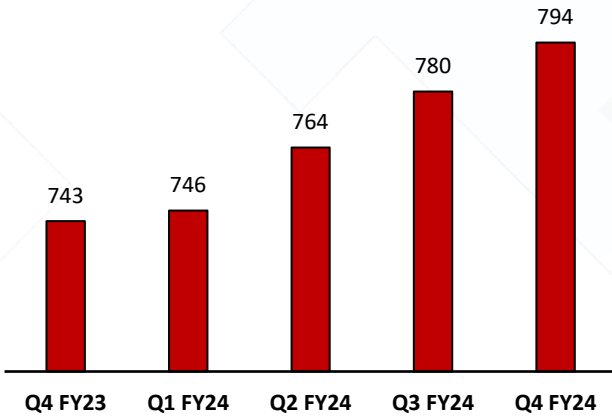
SCM Analysis (Rs/SCM)

Particulars	FY24 Q4	FY23 Q4	Change % (Y-o-Y)	FY24 Q3	Change % (Q-o-Q)	FY24	FY23	Change % (Y-o-Y)
Volume Sold (MMSCM)	794	743	7%	780	2%	3084	2952	4%
Revenue from Operation	45.3	49.6	-9%	45.6	-1%	45.5	47.9	-5%
Gross Profit	13.1	12.0	9%	12.9	2%	13.6	12.6	9%
Employee Cost	0.8	0.6	34%	0.8	11%	0.7	0.6	16%
Other Expenses	5.7	5.1	12%	5.0	15%	5.2	5.0	3%
EBITDA	6.6	6.3	5%	7.2	-9%	7.7	6.9	12%
EBIT	5.2	5.0	3%	5.9	-12%	6.4	5.7	12%
PBT	6.1	5.9	5%	6.6	-7%	7.1	6.3	13%
Tax Expenses	1.7	1.4	20%	1.6	8%	1.8	1.6	11%
Profit from Associates	1.0	0.9	13%	1.1	-7%	1.1	0.9	29%
PAT	5.5	5.3	2%	6.1	-10%	6.4	5.6	16%

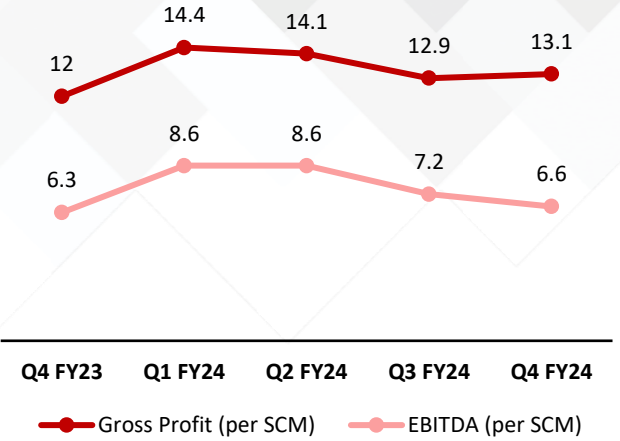
Source: Company, Keynote Capitals Ltd.

Quarterly Business Progression

Total Volume Sold (MMSCM)



Gross Profit & EBITDA Trend (Rs. Per SCM)

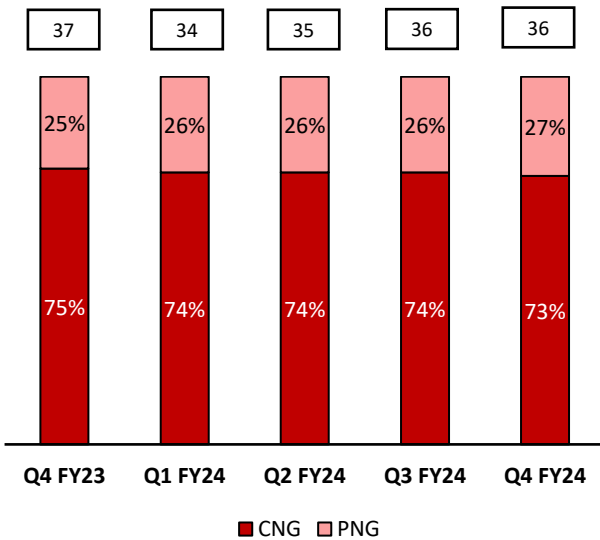


Source: Company, Keynote Capitals Ltd.

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Revenue Mix (%)

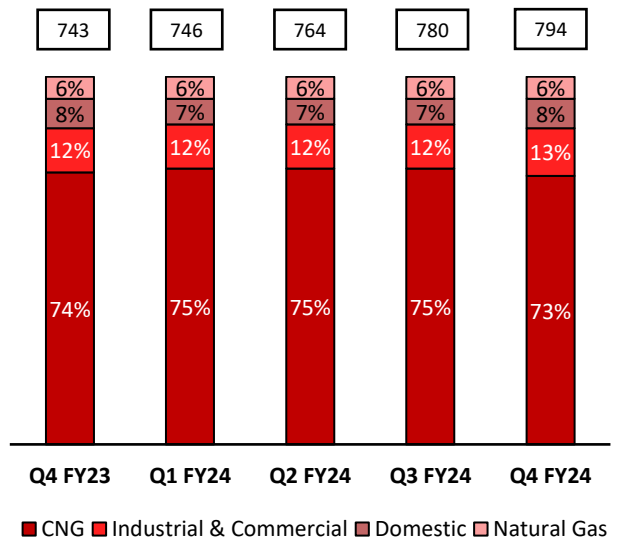
(Rs. Bn)



Source: Company, Keynote Capitals Ltd.

Volume Mix (%)

(Vol. in MMSCM)



Source: Company, Keynote Capitals Ltd.

Q4 FY24 Conference Call Takeaways

General Highlights

- The Company is focusing on diversifying into renewable energy. As part of this strategic initiative, the Company is undertaking a pilot project at the Indian Institute of Technology (IIT) Jodhpur to develop a hydrogen-based product.
- The softening of gas prices in the global market has resulted in a decrease in the price differential between R-LNG and domestic gas prices.
- Retired buses are getting converted into EV.
- The increase in other expenses can be attributed to a one-time CSR expense and the provision of certain incentives.
- For the quarter, monthly CNG vehicle additions were ~ 15-16,000.

Management Guidance

- The Company has revised its sales volume projection for the FY25, reducing it from 10 MMSCMD to 9.5 MMSCMD.
- The Company's growth strategy is anticipated to be driven by three key factors: the capex in new GAs, the growth of domestic PNG connections, and volume growth to industrial customers.
- The management does not expect the allocation of APM gas to decrease below 72%. However, due to the increased demand for gas supply in new GAs, the management does not anticipate a significant increase in this allocation either.
- EBITDA per SCM would be in range of 7-8.5 per SCM

Capacity expansion

- The Company has projected a capex of ~Rs. 17-18 Bn for FY25. Out of this, Rs. 12 Bn would be for core activities. Additionally, Rs. 2-3 Bn is allocated for the establishment of CBG plants which will contribute to cost reduction initiatives.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Net Sales	77,100	1,41,458	1,40,185	1,55,073	1,71,466
Growth %		83%	-1%	11%	11%
Raw Material Expenses	43,923	1,04,361	98,132	1,09,062	1,20,591
Other Expenses	14,250	16,701	18,226	21,131	23,365
EBITDA	18,927	20,396	23,827	24,880	27,510
Growth %		8%	17%	4%	11%
Margin%	25%	14%	17%	16%	16%
Depreciation	3,171	3,634	4,139	4,727	5,481
EBIT	15,756	16,762	19,688	20,153	22,029
Growth %		6%	17%	2%	9%
Margin%	20%	12%	14%	13%	13%
Interest Paid	248	268	93	101	101
Other Income & exceptional	1,766	2,029	2,419	2,419	2,419
PBT	17,275	18,523	22,014	22,472	24,348
Tax	4,509	4,785	5,590	5,618	6,087
PAT	12,766	13,738	16,424	16,854	18,261
Others (Minorities, Associates)	2,257	2,257	3,411	4,014	4,728
Net Profit	15,023	15,995	19,835	20,868	22,989
Growth %		6%	24%	5%	10%
Shares (Mn)	700.0	700.0	700.0	700.0	700.0
EPS	21.46	22.85	28.34	29.81	32.84

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Cash, Cash equivalents & Bank	13,616	26,332	21,555	31,948	40,394
Current Investments	17,177	4,191	8,806	8,806	8,806
Debtors	5,206	9,034	10,186	9,304	10,288
Inventory	455	492	522	872	965
Short Term Loans & Advances	675	1,054	2,112	2,112	2,112
Other Current Assets	498	1,176	452	452	452
Total Current Assets	37,627	42,279	43,634	53,496	63,018
Net Block & CWIP	63,803	71,672	79,997	90,003	99,954
Long Term Investments	9,080	11,028	13,415	16,626	20,409
Other Non-current Assets	512	1,226	5,153	5,153	5,153
Total Assets	1,11,022	1,26,206	1,42,200	1,65,278	1,88,534
Creditors	7,867	9,043	9,843	13,129	14,482
Provision	4,563	5,158	5,998	5,998	5,998
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	18,647	28,144	24,959	27,013	29,376
Total Current Liabilities	31,077	42,346	40,800	46,141	49,856
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	2,737	3,168	3,696	3,696	3,696
Other Long Term Liabilities	1,348	1,380	1,205	1,205	1,205
Total Non Current Liabilities	4,085	4,548	4,901	4,901	4,901
Paid-up Capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	74,460	77,912	94,934	1,12,671	1,32,212
Shareholders' Equity	75,860	79,312	96,334	1,14,071	1,33,612
Non Controlling Interest	0	0	165	165	165
Total Equity & Liabilities	1,11,022	1,26,206	1,42,200	1,65,278	1,88,534

Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	17,275	18,523	22,014	22,472	24,348
Adjustments	-572	-560	2,010	1,380	2,134
Change in Working Capital	3,777	6,469	-3,836	5,872	2,639
Total Tax Paid	-3,759	-4,833	-4,871	-5,618	-6,087
Cash flow from operating Activities	16,722	19,598	15,317	24,106	23,034
Net Capital Expenditure	-13,370	-11,221	-12,291	-14,732	-15,432
Change in investments	-3,224	8,248	-3,934	0	0
Other investing activities	746	-5,441	5,197	4,250	4,393
Cash flow from investing activities	-15,848	-8,414	-11,028	-10,482	-11,039
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	-2,519	-12,948	-2,797	-3,130	-3,448
Other financing activities	-765	-638	-359	-101	-101
Cash flow from financing activities	-3,285	-13,586	-3,156	-3,231	-3,549
Net Change in cash	-2,410	-2,402	1,134	10,393	8,446

Valuation Ratios

	FY22	FY23	FY24	FY25E	FY26E
Per Share Data					
EPS	21	23	28	30	33
Growth %		6%	24%	5%	10%
Book Value Per Share	108	113	138	163	191
Return Ratios					
Return on Assets (%)	15%	13%	15%	14%	13%
Return on Equity (%)	22%	21%	23%	20%	19%
Return on Capital Employed (%)	23%	21%	23%	20%	19%
Turnover Ratios					
Asset Turnover (x)	0.8	1.2	1.0	1.0	1.0
Sales / Gross Block (x)	1.3	2.1	1.7	1.6	1.6
Working Capital / Sales (%)	9%	2%	1%	3%	6%
Receivable Days	18	18	25	23	21
Inventory Days	4	2	2	2	3
Payable Days	50	30	35	38	42
Working Capital Days	-28	-10	-8	-13	-18
Liquidity Ratios					
Current Ratio (x)	1.2	1.0	1.1	1.2	1.3
Interest Coverage Ratio (x)	70.8	70.0	237.7	224.5	243.2
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.2	-0.3	-0.2	-0.3	-0.3
Valuation					
PE (x)	17.4	19.7	15.9	15.1	13.7
Earnings Yield (%)	6%	5%	6%	7%	7%
Price to Sales (x)	3.4	2.2	2.3	2.0	1.8
Price to Book (x)	3.4	4.0	3.3	2.8	2.4
EV/EBITDA (x)	13.1	14.8	12.7	12.1	11.0
EV/Sales (x)	3.2	2.1	2.2	1.9	1.8

Source: Company, Keynote Capitals Ltd.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
20 th September 2022	BUY	424	+38%
25 th October 2022	BUY	408	+36%
27 th January 2023	BUY	418	+33%
15 th May 2023	BUY	493	+15%
26 th July 2023	BUY	470	+19%
2 nd November 2023	BUY	390	+25%
30 th January 2024	BUY	428	+14%
8 th May 2024	BUY	452	+12%

Rating Methodology

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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