

# Indraprastha Gas Limited

29th July 2024

## Focus on improving EBITDA per SCM above 7.5

In Q1 FY25, Indraprastha Gas Limited (IGL) reported a sales volume growth of 5% on a YoY basis. The Company has passed on the decrease in cost of gas prices to customers, leading to a topline growth of 3% on a YoY basis. The Company has maintained EBITDA per SCM above 7. The management has guided to exit FY25 with a volume sales of 9.5MMSCMD. The growth is expected to be driven by Household – PNG, Industrials customers and new GAs. Additionally, to counter reducing allocation of APM gas, the Company has started a project of setting up Compressed Bio Gas (CBG) plants which will help in reducing raw material cost (CBG would cost 10-12% less than APM gas).

### Stable volume growth

In Q1 FY25, IGL posted a sales volume of ~786 MMSCM, which grew by ~5% & ~-1% on a YoY & QoQ basis, respectively. Within the product mix, the Company did ~587 MMSCM in CNG, 61 MMSCM in Household PNG, 92 MMSCM in Industrial & Commercials, which grew by ~5%, ~15%, and ~6% on a YoY basis, respectively and saw a flat growth in Third-Party Sales which were ~46 MMSCM.

### Capacity expansion plan

The Company is expected to incur ~Rs. 17-18Bn in FY25 (out of which ~Rs. 3 Bn spent in Q1 FY25) for capacity expansion and new initiatives like CBG plants and LNG stations. CBG plants will help the Company mitigate the risk of reducing APM gas allocation.

### View & Valuation

We have revised our estimates and changed our rating from BUY to NEUTRAL with a target of Rs. 566 (18x FY25 earnings), incorporating a 10% 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 7.5+.

## NEUTRAL

CMP Rs. 543

TARGET Rs. 566(+4%)

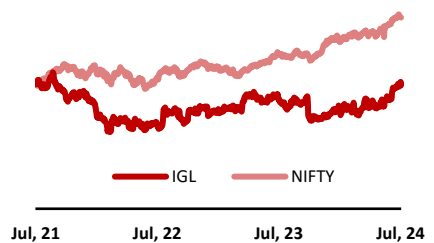
### Company Data

Bloomberg Code	IGL IN
MCAP (Rs. Mn)	380,280
O/S Shares (Mn)	700
52w High/Low	554/376
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	1274

### Shareholding Pattern %

	Jun 24	Mar 24	Dec 23
Promoters	45.0	45.0	45.0
FIs	16.2	16.8	17.9
DIs	30.1	29.2	27.7
Non-Institutional	8.7	9.0	9.4

### IGL vs Nifty



Source: Keynote Capitals Ltd.

### Key Financial Data

(Rs Bn)	FY24	FY25E	FY26E
Revenue	141	152	170
EBITDA	24	26	29
Net Profit	20	22	24
Total Assets	142	166	190
ROCE (%)	23%	21%	19%
ROE (%)	23%	21%	19%

Source: Company, Keynote Capitals Ltd.

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## Indraprastha Gas Limited | Quarterly Update

## Q1 FY25 Result Update

## Result Highlights (Rs. Mn)

Particulars	Q1 FY25	Q1 FY24	Change % (Y-o-Y)	Q4 FY24	Change % (Q-o-Q)	FY24
Revenue from Operation	35,206	34,070	3%	35,968	-2%	1,40,185
Gross Profit	10,388	10,729	-3%	10,439	0%	42,053
<b>Gross Profit %</b>	<b>29.5%</b>	<b>31.5%</b>	<b>-198 Bps</b>	<b>29.0%</b>	<b>48 Bps</b>	<b>30.0%</b>
Employee Cost	517	509	2%	669	-23%	2,285
Other Expenses	4,068	3,797	7%	4,558	-11%	15,941
EBITDA	5,803	6,423	-10%	5,212	11%	23,827
<b>EBITDA %</b>	<b>16.5%</b>	<b>18.9%</b>	<b>-237 Bps</b>	<b>14.5%</b>	<b>199 Bps</b>	<b>17.0%</b>
Depreciation	1,144	989	16%	1,109	3%	4,139
EBIT	4,659	5,434	-14%	4,103	14%	19,688
<b>EBIT %</b>	<b>13.2%</b>	<b>15.9%</b>	<b>-272 Bps</b>	<b>11.4%</b>	<b>183 Bps</b>	<b>14.0%</b>
Finance Cost	22	24	-8%	26	-15%	93
Other Income	723	457	58%	799	-10%	2,419
PBT	5,360	5,867	-9%	4,876	10%	22,014
Tax Expenses	1,366	1,483	-8%	1,358	1%	5,590
Profit from Associates	808	836	-3%	815	-1%	3,411
Minority Interest	-10	-	-	-5	-	-17
<b>PAT</b>	<b>4,812</b>	<b>5,220</b>	<b>-8%</b>	<b>4,338</b>	<b>11%</b>	<b>19,852</b>
<b>EPS</b>	<b>6.87</b>	<b>7.46</b>		<b>6.20</b>		<b>28.36</b>

Source: Company, Keynote Capitals Ltd.

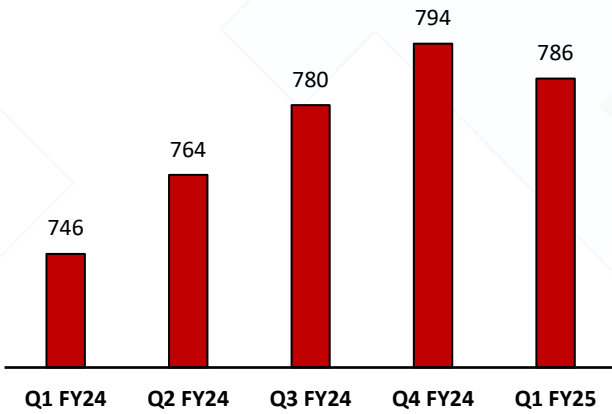
## SCM Analysis (Rs/SCM)

Particulars	Q1 FY25	Q1 FY24	Change % (Y-o-Y)	Q4 FY24	Change % (Q-o-Q)	FY24
Volume Sold (MMSCM)	786	746	5%	794	-1%	3084
Revenue from Operation	44.8	45.7	-2%	45.3	-1%	45.5
Gross Profit	13.2	14.4	-8%	13.1	1%	13.6
Employee Cost	0.7	0.7	-4%	0.8	-22%	0.7
Other Expenses	5.2	5.1	2%	5.7	-10%	5.2
EBITDA	7.4	8.6	-14%	6.6	12%	7.7
EBIT	5.9	7.3	-19%	5.2	15%	6.4
PBT	6.8	7.9	-13%	6.1	11%	7.1
Tax Expenses	1.7	2.0	-13%	1.7	2%	1.8
Profit from Associates	1.0	1.1	-8%	1.0	0%	1.1
<b>PAT</b>	<b>6.1</b>	<b>7.0</b>	<b>-13%</b>	<b>5.5</b>	<b>12%</b>	<b>6.4</b>

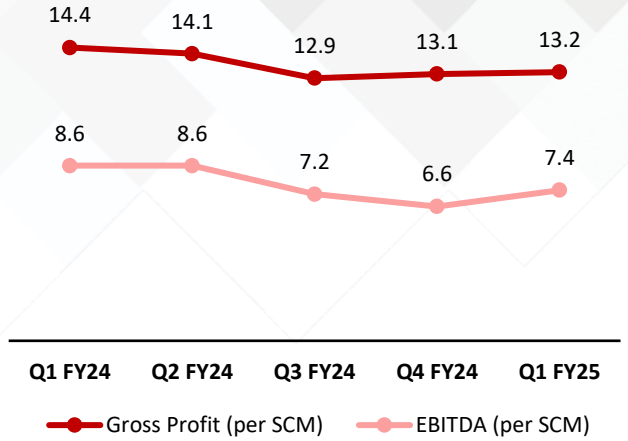
Source: Company, Keynote Capitals Ltd.

Quarterly Business Progression

Total Volume Sold (MMSCM)



Gross Profit & EBITDA Trend (Rs. Per SCM)

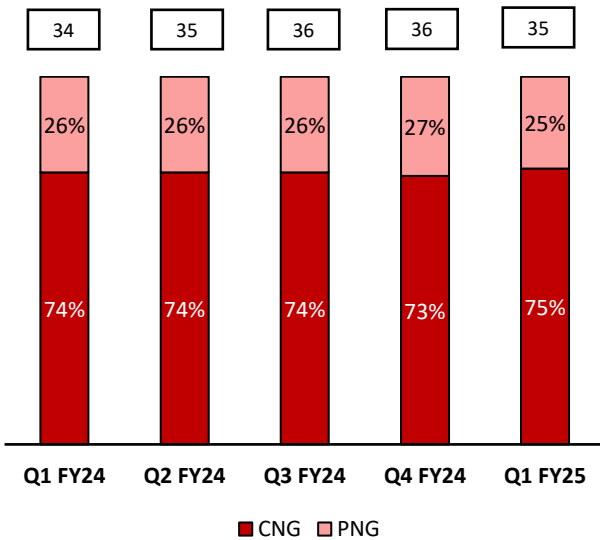


Source: Company, Keynote Capitals Ltd.

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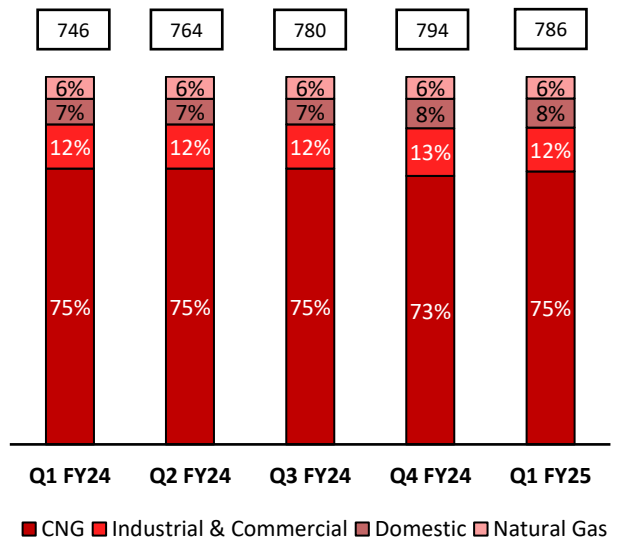
Revenue Mix (%)

(Rs. Bn)



Volume Mix (%)

(Vol. in MMSCM)



Source: Company, Keynote Capitals Ltd.

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Note: Revenue incl. negligible amount of LNG

Note: Volume incl. negligible amount of LNG

## Q1 FY25 Conference Call Takeaways

### General Highlights

- The Company currently operates across 11 geographical regions spanning four states. Its reach extends to 2.7 Mn households, 5,000 industrial clients, 6,100 commercial customers, and ~2 Mn vehicles.
- Despite a reduction in CNG volumes from DTC buses, the Company successfully achieved a 5% growth on a YoY basis in CNG volume.
- The quarterly addition of CNG vehicles were ~13,500 units.
- On a YoY basis, Delhi saw a sales growth of 1%, UP by 14%, Haryana by 12% and Rajasthan by ~100%+. State-wise volume break up for Q1 FY25 was Delhi: ~5.23 MMSCMD, UP: ~2.14 MMSCMD, Haryana: ~0.66 MMSCMD, and Rajasthan: ~0.1 MMSCMD
- On a QoQ basis, sales declined by 1% due to reduced volume from school buses and the impact of summer vacations on household consumption.
- As of Q1 FY25, Delhi's share of the total volume stands at 70%, compared to 73% in Q1 FY24.
- In Q1 FY25, the vehicle-wise volume distribution across all geographical areas was ~42% private vehicles, ~18% buses, ~13% taxis, ~10% auto-rickshaws, and ~18% Light Commercial Vehicles (LCVs).
- During the quarter, the raw material composition was 62% APM gas and 38% RLNG.
- Transportation costs are determined by the zone to which gas is supplied. The Company primarily operates in Zone 2, where the tariff is Rs. 79 per MMBTU plus 12% GST. For comparison, the Zone 3 tariff is Rs. 114.52 per MMBTU plus 12% GST.
- Bajaj Auto's introduction of CNG-powered two-wheelers has the potential to stimulate growth in CNG sales.

### Capacity expansion

- Capex for FY25: ~Rs. 17-18 Bn, out of which ~Rs. 3 Bn was spent in Q1 FY25.
- The Company is planning to add 10 CBG plants in FY25. The cost for the project would be ~Rs. 3-3.5 Bn (50:50 JV).
- The Company will be adding 90 CNG stations, out of which 10-12 will be in Delhi and the rest in other GA's.

**Management Guidance**

- The management is targeting to exit FY25 with volume sales of 9.5 MMSCMD.
- The Company is expecting a volume growth of 10-12% for the next 5-6yrs.
- By FY26, volume from DTC is expected to be 0 as stated by the Delhi government.
- For the coming quarters, expect CNG volumes to grow at 8-10% on a YoY basis.
- The Company will focus on reducing power costs by replacing existing power with green power to improve EBITDA per SCM.
- Management is targeting an EBITDA per SCM of 8.
- The expected landing cost of CBG would be 10-12% less than APM.

**LNG**

- LNG has started contributing to revenue. It is a higher ROCE business in comparison to CNG.
- Currently, the Company is doing 4-5000 kg/day. At optimum utilization, it can increase to 20,000 kg/day.
- The Company has a plan to start 5-6 more stations.
- Margin in LNG business is expected to be better.
- Though the cost of constructing an LNG station is 10-20% higher than CNG, it also has higher realization.
- In the long run, the Company is targeting 15-20% of revenue coming from LNG.
- Like CNG, there is no requirement for a license to set up an LNG station.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>1,41,458</b>	<b>1,40,185</b>	<b>1,52,334</b>	<b>1,70,305</b>	<b>1,90,439</b>
Growth %		-1%	9%	12%	12%
Raw Material Expenses	1,04,361	98,132	1,07,649	1,19,026	1,31,651
Other Expenses	16,701	18,226	18,619	22,458	26,910
<b>EBITDA</b>	<b>20,396</b>	<b>23,827</b>	<b>26,066</b>	<b>28,821</b>	<b>31,878</b>
Growth %		17%	9%	11%	11%
Margin%	14%	17%	17%	17%	17%
Depreciation	3,634	4,139	4,796	5,660	6,514
<b>EBIT</b>	<b>16,762</b>	<b>19,688</b>	<b>21,270</b>	<b>23,161</b>	<b>25,364</b>
Growth %		17%	8%	9%	10%
Margin%	12%	14%	14%	14%	13%
Interest Paid	268	93	93	93	93
Other Income & exceptional	2,029	2,419	2,800	2,800	2,800
<b>PBT</b>	<b>18,523</b>	<b>22,014</b>	<b>23,977</b>	<b>25,868</b>	<b>28,071</b>
Tax	4,785	5,590	5,994	6,467	7,018
<b>PAT</b>	<b>13,738</b>	<b>16,424</b>	<b>17,983</b>	<b>19,401</b>	<b>21,053</b>
Others (Minorities, Associates)	2,257	3,411	4,014	4,728	5,576
<b>Net Profit</b>	<b>15,995</b>	<b>19,835</b>	<b>21,997</b>	<b>24,129</b>	<b>26,629</b>
Growth %		24%	11%	10%	10%
Shares (Mn)	700.0	700.0	700.0	700.0	700.0
<b>EPS</b>	<b>22.85</b>	<b>28.34</b>	<b>31.42</b>	<b>34.47</b>	<b>38.04</b>

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	26,332	21,555	30,196	38,081	48,554
Current Investments	4,191	8,806	8,806	8,806	8,806
Debtors	9,034	10,186	9,140	10,218	11,426
Inventory	492	522	861	952	1,053
Short Term Loans & Advances	1,054	2,112	2,112	2,112	2,112
Other Current Assets	1,176	452	452	452	452
<b>Total Current Assets</b>	<b>42,279</b>	<b>43,634</b>	<b>51,568</b>	<b>60,622</b>	<b>72,404</b>
Net Block & CWIP	71,672	79,997	92,719	1,04,090	1,14,715
Long Term Investments	11,028	13,415	16,626	20,409	24,869
Other Non-current Assets	1,226	5,153	5,153	5,153	5,153
<b>Total Assets</b>	<b>1,26,206</b>	<b>1,42,200</b>	<b>1,66,067</b>	<b>1,90,274</b>	<b>2,17,142</b>
Creditors	9,043	9,843	12,959	14,294	15,810
Provision	5,158	5,998	5,998	5,998	5,998
Short Term Borrowings	0	0	0	0	0
Other Current Liabilities	28,144	24,959	27,013	29,376	32,093
<b>Total Current Liabilities</b>	<b>42,346</b>	<b>40,800</b>	<b>45,970</b>	<b>49,668</b>	<b>53,901</b>
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	3,168	3,696	3,696	3,696	3,696
Other Long Term Liabilities	1,380	1,205	1,205	1,205	1,205
<b>Total Non Current Liabilities</b>	<b>4,548</b>	<b>4,901</b>	<b>4,901</b>	<b>4,901</b>	<b>4,901</b>
Paid-up Capital	1,400	1,400	1,400	1,400	1,400
Reserves & Surplus	77,912	94,934	1,13,631	1,34,141	1,56,776
Shareholders' Equity	79,312	96,334	1,15,031	1,35,541	1,58,176
Non Controlling Interest	0	165	165	165	165
<b>Total Equity &amp; Liabilities</b>	<b>1,26,206</b>	<b>1,42,200</b>	<b>1,66,067</b>	<b>1,90,274</b>	<b>2,17,142</b>

Source: Company, Keynote Capitals Ltd.

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	18,523	22,014	23,977	25,868	28,071
Adjustments	-560	2,010	1,061	1,925	2,779
Change in Working Capital	6,469	-3,836	5,877	2,529	2,924
Total Tax Paid	-4,833	-4,871	-5,994	-6,467	-7,018
<b>Cash flow from operating Activities</b>	<b>19,598</b>	<b>15,317</b>	<b>24,921</b>	<b>23,854</b>	<b>26,756</b>
Net Capital Expenditure	-11,221	-12,291	-17,518	-17,030	-17,140
Change in investments	8,248	-3,934	0	0	0
Other investing activities	-5,441	5,197	4,631	4,774	4,943
<b>Cash flow from investing activities</b>	<b>-8,414</b>	<b>-11,028</b>	<b>-12,888</b>	<b>-12,257</b>	<b>-12,196</b>
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	0	0	0	0
Dividend (incl. tax)	-12,948	-2,797	-3,299	-3,619	-3,994
Other financing activities	-638	-359	-93	-93	-93
<b>Cash flow from financing activities</b>	<b>-13,586</b>	<b>-3,156</b>	<b>-3,392</b>	<b>-3,712</b>	<b>-4,087</b>
<b>Net Change in cash</b>	<b>-2,402</b>	<b>1,134</b>	<b>8,641</b>	<b>7,885</b>	<b>10,473</b>

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
<b>Per Share Data</b>					
EPS	23	28	31	34	38
Growth %		24%	11%	10%	10%
Book Value Per Share	113	138	165	194	226
<b>Return Ratios</b>					
Return on Assets (%)	13%	15%	14%	14%	13%
Return on Equity (%)	21%	23%	21%	19%	18%
Return on Capital Employed (%)	21%	23%	21%	19%	18%
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.2	1.0	1.0	1.0	0.9
Sales / Gross Block (x)	2.1	1.7	1.6	1.5	1.5
Working Capital / Sales (%)	2%	1%	3%	5%	8%
Receivable Days	18	25	23	21	21
Inventory Days	2	2	2	3	3
Payable Days	30	35	39	42	42
Working Capital Days	-10	-8	-13	-18	-18
<b>Liquidity Ratios</b>					
Current Ratio (x)	1.0	1.1	1.1	1.2	1.3
Interest Coverage Ratio (x)	70.0	237.7	259.4	279.8	303.5
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.3	-0.2	-0.3	-0.3	-0.3
<b>Valuation</b>					
PE (x)	18.8	15.5	17.0	15.5	14.1
Earnings Yield (%)	5%	6%	6%	6%	7%
Price to Sales (x)	2.1	2.2	2.5	2.2	2.0
Price to Book (x)	3.8	3.2	3.3	2.8	2.4
EV/EBITDA (x)	13.4	12.9	13.8	12.5	11.3
EV/Sales (x)	1.9	2.2	2.4	2.1	1.9

## KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
20 <sup>th</sup> September 2022	BUY	424	+38%
25 <sup>th</sup> October 2022	BUY	408	+36%
27 <sup>th</sup> January 2023	BUY	418	+33%
15 <sup>th</sup> May 2023	BUY	493	+15%
26 <sup>th</sup> July 2023	BUY	470	+19%
2 <sup>nd</sup> November 2023	BUY	390	+25%
30 <sup>th</sup> January 2024	BUY	428	+14%
8 <sup>th</sup> May 2024	BUY	452	+12%
29 <sup>th</sup> July 2024	NEUTRAL	543	+4%

**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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