HOLD

TP: Rs 455 | ⮝ 8%

INDRAPRASTHA GAS | Oil & Gas | 31 October 2024

Lower headroom to avert growth slowdown

- **IGL indicated near-term increase of Rs 5-6/kg due to loss of APM gas allocation for CNG segment and confirms need for price increase**
- **Higher need for price increase than MAHGL could pose risk to commercial vehicle conversions as well as current momentum for PVs**
- **Cut FY25-27E EBITDA by ~25% factoring in cut in EBITDA margin to Rs 6/scm, lower TP to Rs 455 (Rs 600); retain HOLD**

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Q2 miss: Q2 EBITDA was below ours and consensus forecasts on lower EBITDA margin. Volume growth recovered well, in line with prior guidance during the Q1 call.

Higher impact of deallocation of APM Gas: On the Q2 call, IGL indicated near-term cost increase of Rs 5/kg in Delhi and Rs 5.5-6/kg outside Delhi due to loss of APM gas for CNG segment. We believe the cost will come down as IGL ties up contracts to offset this loss. IGL also confirmed the need for price increase and is currently working on timing and quantum of increases.

Growth slowdown risk higher than MAHGL: With lower EBITDA margin base than MAHGL, IGL has higher needs to undertake price increases to maintain margin even in the range of Rs 6/scm. The key disadvantage for IGL is its higher gas purchase cost attributable to higher transportation costs and lower flexibility in LNG contracts (see charts on page 2 and our earlier note). Also, the current differential of CNG to diesel in Uttar Pradesh and Haryana is ~9%, below the empirical range of 15-21% for promoting conversions in the commercial vehicle space. Price increase needs to remain calibrated to maintain momentum in passenger vehicle segment.

Cut forecasts: We lower our FY25-FY27E EBITDA forecasts by ~25% lowering EBITDA margin assumptions by ~Rs 2/scm to below Rs 6/scm. We believe IGL needs to prioritise growth and not hamper current momentum by compromising on margins. We believe that prioritising margins in a higher range could pose risk to growth momentum and have a higher impact on long-term EBITDA growth.

Retain HOLD: Factoring in lower margins and slower volume growth, we lower the DCF-based TP to Rs 455 (from Rs 600). For our DCF, we lower FY24-33E growth to 7% (from 7.5%) and average margin to Rs 6.5/scm (from Rs 8/scm). Our TP implies an FY26 target multiple of 19.0x, higher than the 5Y mean 1Y-fwd P/E of 18.1x. This is higher than the implied target multiple for MAHGL at 15.5x due to the use of higher terminal growth rate of 4% (2.5% for MAHGL) reflecting a larger footprint. As IGL has corrected by 25% over the past month, we now have 8% upside, and we reiterate HOLD.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	IGL IN/Rs 421
Market cap	US$ 3.5bn
Free float	55%
3M ADV	US$ 14.7mn
52wk high/low	Rs 570/Rs 376
Promoter/FPI/DII	45%/19%/23%

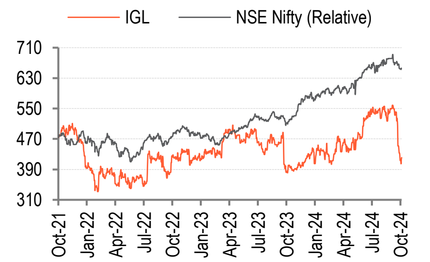
Source: NSE | Price as of 30 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,40,000	1,48,766	1,56,330
EBITDA (Rs mn)	23,637	19,444	20,909
Adj. net profit (Rs mn)	19,834	16,093	16,743
Adj. EPS (Rs)	28.3	23.0	23.9
Consensus EPS (Rs)	28.3	28.8	31.3
Adj. ROAE (%)	22.6	15.7	14.7
Adj. P/E (x)	14.9	18.3	17.6
EV/EBITDA (x)	11.7	14.1	13.0
Adj. EPS growth (%)	21.0	(18.9)	4.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Margin contraction and growth slowdown a risk

For IGL, risk of margin contraction as well as growth slowdown is higher than that of MAHGL from the recent 20% deallocation of APM gas for the CNG segment.

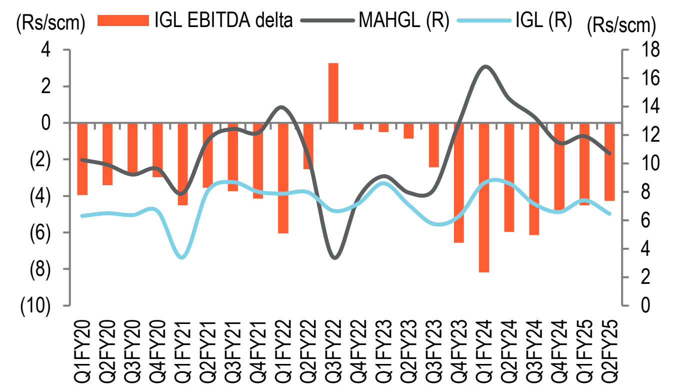
Lower margin base increases the impact

We compare IGL's historical performance with MAHGL to highlight high gas purchase costs as a key source of disadvantage for IGL.

Lower margin bandwidth: IGL's EBITDA margin has remained in the range of Rs 5.7-8.6/scm over the past 2.5 years. This has been lower by around Rs 4/scm than MAHGL.

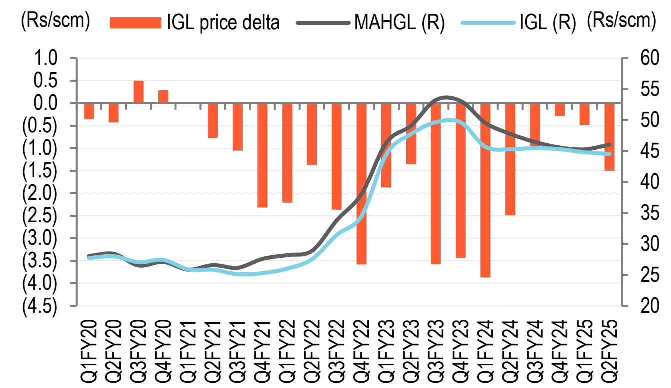
Higher gas purchase cost a significant disadvantage: As current CNG price and domestic PNG prices are broadly aligned with MAHGL, the key disadvantage for IGL stems from its higher gas purchase costs. The disadvantage comes from (i) distance to source of gas and (ii) possibly a lower flexibility on LNG contracts. The implementation of Unified Transportation Tariff increased the differential between Zone 1 and Zone 3 tariffs.

Fig 1 – IGL at a Rs 4-6/scm disadvantage to MAHGL on EBITDA margins over past two years



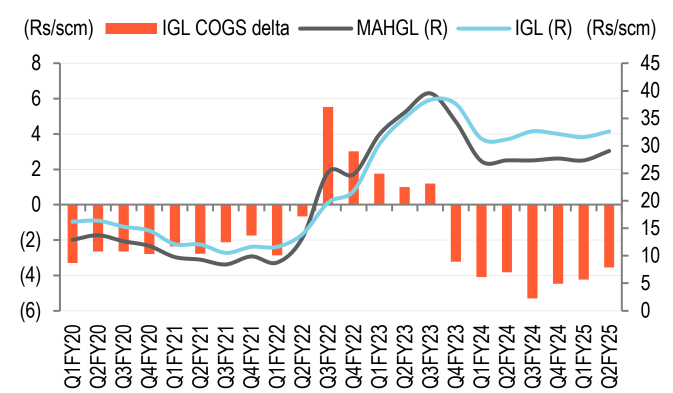
Source: Company, BOBCAPS Research

Fig 2 – IGL's recent realisation disadvantage likely from different pricing policy for industrial segment



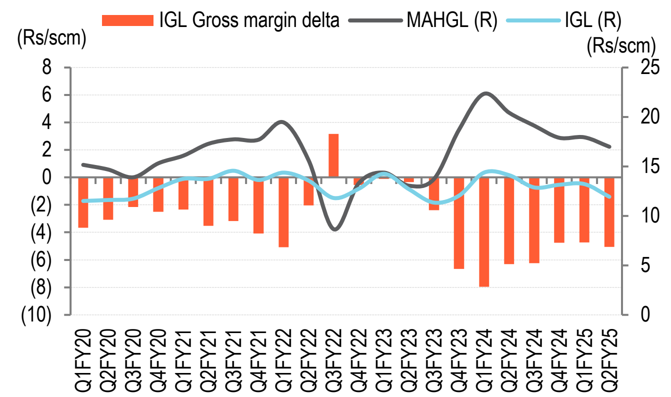
Source: Company, BOBCAPS Research

Fig 3 – IGL's main disadvantage is higher cost of gas…



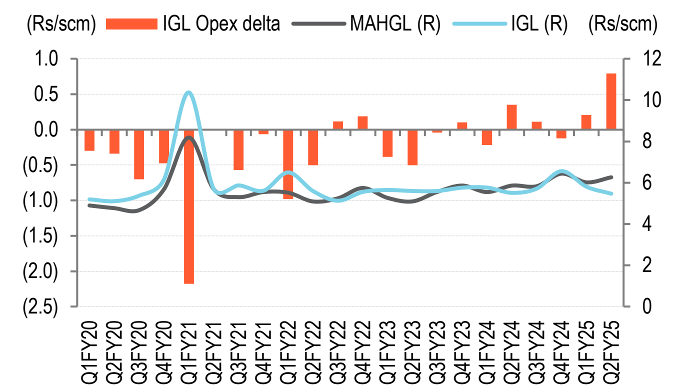
Source: Company, BOBCAPS Research

Fig 4 – … resulting in lower gas spread



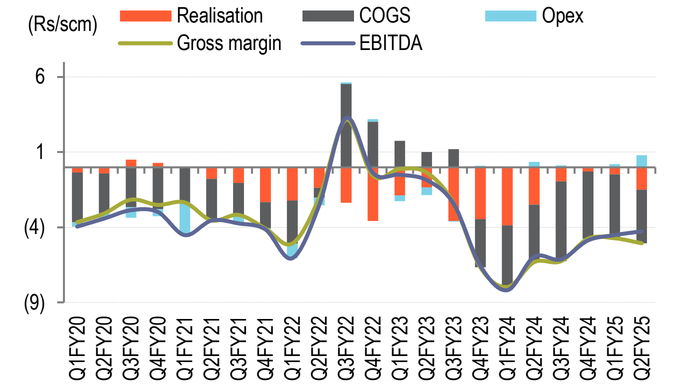
Source: Company, BOBCAPS Research

Fig 5 – IGL's opex has been broadly similar to MAHGL



Source: Company, BOBCAPS Research

Fig 6 – IGL: High gas cost a significant driver for lower margin



Source: Company, BOBCAPS Research

Company confirms need for price increase

IGL's commentary at the Q2 call implied a significant margin pressure from deallocation of APM gas for its CNG segment. Within the priority sector, CNG accounts for 87-88% of volumes. With a high CNG volume base of 0.8mmscmd, IGL needs to arrange for close to 1mmcsmd of volume to bridge the shortfall from 20% deallocation of APM gas. IGL's commentary suggests lower allocation of New Well Gas for balance of FY25. Till the time IGL lines up cost competitive contracts, IGL guides for cost increase of Rs 5/kg for Delhi and Rs 5.5-6.0/kg outside Delhi and sees the need to increase CNG prices to keep margins in a healthy range.

Lower differential to diesel puts medium-term growth at risk

While CNG maintains enough headroom with petrol, its headroom with diesel is relatively low. IGL has been attempting to target some of the diesel-based commercial vehicle applications to offset slowdown in growth in Delhi. With a lower differential, it could become difficult to drive some of these conversions. MAHGL recently highlighted that it sees an empirical range of 15%-21% as a good differential to promote conversions of diesel vehicles.

Fig 7 – Lower differential to diesel poses risk in conversion of commercial vehicles

	CNG	Diesel	Differential (%)	
	Rs/scm	Rs/l	Current	After Rs 5/kg hike in CNG price
New Delhi	75.1	87.6	14.3	8.6
Uttar Pradesh (Noida)	79.7	87.9	9.3	3.62
Haryana	80.1	87.9	8.8	3.14

Source: Company, BOBCAPS Research

The company will need to approach a calibrated pricing policy to minimise the impact on its pricing policy. Even for competition against petrol vehicles, price increase could deter sentiment even if economic impact in terms of extension of payback is not high.

Q2 review

Q2 missed consensus and our forecasts

IGL's Q2FY25 EBITDA at Rs 37bn was 10% below Bloomberg consensus and 9% below our estimates. The miss to our forecasts was due to lower EBITDA margin, whereas volume growth was in line and strong.

Fig 8 – IGL Q2 results missed consensus and our forecasts

(Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Consensus	vs consensus	BOBCAPS	vs us (%)
Revenue	36,973	34,585	6.9	35,206	5.0	36,460	1	36,808	0
EBITDA	5,359	6,569	(18.4)	5,819	(7.9)	5,971	(10)	5,883	(9)
PAT	4,311	5,348	(19.4)	4,015	7.4	4,580	(6)	4,045	7
EPS (Rs)	6.2	7.6	(19.4)	5.7	7.4	6.8	(9)	5.8	7

Source: Company, BOBCAPS Research

Q2 EBITDA was down 8% QoQ with a 13% sequential decline in margin, partly offset by a strong 4.5% sequential recovery in volume. EBITDA margin declined by Rs 1.0/scm QoQ to Rs 6.5/scm.

Fig 9 – Quarterly performance: Q2 EBITDA declined on lower margin

(Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Net sales	**36,973**	**34,585**	**6.9**	**35,206**	**5.0**	**72,179**	**68,655**	**5.1**
Raw materials	27,068	23,803	13.7	24,818	9.1	51,887	47,144	10.1
% of sales	73.2	68.8	-	70.5	-	71.9	68.7	-
Other expenditure	4,545	4,213	7.9	4,569	(0.5)	9,115	8,518	7.0
% of sales	12.3	12.2	-	13.0	-	12.6	12.4	-
EDITDA	**5,359**	**6,569**	**(18.4)**	**5,819**	**(7.9)**	**11,178**	**12,993**	**(14.0)**
EDITDA (Rs/scm)	**6.5**	**8.6**	**(25.0)**	**7.4**	**(12.8)**	**6.9**	**8.6**	**(19.6)**
EDITDA margin (%)	14.5	19.0	-	16.5	-	15.5	18.9	-
Depreciation and amortisation	1,184	1,022	15.8	1,143	3.6	2,327	2,012	15.7
Interest	23	25	(5.7)	22	5.0	45	48	(6.2)
Other income	1,493	1,340	11.5	727	105.5	2,220	1,796	23.6
Profit Before Tax	**5,645**	**6,862**	**(17.7)**	**5,380**	**4.9**	**11,025**	**12,730**	**(13.4)**
Provision for tax	1,334	1,514	(11.9)	1,366	(2.3)	2,700	2,998	(9.9)
-effective tax rate (%)	23.6	22.1	-	25.4	-	24.5	23.5	-
PAT (reported)	**4,311**	**5,348**	**(19.4)**	**4,015**	**7.4**	**8,325**	**9,732**	**(14.5)**

Source: Company, BOBCAPS Research

Strong volume recovery in line with guidance during the Q1 call

- **Sequential recovery:** Q2 volumes at 9.0mmscmd were up 4.5% QoQ, driven by recovery in the CNG+LCNG (+6.3%) Industrial and Commercial (+9%) segments.
- **High single digit YoY growth:** Q2 volumes were up 8.7% YoY driven by broad-based growth across all key segments – CNG (+8.6%), Industrial and Commercial (+11.4%) and Domestic (12.4%) segments.
- **Growth across different GAs:** Within matured geographic areas (GAs), while Delhi clocked 8% YoY volume growth excluding loss of volumes from DTC (Delhi Transportation Corporation), Gautam Buddha Nagar clocked 11% and Ghaziabad

20%. Within newer GAs, Rewari in Haryana clocked 21%, Kaithal and Karnal registered 29-30%, new GAs in UP clocked 40% and Ajmer 95% on a lower base.

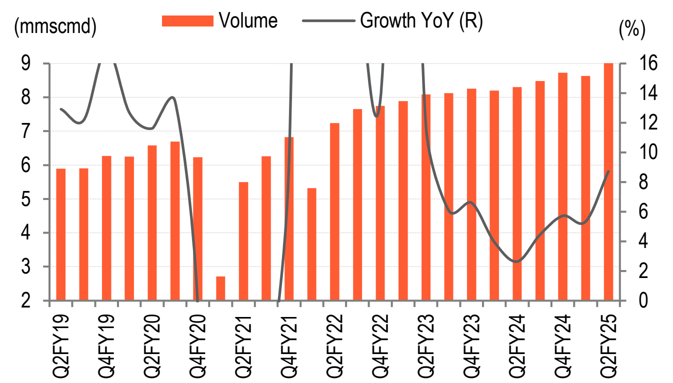
- **CNG vehicle additions:** Remained strong at monthly average addition of 15.9k vehicles. IGL is not yet seeing any material impact from mandatory EV transition for cab aggregators.
- **Domestic:** Continued to clock double-digit growth. Added 100k new connections in H1FY25 out of its target of 300K for FY25.
- **Industrial and commercial:** Volume recovered in Q2FY25 with 11% YoY growth and 9% sequential growth.

Fig 10 – Volume growth recovered to high single-digit growth

(mmscm)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
CNG	**624**	**575**	**8.6**	**588**	**6.3**	**1,212**	**1,136**	**6.7**
PNG	**206**	**189**	**8.9**	**198**	**3.8**	**404**	**374**	**8.2**
- Industrial/Commercial	100	90	11.4	92	9.0	192	177	-
- Domestic	60	53	12.4	61	(2.2)	120	105	14.2
- Natural Gas	46	46	0.0	46	1.1	92	91	0.5
Total volume	**830**	**764**	**8.7**	**786**	**5.7**	**1,616**	**1,510**	**7.0**
Total volume (mmscmd)	**9.03**	**8.30**	**8.7**	**8.64**	**4.5**	**8.83**	**8.25**	**7.0**

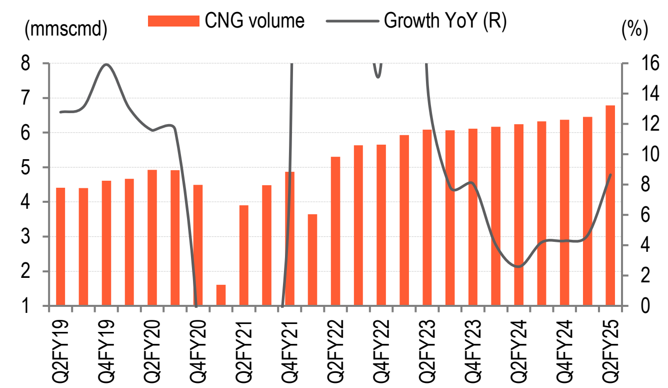
Source: Company, BOBCAPS Research

Fig 11 – IGL volume growth recovered to 8.7% YoY in Q2



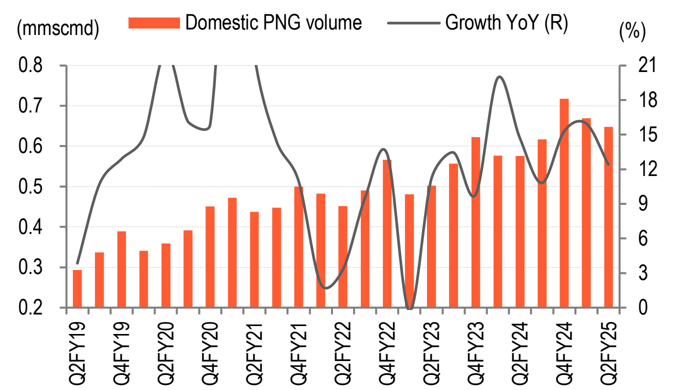
Source: Company, BOBCAPS Research

Fig 12 – CNG volume growth also recovered 8.6% YoY



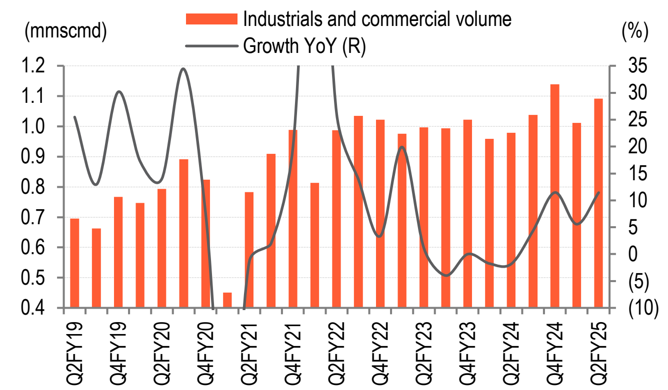
Source: Company, BOBCAPS Research

Fig 13 – Domestic volume growth on higher connections



Source: Company, BOBCAPS Research

Fig 14 – Industrial volumes recovered in Q2

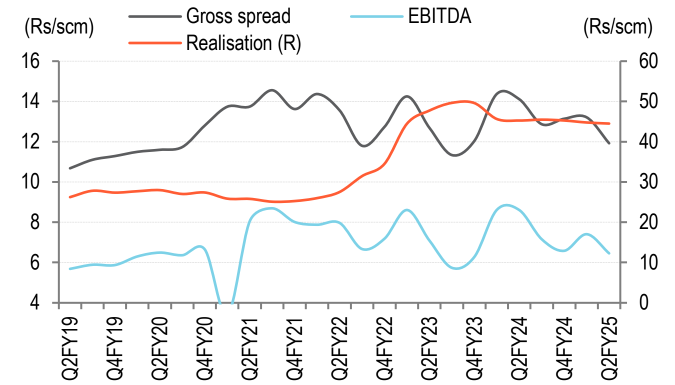


Source: Company, BOBCAPS Research

Sequential decline in margin

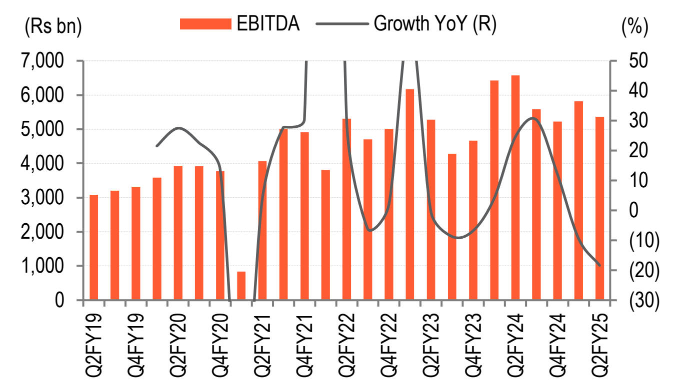
- **EBITDA margin declined** by Rs 1.0/scm QoQ primarily driven by reduction of Rs 1.3/scm in gross spread and was only partially offset by Rs 0.3/scm reduction in opex.
- **Gross spread was down** by Rs 1.3/scm with Rs 0.3/scm lower realisation and Rs 1/scm higher gas cost.
- **Sequentially lower CNG realisation unusual.** CNG realisation was down Rs 0.4/scm despite Rs 1/kg increase in CNG price in June. This is usually reflective of change in calorific value of gas due to change in gas sourcing mix.

Fig 15 – EBITDA margin dropped to Rs 6.5/scm…



Source: Company, BOBCAPS Research

Fig 16 – … leading to sequential improvement in EBITDA



Source: Company, BOBCAPS Research

Affiliates

Affiliates contribution at Rs 0.9bn was up 12% QoQ but flat YoY. Maharashtra Natural Gas (MNGL) was the main contributor at Rs 0.8bn whereas Central UP Gas (CUPGL) contributed Rs 80mn. While MNGL clocked strong volume growth of 16-17% YoY increasing volumes to 1.68mmscmd, CUPGL growth was flat YoY.

Company guidance

Volume growth: IGL reiterated its FY25 exit rate guidance of 9.5mmscmd, and guides for 8-10% growth in FY26.

IGL's contracted gas sourcing mix: The company has contracted volume of 3.2-3.3mmscmd. This includes 0.5-0.6mmscmd of HPHT volumes and 2.5mmscmd of RLNG contracts. Out of RLNG contracts, 1.4-1.5mmscmd are linked to US HH and 0.85-1mmcmd are linked to Brent.

Valuation methodology

Forecast changes

We cut our FY25/FY26/FY27 EBITDA estimates by 24-25% assuming lower EBITDA margin to continue incentivising growth. We believe that utility should prioritise growth delivery over margin. In case IGL chooses a less calibrated approach, that has a risk to slow down volume growth and consequent EBITDA growth in future.

We are currently building in a -17% cut in FY25E EBITDA with a sharp cut in margin expectations from Rs 7.7/scm in FY24 to Rs 5.8/scm in FY25E. Over FY25E-FY27E we expect growth to resume with an 8% EBITDA CAGR in line with growth in volumes.

Conservative volume forecasts. With IGL's clarification of 9.5mmscmd as the average volume for Q4FY25, we broadly maintain our volume forecasts at 9mmscmd for FY25E and build in volume growth of 7.5% over FY24-27 to 10.5mmscmd. We believe IGL's growth would be supported by growth outside Delhi. At this stage, we are cognisant of the decline in Delhi Transport Corporation (DTC) bus volumes and potential challenges from accelerated electrification in the commercial cab and bus categories.

- **Loss of DTC volume to be offset by long-haul LNG commercial vehicles.** We account for a loss of the balance 0.15mn kg/d of DTC volumes, equivalent to 3% of current CNG volumes over FY25-FY26. This is now likely to be offset by a plan to set-up five to six LNG stations, each having the potential to ramp-up to 10k-20k kg/day. We remain positive about potential growth in long-haul buses, particularly floating volumes from neighbouring regions as usage of buses with type-4 cylinders scales up.

- **Loss of Delhi commercial cab volumes to be offset by other GAs.** For commercial cabs, we believe growth could still be sustained over the medium term as legacy GAs in Uttar Pradesh (UP) and newer GAs potentially offset the decline in new additions in Delhi.

- **CNG to grow in personal vehicles.** At the priority sector gas purchase price of US$ 7.6-8.1/MMBtu over our forecast period, we believe CNG remains competitive in the private car space and will continue to grow alongside electric vehicles (EV).

- **Lower FY24-33 growth forecasts to 7% CAGR (from 7.5% CAGR).** As IGL needs to raise CNG prices to offset part of the impact of deallocation of APM gas to maintain margin around Rs 6/scm, we believe this could potentially slow down conversions of commercial vehicles using diesel as a fuel. This could pose a risk to the momentum of CNG vehicle additions, particularly in the personal car segment. This prompts us to raise FY24-33 volume growth forecasts to 7% CAGR (from 7.5% CAGR).

Cut margin forecasts: We cut our EBITDA margin forecast for FY25-FY27 to below Rs 6/scm from our prior forecasts of Rs 7.9/scm for FY26 and FY27. Our margin forecast is now lower than Rs 7.7/scm last year and average of Rs 7.4/scm over the past four years. Our EBITDA margin is now below the previous guidance range of Rs 7.0-8.5/scm.

Fig 17 – Revised estimates

(Rs mn)	Actuals	New			Old			Change (%)		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,40,000	1,48,766	1,56,330	1,73,332	1,46,974	1,60,276	1,75,414	1.2	(2.5)	(1.2)
EBITDA	**23,637**	**19,444**	**20,909**	**22,723**	**25,577**	**27,905**	**30,128**	**(24.0)**	**(25.1)**	**(24.6)**
EBITDA growth YoY	16.7	(17.7)	7.5	8.7	8.2	9.1	8.0	-	-	-
Net income incl affiliate	19,834	16,093	16,743	17,929	20,736	22,345	23,969	(22.4)	(25.1)	(25.2)

Source: Company, BOBCAPS Research

Fig 18 – Key business drivers and assumptions

Particulars	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR (%)
Volumes (mmscmd)					
CNG	6.3	6.7	7.1	7.5	-
D-PNG	0.6	0.7	0.8	1.0	-
I+C	1.0	1.2	1.3	1.5	-
Natural gas	0.5	0.5	0.5	0.5	-
Total	**8.4**	**9.1**	**9.8**	**10.5**	**-**
Volume growth (%)					
CNG	3.8	6.2	5.9	6.0	6.1
D-PNG	15.2	17.1	15.0	15.0	15.7
I+C	3.0	17.5	11.6	11.4	13.5
Natural gas	(0.1)	0.3	0.0	0.0	0.1
Total	**4.2**	**8.1**	**7.1**	**7.2**	**7.5**
Volume mix (%)					
CNG	74.5	73.3	72.5	71.7	-
D-PNG	7.4	8.0	8.6	9.2	-
I+C	12.2	13.3	13.8	14.4	-
Natural gas	5.9	5.5	5.1	4.8	-
Total	**100.0**	**100.0**	**100.0**	**100.0**	**-**
Profitability indicator (Rs/scm)					
Revenue	45.4	44.8	43.9	45.4	-
Gross spread	13.6	11.9	12.0	12.2	-
Opex	5.6	5.7	5.9	6.0	
EBITDA	7.7	5.8	5.9	6.0	-
PAT	5.7	3.8	3.6	3.6	-
ROE	22.4	14.0	13.2	12.9	-
Key assumptions					
USDINR exchange rate	82.8	83.8	84.0	84.0	-
APM gas price (US$/MMBtu)	6.5	6.5	6.8	7.0	-
Gas price ceiling (US$/MMBtu)	11.0	10.1	9.6	9.6	-
LNG contract price (US$/MMBtu)	15.6	11.6	11.4	11.4	-
LNG spot price (US$/MMBtu)	16.7	13.2	10.5	10.4	-
Priority sector gas bucket (US$/MMBtu)	7.5	8.1	8.2	8.6	-
Industrials and commercials gas bucket (US$/MMBtu)	15.2	11.6	11.0	11.0	-

Source: Company, BOBCAPS Research

Maintain HOLD with a lower TP of Rs 455

We lower our DCF-based TP to Rs 455 (from Rs 600) with cut in our estimates. As our TP implies 8% upside, we downgrade our rating on IGL to HOLD from BUY.

We remain positive on volume growth prospects for IGL subject to the company prioritising volume growth over margins. Though volume growth in Delhi is likely to slow due to an accelerated shift to electric vehicles, we believe that legacy GAs in UP and newer GAs will help IGL continue to deliver healthy growth over the next decade. In our view, CNG vehicles and EVs will co-exist in India over the medium term until battery technology and grid infrastructure mature. Further, IGL's recent foray into long-haul LNG vehicles as well as new category of two-wheelers open new growth avenues.

Key assumptions for our DCF-based fair value are cost of equity of 11%, terminal growth of 4%, volume CAGR of 7% (down from 7.5%) and average EBITDA margin of Rs 6.5/scm (from Rs 8.0/scm) over our explicit and semi-explicit forecast period of FY24-FY33.

Our DCF-based TP implies an FY26E P/E of 19.0x, which compares with the stock's five-year mean P/E of 18.1x on Bloomberg consensus earnings. This is higher than the implied target multiple for MAHGL (FY26E P/E of 15.5x) as we assume higher terminal growth rate of 4% vs 2.5% for MAHGL, due to its larger footprint.

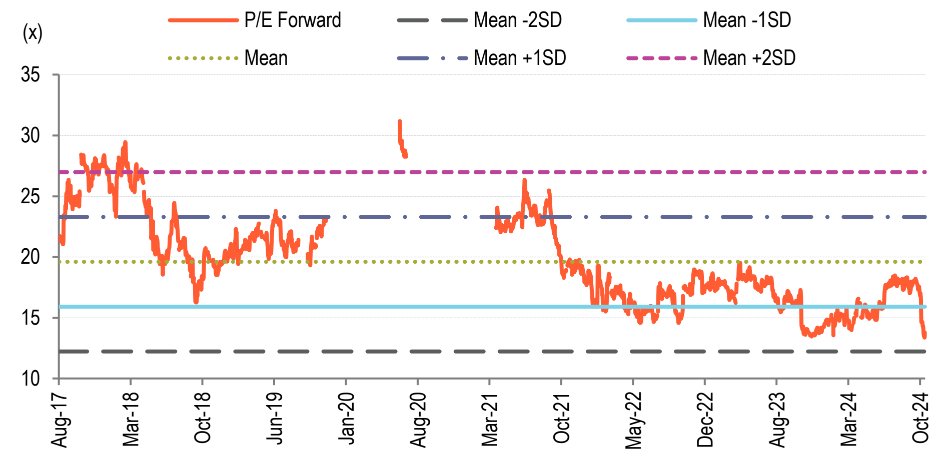
Fig 19 – DCF-based fair value

Valuation parameters	Value (Rs mn)
PV of FCF FY25E-FY33E	54,755
PV of terminal value	1,40,940
Enterprise Value	1,95,695
Less: Net Debt FY24P	(33,069)
Equity value	**2,28,763**
NPV – IGL share (Rs)	327
NPV – MNGL (Rs)	57
NPV – CUPGL (Rs)	4
Consolidated NPV Mar'24 (Rs)	**388**
Consolidated NPV Sep'25 (Rs)	**454**
Target price in rupees as on Sep'25 (rounded off to nearest Rs 5)	**455**

Source: BOBCAPS Research | MNGL: Maharashtra Natural Gas, CUPGL: Central UP Gas

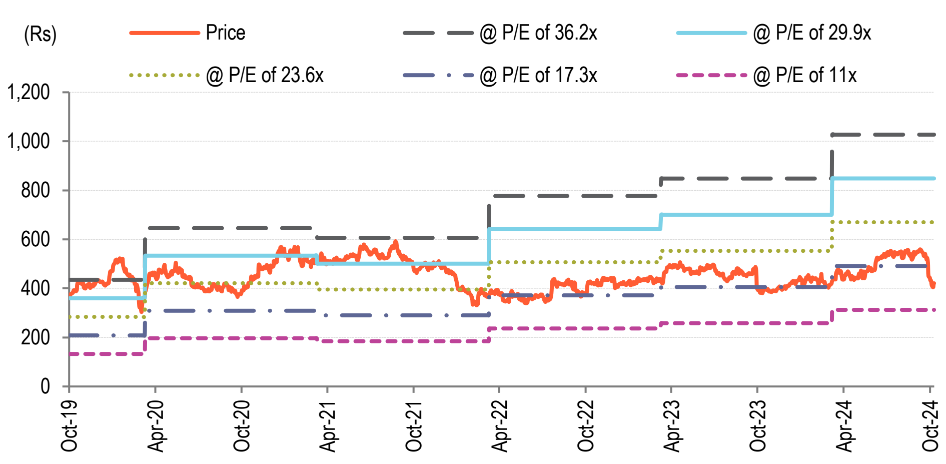
Over the past five years, IGL has traded at an average one-year forward P/E of 17.9x with a one standard deviation range of 14.8x-21.0x on Bloomberg consensus. Similarly, it has traded at an average TTM P/E of 23.6x with a one standard deviation range of 17.3-29.9x based on actual earnings.

Fig 20 – IGL has traded at an average 1Y fwd PE of 18.1x/19.7x over past 5/10Y



Source: Bloomberg, BOBCAPS Research

Fig 21 – Trailing P/E of 23.6x over past 5Y



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- Higher-than-expected margins arising from not passing on the benefit of lower gas purchase costs to consumers, or lower competitive intensity with alternative fuels.
- Faster volume growth than our assumptions due to faster penetration into commercial vehicle, development of long-haul LNG segment, or development of new two-wheeler segment.
- Reduction in excise duty, enabling the company to earn higher margin and/or higher volume growth than our forecasts.

Key downside risks to our estimates are:

- Slower volume growth than our assumptions owing to faster-than-expected penetration of EVs.

- Lower-than-expected margins arising from an inability to pass on higher gas purchase cost to consumers, or increased competitive intensity with alternative fuels.
- Adverse PNGRB (Petroleum and Natural Gas Regulatory Board) or government regulations that could impact our margin or volume outlook.

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	**1,41,326**	**1,40,000**	**1,48,766**	**1,56,330**	**1,73,332**
EBITDA	20,255	23,637	19,444	20,909	22,723
Depreciation	(3,634)	(4,140)	(4,719)	(5,365)	(5,776)
EBIT	16,621	19,497	14,726	15,543	16,947
Net interest inc./(exp.)	(106)	(92)	(100)	(100)	(100)
Other inc./(exp.)	2,172	2,610	2,083	1,795	1,535
Exceptional items	0	0	0	0	0
EBT	18,687	22,015	16,708	17,238	18,382
Income taxes	(4,827)	(5,591)	(4,210)	(4,344)	(4,632)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2,536	3,410	3,596	3,849	4,180
Reported net profit	**16,397**	**19,834**	**16,093**	**16,743**	**17,929**
Adjustments	0	0	0	0	0
Adjusted net profit	**16,397**	**19,834**	**16,093**	**16,743**	**17,929**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	9,013	9,843	9,249	9,609	10,720
Other current liabilities	17,000	11,015	11,002	11,002	11,002
Provisions	5,438	6,324	6,324	6,324	6,324
Debt funds	0	0	0	0	0
Other liabilities	15,469	18,520	21,087	23,667	25,571
Equity capital	1,400	1,400	1,400	1,400	1,400
Reserves & surplus	77,912	95,098	1,06,505	1,18,735	1,31,852
Shareholders' fund	79,312	96,498	1,07,905	1,20,135	1,33,252
Total liab. and equities	**1,26,233**	**1,42,200**	**1,55,567**	**1,70,737**	**1,86,870**
Cash and cash eq.	21,322	21,555	24,714	30,170	37,498
Accounts receivables	9,034	10,186	10,823	11,373	12,610
Inventories	492	522	555	583	647
Other current assets	8,494	7,718	7,476	7,476	7,476
Investments	15,219	22,221	22,221	22,221	22,221
Net fixed assets	57,205	65,903	82,399	91,533	99,647
CWIP	14,337	13,964	7,250	7,250	6,640
Intangible assets	130	130	130	130	130
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**1,26,233**	**1,42,199**	**1,55,567**	**1,70,736**	**1,86,869**

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	**18,420**	**19,291**	**20,263**	**22,675**	**23,886**
Capital expenditures	(10,973)	(12,008)	(14,500)	(14,500)	(13,280)
Change in investments	11,038	(7,002)	0	0	0
Other investing cash flows	2,172	2,610	2,083	1,795	1,535
Cash flow from investing	**2,237**	**(16,400)**	**(12,417)**	**(12,705)**	**(11,745)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(9,100)	(6,300)	(4,687)	(4,513)	(4,812)
Other financing cash flows	(3,852)	3,642	0	0	0
Cash flow from financing	**(12,952)**	**(2,658)**	**(4,687)**	**(4,513)**	**(4,812)**
Chg in cash & cash eq.	**7,705**	**234**	**3,159**	**5,456**	**7,328**
Closing cash & cash eq.	**21,322**	**21,555**	**24,714**	**30,170**	**37,498**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	23.4	28.3	23.0	23.9	25.6
Adjusted EPS	23.4	28.3	23.0	23.9	25.6
Dividend per share	13.0	9.0	6.7	6.4	6.9
Book value per share	113.3	137.9	154.2	171.6	190.4

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	2.0	2.0	1.8	1.7	1.5
EV/EBITDA	13.9	11.7	14.1	13.0	11.8
Adjusted P/E	18.0	14.9	18.3	17.6	16.4
P/BV	3.7	3.1	2.7	2.5	2.2

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	87.7	90.1	96.3	97.1	97.5
Interest burden (PBT/EBIT)	112.4	112.9	113.5	110.9	108.5
EBIT margin (EBIT/Revenue)	11.8	13.9	9.9	9.9	9.8
Asset turnover (Rev./Avg TA)	119.1	104.3	99.9	95.8	96.9
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.4	1.4
Adjusted ROAE	21.1	22.6	15.7	14.7	14.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	83.3	(0.9)	6.3	5.1	10.9
EBITDA	7.7	16.7	(17.7)	7.5	8.7
Adjusted EPS	9.1	21.0	(18.9)	4.0	7.1
Profitability & Return ratios (%)					
EBITDA margin	14.3	16.9	13.1	13.4	13.1
EBIT margin	11.8	13.9	9.9	9.9	9.8
Adjusted profit margin	11.6	14.2	10.8	10.7	10.3
Adjusted ROAE	21.1	22.6	15.7	14.7	14.2
ROCE	15.9	16.5	10.8	10.2	10.0
Working capital days (days)					
Receivables	18	25	26	26	25
Inventory	2	2	2	2	2
Payables	25	30	27	25	25
Ratios (x)					
Gross asset turnover	2.1	1.8	1.5	1.4	1.4
Current ratio	1.3	1.5	1.6	1.8	2.1
Net interest coverage ratio	156.9	212.6	147.3	155.4	169.5
Adjusted debt/equity	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Note: Recommendation structure changed with effect from 21 June 2021

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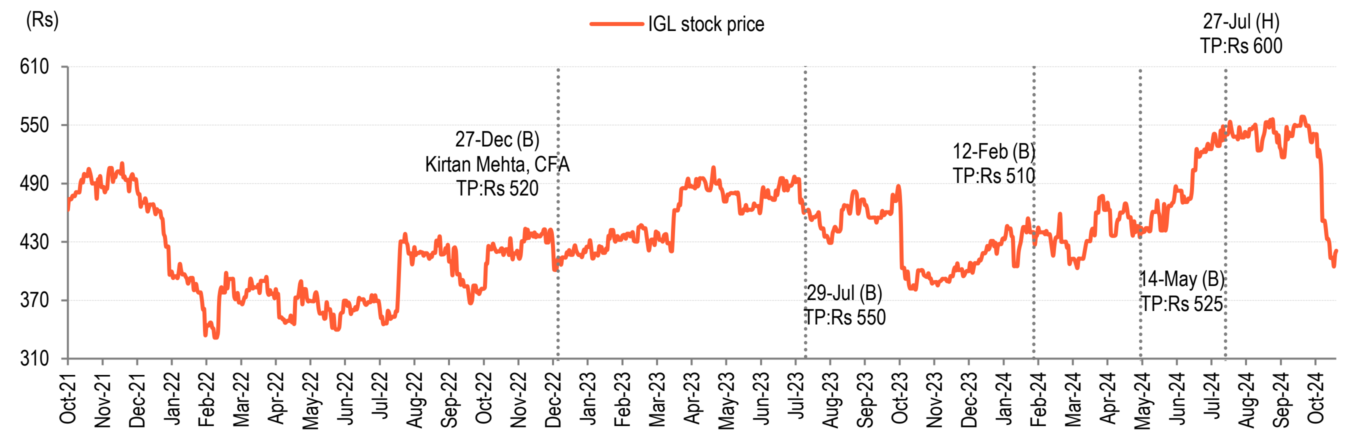
Ratings and Target Price (3-year history): INDRAPRASTHA GAS (IGL IN)



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