BUY
TP: Rs 155 | ▲ 16%

INDRAPRASTHA GAS | Oil & Gas | 03 November 2026

Margins miss estimates as gas costs outpace price hikes

- **Revenue grew 27.2% YoY, driven by 8.0% YoY volume growth, 17.7% YoY rise in realisation; however, higher gas costs weighed on EBITDA**
- **Outlook remains positive on volumes, with growth led by areas outside Delhi; normalisation of gas costs hinges on easing supply constraints**
- **Maintain BUY; we cut our TP to Rs155 from Rs178 to factor in weak EBITDA, based on 13.5 P/E on Sep-28E EPS**

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Operational performance below expectations: Indraprastha Gas (IGL) reported revenue of Rs51.2bn (+27.2% YoY, +11.6% QoQ), 10.5% above our estimate. EBITDA, however, came in at a loss of Rs311mn against our estimate of a Rs3,808mn profit. Higher spot gas costs drove the miss, though volume growth was better than expected.

Volumes: Volumes stood at 926mn scm (10.1mmscmd), up 8.0% YoY and 5.3% QoQ. CNG volumes grew 8.7% YoY, while domestic PNG (D-PNG) volumes rose 16.0% YoY. Management remains confident of double-digit volume growth, led by new geographical areas outside Delhi, which are growing at ~34% YoY.

Operational performance and outlook: EBITDA swung to a loss of Rs311mn from a profit of Rs4.4bn in Q2FY26, hit by higher gas costs. Gas costs rose to 91% of net sales from 78% in Q2FY26 and 83% in Q1FY27. EBITDA/scm was negative at Rs0.3, against Rs5.2 in Q2FY26. The share of spot RLNG in the gas sourcing mix rose to 15% in Q2FY27 from 3% in Q1FY27 (total RLNG share: 52%). Management expects Q3 to remain challenging on costs but has guided for a medium-term EBITDA spread of Rs6–7/scm from FY28E.

Capex: IGL incurred capex of Rs7bn in H1FY27 and has guided for Rs18bn in FY27E.

Maintain BUY; cut TP: We maintain BUY but, factoring in the weak EBITDA performance, cut our TP to Rs155 from Rs178, based on 13.5x P/E on Sep-28E EPS.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IGL IN/Rs 133
Market cap	US$ 2.0bn
Free float	55%
3M ADV	US$ 3.0mn
52wk high/low	Rs 219/Rs 126
Promoter/FPI/DII	45%/17%/23%

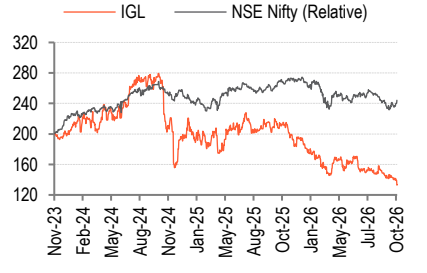
Source: NSE | Price as of 3 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	161,670	203,290	223,517
EBITDA (Rs mn)	18,500	9,742	19,823
Adj. net profit (Rs mn)	13,641	6,645	13,860
Adj. EPS (Rs)	9.7	4.7	9.9
Adj. ROAE (%)	9.2	4.3	8.7
Adj. P/E (x)	13.7	28.1	13.5
EV/EBITDA (x)	8.0	15.2	7.7
Adj. EPS growth (%)	(7.1)	(51.3)	108.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance (Standalone)

Rs mn	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
Revenue	51,162	45,834	11.6	40,233	27.2	96,997	79,371	22.2
EBITDA	(311)	2,955	(110.5)	4,428	(107.0)	2,644	9,545	(72.3)
EBITDA margin (%)	*(0.61)*	*6.45*	*(706 bps)*	*11.01*	*(1161 bps)*	*2.73*	*12.03*	*(930 bps)*
Depreciation	1,429	1,364	4.8	1,279	11.7	2,792	2,517	10.9
Interest	23	24	(1.3)	22	8.8	47	44	7.3
Other income	1,859	1,031	80.2	1,626	14.3	2,890	2,526	14.4
PBT	96	2,599	(96.3)	4,754	(98.0)	2,695	9,511	(71.7)
Tax	(148)	737	(120.1)	1,029	(114.4)	590	2,227	(73.5)
Reported PAT	244	1,862	(86.9)	3,725	(93.5)	2,106	7,284	(71.1)
PATM (%)	*0.48*	*4.06*	*(359 bps)*	*9.26*	*(878 bps)*	*2.17*	*9.18*	*(701 bps)*
EPS (Rs)	0.17	1.33	(86.9)	2.66	(93.5)	1.50	5.20	(71.1)

Source: Company

Fig 2 – Q2 Actual vs Estimates

Particulars	Q2 Actual	Estimates	VAR(%)
Revenue (Rs mn)	51,162	46,298	10.5
EBITDA (Rs mn)	(311)	3,808	(108.2)
EBITDA margin (%)	(0.6)	8.2	(883 bps)
PAT (Rs mn)	244	2,913	(91.6)
EPS (Rs)	0.2	2.1	(91.6)

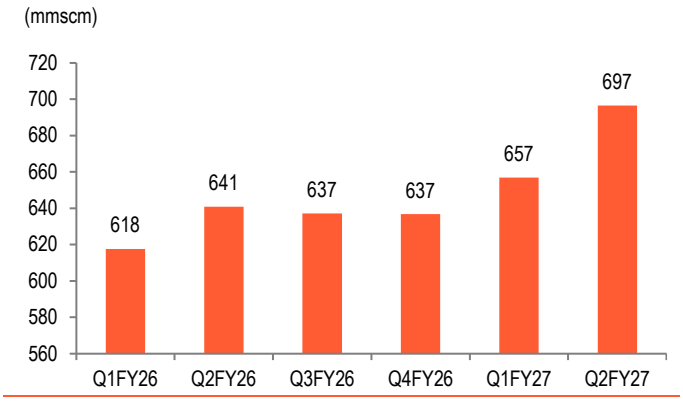
Source: Company, BOBCAPS Research

Fig 3 – Business parameters

Particulars	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY (%)	H1FY27	H1FY26	YoY (%)
CNG Volumes (mnscm)	697	657	6.1	641	8.7	1,353.5	1,258.4	7.6
PNG Volumes (mnscm)	183	176	3.6	170	7.6	359.0	337.3	6.4
LNG Volumes (mnscm)	0	0	(3.2)	0	50.0	0.6	0.4	64.9
Natural Gas (mnscm)	46	46	1.1	46	0.0	91.5	91.5	0.0
Total Volumes (mnscm)	**926**	**879**	**5.3**	**857**	**8.0**	**1,805**	**1,688**	**6.9**
Realisation/scm (Rs.)	**55.3**	**52.1**	**6.0**	**47.0**	**17.7**	**53.8**	**47.0**	**14.3**
EBITDA/scm (Rs.)	**(0.3)**	**3.4**	**(110.0)**	**5.2**	**(106.5)**	**1.5**	**5.7**	**(74.1)**

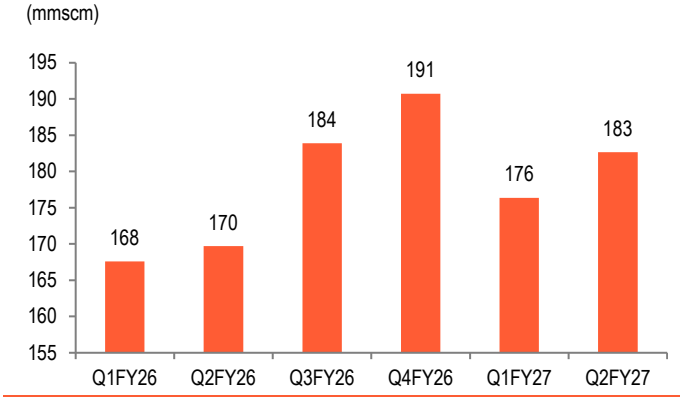
Source: Company

Fig 4 – CNG volumes



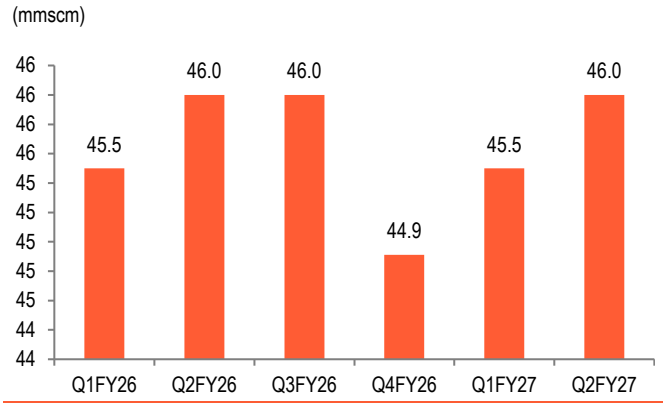
Source: Company

Fig 5 – PNG volumes (Industrial + commercial)



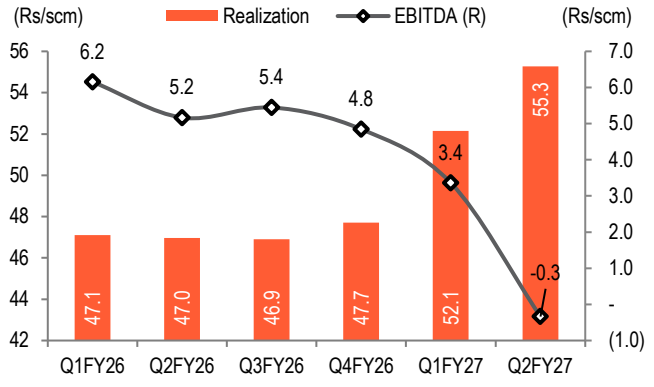
Source: Company

Fig 6 – Natural gas volumes



Source: Company

Fig 7 – Realisation & EBITDA trend



Source: Company

Call Highlights

- **Volumes performance:** Overall volumes grew 8.0% YoY (to a record 10.06mmscmd), with CNG up 8.7% YoY (+6.1% QoQ) and PNG up 7.6% YoY. CNG sales in Delhi NCR, excluding DTC and DIMTS buses, grew about 10%, while newer geographical areas grew 34%. DTC volumes have fallen to almost zero, and DIMTS volumes declined to 1.34 lakh kg/day in H1FY27 from 1.47 lakh kg/day in FY26. CNG vehicle additions and conversions averaged about 27,000 per month in H1FY27. Delhi contributes about 40% of volumes, with the remaining 60% from Noida, Ghaziabad and other GAs.
- **Operational performance:** EBITDA turned negative (down 107% YoY) as input gas costs rose sharply on a higher share of spot LNG. Spot LNG stood at about 1.5mmscmd (about 15% of total volume, vs 3% in Q1FY27) following force majeure on term LNG contracts and the discontinuation of pool gas. Spot prices were about US$22/mmbtu in Q2 and are now above US$30/mmbtu. Gas cost rose to 91% of net sales from 78% in Q2FY26 (83% in Q1FY27), resulting in an EBITDA of Rs−0.3/scm vs Rs5.2 in Q2FY26 and Rs3.4 in Q1FY27. Management quoted the sourcing mix as about 48% domestic (APM and new well gas about 40%, HPHT about 10%) and 52% RLNG. At current spot prices, the cost environment remains challenging in the near term.
- **Outlook:** Management aspires to double-digit volume growth in FY28E, led by newer GAs. It maintains EBITDA/scm guidance of Rs6–7 for FY28E, which it expects to be supported by normalisation of term LNG supply from the Middle East; softer spot prices; higher HPHT allocation, which is being phased in on a consumption basis. Management is also seeking additional long-term volumes and is considering gas trading. It has not committed to a price hike, as it wants to protect the CNG price advantage over petrol and diesel.
- Management commented that Delhi EV policy 2.0 is likely to impact less than 3% on volumes by 2030.
- **Capex:** Capex is guided at Rs17–18bn for FY27E (Rs7.1bn spent in H1), towards CNG infrastructure expansion and PNG pipelines.

Valuation Methodology

Volume growth momentum is likely to continue, driven by CNG infrastructure expansion and robust demand growth. However, elevated imported gas costs will continue to weigh on margins and EBITDA in the near term.

We cut our earnings estimates on weak operational performance: a lower EBITDA spread more than offsets our higher volume growth:

- **CNG growth:** We raise our CNG volume growth estimates to 7.5% YoY for FY27E (earlier 6.0%), 7.8% for FY28E (earlier 5.5%) and 8.0% for FY29E (earlier 5.0%). CNG growth stood at 7.6% YoY in H1FY27.
- **PNG growth:** We raise our PNG volume growth estimates to 6.4% YoY for FY27E (earlier 5.5%), 6.5% for FY28E (earlier 6.0%) and 6.7% for FY29E (earlier 6.0%). PNG growth stood at 6.4% YoY in H1FY27.
- **EBITDA spread:** We moderate our EBITDA/scm estimates based on the H1FY27 performance, to Rs2.7 for FY27E (earlier Rs5.3), Rs5.0 for FY28E (earlier Rs6.0) and Rs5.3 for FY29E (earlier Rs6.3).

Fig 8 – Revision in Estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	161,670	203,290	223,517	240,962	186,006	196,730	208,199	9.3	13.6	15.7
EBITDA	18,500	9,742	19,823	22,327	19,278	23,066	25,376	(49.5)	(14.1)	(12.0)
EBITDA % margin	11.4	4.8	8.9	9.3	10.4	11.7	12	(557 bps)	(286 bps)	(292 bps)
PAT	13,641	6,645	13,860	15,393	13,797	16,292	17,679	(51.8)	(14.9)	(12.9)
EPS (Rs)	9.7	4.7	9.9	11.0	9.9	11.6	12.6	(51.8)	(14.9)	(12.9)

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

Particular	FY25	FY26	FY27E	FY28E	FY29E
USD – INR	87.0	90.0	97.0	97.0	97.0
CNG Volumes (mnscm)	2,431	2,532	2,722	2,933	3,168
PNG volumes (mnscm)	850	895	952	1,014	1,082
Total volumes (mnscm)	**3,281**	**3,427**	**3,675**	**3,947**	**4,250**
Volumes (mmscmd)					
CNG	6.7	6.9	7.5	8.0	8.7
YoY%	5.8	4.2	7.5	7.8	8.0
PNG	2.3	2.5	2.6	2.8	3.0
YoY%	8.1	5.3	6.4	6.5	6.7
Total volumes (mmscmd)	9.0	9.4	10.1	10.8	11.6
YoY%	6.4	4.5	7.2	7.4	7.7
Margins					
EBITDA spread (Rs/scm)	**6.0**	**5.4**	**2.7**	**5.0**	**5.3**

Source: Company, BOBCAPS Research

P/E-based Valuation Rationale

Maintain BUY; considering weak EBITDA performance, we revise TP downwards to Rs155 from Rs178 based on 13.5x P/E on Sept.28E EPS.

Fig 10 – Valuation summary

Particulars	Sept'28E EPS (Rs)	Multiple	Value (Rs/share)
IGL (Standalone)	10.2	13.5	137
Value of 50% stake in CUGL and MNGL			18
Target price (Rs)			**155**

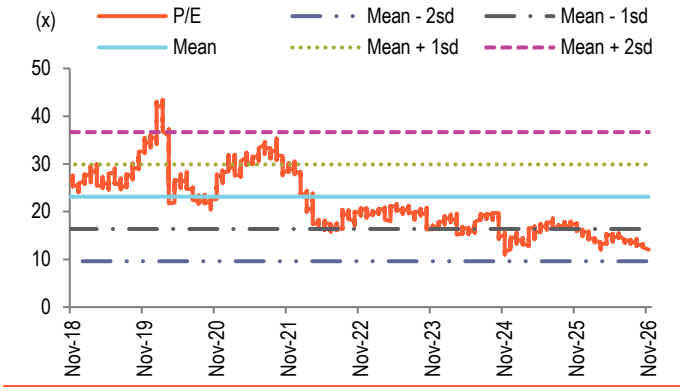
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

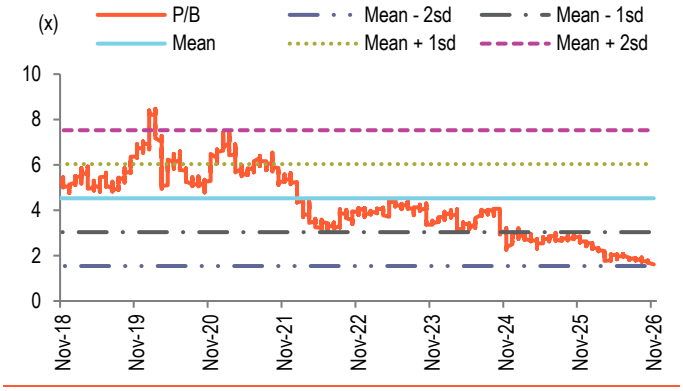
- **APM-allocation reduction can raise gas cost**: Over the last 1 year, APM gas allocation to CGD companies has been reduced, given the production constraints from ONGC. This resulted in IGL procuring imported gas at market prices. Any further reduction in APM can raise the cost for the company has also reduce EBITDA spread.
- **Faster adoption of EV in NCR region:** EV mobility in DTC buses has impacted IGL volumes. The adoption of EV in 3Ws and private CAB cars can further impact volume performance to some extent.

Fig 11 – P/E 1YF



Source: Bloomberg

Fig 12 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**149,276**	**161,670**	**203,290**	**223,517**	**240,962**
EBITDA	19,787	18,500	9,742	19,823	22,327
Depreciation	(4,741)	(5,146)	(5,679)	(6,237)	(6,795)
EBIT	19,462	18,194	9,000	18,621	20,669
Net interest inc./(exp.)	(92)	(139)	(140)	(142)	(145)
Other inc./(exp.)	4,416	4,840	4,936	5,035	5,136
Exceptional items	0	0	0	0	0
EBT	19,370	18,056	8,860	18,479	20,524
Income taxes	(4,693)	(4,415)	(2,215)	(4,620)	(5,131)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**14,677**	**13,641**	**6,645**	**13,860**	**15,393**
Adjustments	0	0	0	0	0
Adjusted net profit	**14,677**	**13,641**	**6,645**	**13,860**	**15,393**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	9,346	10,716	12,727	13,994	15,086
Other current liabilities	26,183	28,333	28,333	28,333	28,333
Provisions	7,509	9,036	9,036	9,036	9,036
Debt funds	0	0	500	500	500
Other liabilities	6,009	6,375	6,375	6,375	6,375
Equity capital	2,800	2,800	2,800	2,800	2,800
Reserves & surplus	90,040	97,067	96,362	102,172	108,814
Shareholders' fund	92,840	99,867	99,162	104,972	111,614
Total liab. and equities	**141,887**	**154,327**	**156,133**	**163,209**	**170,944**
Cash and cash eq.	22,568	29,256	21,216	21,504	23,149
Accounts receivables	7,078	9,214	9,639	10,598	11,425
Inventories	488	564	664	730	787
Other current assets	2,825	2,675	2,675	2,675	2,675
Investments	2,926	2,926	2,926	2,926	2,926
Net fixed assets	69,518	77,913	87,234	92,997	98,203
CWIP	14,857	14,805	14,805	14,805	14,805
Intangible assets	2,191	2,134	2,134	2,134	2,134
Deferred tax assets, net	0	0	0	0	0
Other assets	9,072	3,651	3,651	3,651	3,651
Total assets	**141,887**	**154,327**	**156,133**	**163,209**	**170,944**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**25,384**	**22,515**	**13,950**	**20,480**	**22,540**
Capital expenditures	(11,353)	(13,432)	(15,000)	(12,000)	(12,000)
Change in investments	(4,640)	(545)	0	0	0
Other investing cash flows	(1,063)	5,268	0	0	0
Cash flow from investing	**(17,056)**	**(8,709)**	**(15,000)**	**(12,000)**	**(12,000)**
Equities issued/Others	1,400	0	0	0	0
Debt raised/repaid	0	0	500	0	0
Interest expenses	(92)	(139)	(140)	(142)	(145)
Dividends paid	(5,950)	(6,650)	(7,350)	(8,050)	(8,750)
Other financing cash flows	(2,611)	(329)	0	0	0
Cash flow from financing	**(7,253)**	**(7,118)**	**(6,990)**	**(8,192)**	**(8,895)**
Chg in cash & cash eq.	**1,075**	**6,688**	**(8,040)**	**288**	**1,645**
Closing cash & cash eq.	**22,568**	**29,256**	**21,216**	**21,504**	**23,149**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	10.5	9.7	4.7	9.9	11.0
Adjusted EPS	10.5	9.7	4.7	9.9	11.0
Dividend per share	4.3	4.8	5.3	5.8	6.3
Book value per share	66.3	71.3	70.8	75.0	79.7

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.0	0.9	0.7	0.7	0.6
EV/EBITDA	7.8	8.0	15.2	7.7	6.8
Adjusted P/E	12.7	13.7	28.1	13.5	12.1
P/BV	2.0	1.9	1.9	1.8	1.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.8	75.6	75.0	75.0	75.0
Interest burden (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Revenue)	13.0	11.3	4.4	8.3	8.6
Asset turnover (Rev./Avg TA)	1.1	1.1	1.3	1.4	1.4
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.6	1.6	1.5
Adjusted ROAE	10.7	9.2	4.3	8.7	9.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.6	8.3	25.7	10.0	7.8
EBITDA	(16.4)	(6.5)	(47.3)	103.5	12.6
Adjusted EPS	(58.0)	(7.1)	(51.3)	108.6	11.1
Profitability & Return ratios (%)					
EBITDA margin	13.3	11.4	4.8	8.9	9.3
EBIT margin	13.0	11.3	4.4	8.3	8.6
Adjusted profit margin	9.8	8.4	3.3	6.2	6.4
Adjusted ROAE	10.7	9.2	4.3	8.7	9.2
ROCE	20.6	17.7	8.5	17.1	17.9
Working capital days (days)					
Receivables	17	21	17	17	17
Inventory	1	1	1	1	1
Payables	26	27	24	25	25
Ratios (x)					
Gross asset turnover	1.1	1.1	1.3	1.4	1.4
Current ratio	1.1	1.2	1.0	1.0	1.0
Net interest coverage ratio	211.3	131.4	64.3	131.1	142.5
Adjusted debt/equity	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)

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

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

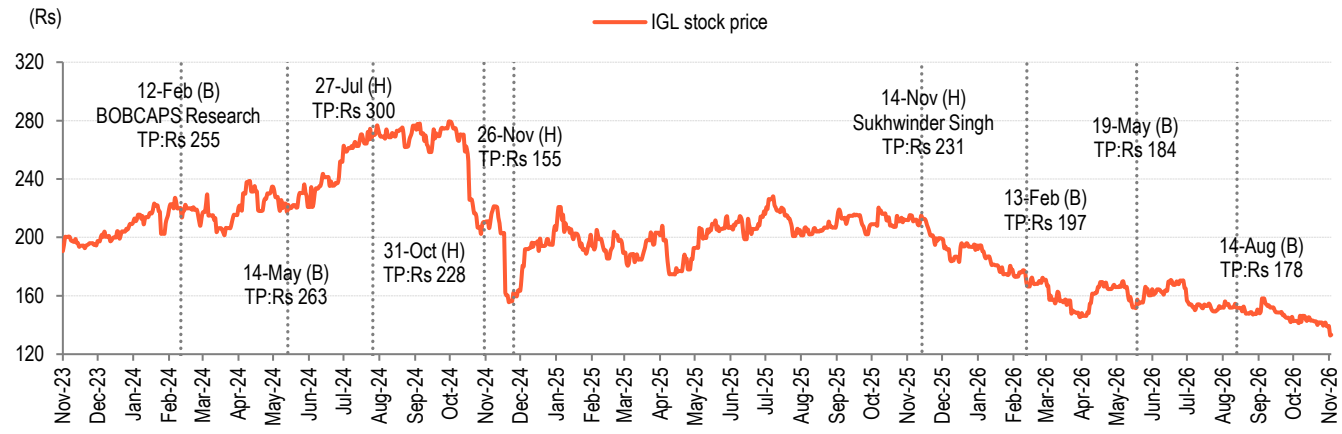
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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