

January 25, 2023

Q3FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	564		596	
Sales (Rs. m)	1,61,161	1,90,164	1,69,002	1,99,225
% Chng.	(4.6)	(4.5)		
EBITDA (Rs. m)	26,255	30,369	28,607	33,170
% Chng.	(8.2)	(8.4)		
EPS (Rs.)	27.5	32.7	30.8	36.9
% Chng.	(10.9)	(11.3)		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	77,100	1,40,279	1,61,161	1,90,164
EBITDA (Rs. m)	18,811	20,899	26,255	30,369
Margin (%)	24.4	14.9	16.3	16.0
PAT (Rs. m)	13,149	14,337	19,228	22,910
EPS (Rs.)	18.8	20.5	27.5	32.7
Gr. (%)	30.8	9.0	34.1	19.1
DPS (Rs.)	5.5	5.5	8.0	9.6
Yield (%)	1.3	1.3	1.9	2.3
RoE (%)	20.5	19.2	22.2	22.6
RoCE (%)	24.4	23.0	25.2	24.9
EV/Sales (x)	3.4	1.8	1.5	1.2
EV/EBITDA (x)	13.7	11.8	9.0	7.3
PE (x)	22.0	20.2	15.0	12.6
P/BV (x)	4.2	3.6	3.1	2.6

Key Data

IGAS.BO | IGL IN

52-W High / Low	Rs.452 / Rs.321
Sensex / Nifty	60,205 / 17,892
Market Cap	Rs.289bn / \$ 3,545m
Shares Outstanding	700m
3M Avg. Daily Value	Rs.828.97m

Shareholding Pattern (%)

Promoter's	45.00
Foreign	21.77
Domestic Institution	19.71
Public & Others	13.52
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.9	14.4	3.5
Relative	2.3	5.9	(0.6)

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Softening gas prices augurs well for future

Quick Pointers:

- Softening international gas prices to lower input prices.
- Higher gas supplies from KGD6 (12 mmscmd) in FY24 to ease gas availability concerns for CGDs.

We lower our FY23-25E earnings by 21-11% given 1) delayed implementation of Mr Kirit Parikh committee recommendations to bring down domestic gas prices by USD2/mmbtu and 2) lower margins (FY23/24/25 at Rs7.0/7.6/7.7 vs Rs8.4/8.5/8.6 earlier). Indraprastha Gas (IGL) Q3 EBITDA/PAT dropped to Rs4.3bn (-19%Q/Q; PLe Rs4.8bn) and Rs2.8bn (-33%Q/Q; PLe Rs3.3bn) due to lower margins and volumes. Volumes were flat QoQ and up 8%YoY at 8.1mmscmd. Domestic gas prices are likely to correct going forward. Also international gas prices have corrected (spot LNG at USD15-20/mmbtu vs Q3 levels of over USD30), which will mean lower gas prices for domestic CGD players. Moreover, availability of 12mmscmd new RILKGD6's volumes will ease gas availability concerns.

IGL remains an enviable business model with high volume growth due to geographical expansion and addition of new buses and taxis. Reiterate 'BUY' at DCF-based PT of Rs564 (Rs596) as we lower margins and profits.

- Volume growth lower than expected at 8% YoY:** IGL's Q3FY23 volumes remained flat QoQ but up 8% YoY at 8.1mmscmd (PLe 8.4), as high CNG prices impacted volumes (CNG prices up 60%YoY to Rs68.2/kg). For Q3FY23, CNG & PNG volumes were flat at 6.1mmscmd (flat QoQ) and 2.0mmscmd (+2%QoQ).
- High gas cost impact profits:** Q3 EBITDA and PAT were at Rs4.3bn (-19%Q/Q; PLe Rs4.8bn) and Rs2.8bn (-33%Q/Q; PLe Rs3.3bn). Q3 gross margins were lower at Rs16.4/scm (Q2: Rs17.6), while EBITDA/scm was at Rs5.7/scm (PLe Rs6.2), as blended gas cost was at Rs38.3/scm (Q2: 35.1).
- Softening gas cost to ease pricing pressure but assume lower margins-** After a sharp increase in gas cost to Rs38.3 (up 95% YoY), prices are likely to come down going forward following 1) implementation of Kirit Parikh committee recommendation to USD6.5/mmbtu and 2) correction in international gas prices. Currently spot LNG prices have corrected to USD15-20/mmbtu due to high EU gas inventory over 80% and recessionary pressures. New supplies from KGD6 of 12mmscmd will likely start from Feb-23 and gradually ramp up. We however lower our FY23/24/25E EBITDA/scm margins of Rs7.0/7.6/7.7scm vs (8.4-8.6 earlier) as we expect maximize volume growth.
- Limited threat from EV:** We see limited threat to the company's growth prospects as strained state financials post pandemic leave a very little room for state government to introduce high cost EV buses (~Rs8.5mn post 40% subsidy) vis-à-vis Rs4.5mn for CNG variant. State government subsidy will increase two wheelers penetration of EV who do not use CNG. Accordingly, we see limited hindrance to IGL's prospects.

Exhibit 1: Q3FY23 Result Overview (Rs mn)

Y/e March	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	9MFY23	9MFY22	YoY gr. (%)
Net Sales	40,890	24,385	67.7	39,220	1,15,414	58,350	97.8
Operating Costs	36,606	19,689	85.9	33,945	99,679	44,544	123.8
Material Costs	28,636	13,842	106.9	26,094	76,435	28,746	165.9
Personnel Costs	438	477	(8.1)	497	1,415	1,375	2.9
Other Overheads	3,750	3,140	19.4	3,675	11,002	9,115	20.7
Excise duty	3,782	2,230	69.6	3,680	10,827	5,309	103.9
EBITDA	4,285	4,696	(8.8)	5,275	15,735	13,806	14.0
Other Income	557	304	83.5	1,100	1,965	1,377	42.7
PBDIT	4,842	5,000	(3.2)	6,375	17,700	15,182	16.6
Depreciation	925	835	10.8	914	2,696	2,418	11.5
Interest	26	28	(7.8)	31	80	83	(3.5)
Pre-tax Profit	3,891	4,137	(5.9)	5,430	14,923	12,681	17.7
Tax	1,109	1,051	5.4	1,269	3,771	3,148	19.8
Profit After Tax	2,783	3,085	(9.8)	4,162	11,153	9,532	17.0

Source: Company, PL

Exhibit 2: IGL quarterly details

Sales volume	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
CNG - mn kg	317.8	291.0	105.0	255.0	289.0	307.2	232.7	342.0	363.4	357.0	378.6	393.0	391.9
PNG - mmscm	163.8	158.0	101.0	146.0	164.0	176.0	152.0	178.1	186.1	188.0	188.0	183.9	188.3
Total mscm	616.0	567.0	247.0	506.0	576.0	614.0	483.8	665.7	704.3	697.0	727.8	744.2	747.1
Sales Rs mn													
CNG	12,477	12,477	3,750	9,440	10,290	10,860	8,501	12,778	15,456	19,360	23,573	25,979	26,744
PNG	4,129	4,129	2,580	3,550	4,090	4,550	3,983	5,425	6,594	7,020	8,252	9,426	10,204
Realisation													
CNG Rs/kg	39.3	42.9	35.7	37.0	35.6	35.3	36.5	37.4	42.5	54.2	62.3	66.1	68.2
PNG Rs/scm	25.2	26.1	25.5	24.3	24.9	25.9	26.2	30.5	35.4	37.3	43.9	51.3	54.2
Cost of gas (Rs/scm)	15.3	14.6	12.1	12.0	10.5	11.6	11.6	13.9	19.7	21.8	29.8	35.1	38.3
Opex (Rs/scm)	5.4	6.2	10.4	5.7	5.9	5.6	6.5	5.6	5.1	5.6	5.6	5.6	5.6
EBITDA (Rs/scm)	6.36	6.64	3.38	8.05	8.69	8.01	7.87	7.96	6.67	7.2	8.5	7.09	5.74
Gross margin (Rs/scm)	14.6	15.6	15.9	16.4	17.2	16.2	16.9	16.3	15.0	16.2	18.7	17.6	16.4

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	77,100	1,40,279	1,61,161	1,90,164
YoY gr. (%)	56.0	81.9	14.9	18.0
Cost of Goods Sold	43,923	1,02,912	1,16,027	1,38,985
Gross Profit	33,176	37,367	45,134	51,179
Margin (%)	43.0	26.6	28.0	26.9
Employee Cost	1,760	1,971	2,208	2,473
Other Expenses	-	-	-	-
EBITDA	18,811	20,899	26,255	30,369
YoY gr. (%)	26.8	11.1	25.6	15.7
Margin (%)	24.4	14.9	16.3	16.0
Depreciation and Amortization	3,171	3,770	4,448	5,126
EBIT	15,640	17,130	21,808	25,242
Margin (%)	20.3	12.2	13.5	13.3
Net Interest	132	135	150	175
Other Income	2,150	2,172	4,049	5,561
Profit Before Tax	17,658	19,167	25,706	30,629
Margin (%)	22.9	13.7	16.0	16.1
Total Tax	4,509	4,830	6,478	7,718
Effective tax rate (%)	25.5	25.2	25.2	25.2
Profit after tax	13,149	14,337	19,228	22,910
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	13,149	14,337	19,228	22,910
YoY gr. (%)	30.8	9.0	34.1	19.1
Margin (%)	17.1	10.2	11.9	12.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	13,149	14,337	19,228	22,910
YoY gr. (%)	30.8	9.0	34.1	19.1
Margin (%)	17.1	10.2	11.9	12.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,149	14,337	19,228	22,910
Equity Shares O/s (m)	700	700	700	700
EPS (Rs)	18.8	20.5	27.5	32.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	60,688	72,688	84,688	96,688
Tangibles	60,688	72,688	84,688	96,688
Intangibles	-	-	-	-
Acc: Dep / Amortization	12,994	16,764	21,212	26,338
Tangibles	12,994	16,764	21,212	26,338
Intangibles	-	-	-	-
Net fixed assets	47,694	55,924	63,476	70,350
Tangibles	47,694	55,924	63,476	70,350
Intangibles	-	-	-	-
Capital Work In Progress	13,786	12,000	12,000	12,000
Goodwill	-	-	-	-
Non-Current Investments	2,724	2,996	3,295	3,625
Net Deferred tax assets	(2,737)	(3,695)	(4,980)	(6,512)
Other Non-Current Assets	369	406	447	492
Current Assets				
Investments	17,177	18,894	20,784	22,862
Inventories	455	501	551	606
Trade receivables	5,206	9,471	10,881	12,839
Cash & Bank Balance	13,616	23,265	31,474	43,508
Other Current Assets	222	244	268	295
Total Assets	1,02,199	1,24,748	1,44,328	1,67,843
Equity				
Equity Share Capital	1,400	1,400	1,400	1,400
Other Equity	67,962	78,453	92,056	1,08,264
Total Network	69,362	79,853	93,456	1,09,664
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	268	294	324	356
Other non current liabilities	113	124	136	150
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7,867	14,313	16,444	19,404
Other current liabilities	23,344	25,551	27,978	30,648
Total Equity & Liabilities	1,04,523	1,24,748	1,44,328	1,67,843

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	17,658	19,167	25,706	30,629
Add. Depreciation	3,171	3,770	4,448	5,126
Add. Interest	132	135	150	175
Less Financial Other Income	2,150	2,172	4,049	5,561
Add. Other	-	-	-	-
Op. profit before WC changes	20,961	23,071	30,304	35,930
Net Changes-WC	3,776	3,536	2,442	3,012
Direct tax	(4,509)	(4,830)	(6,478)	(7,718)
Net cash from Op. activities	20,227	21,777	26,268	31,224
Capital expenditures	(15,296)	(7,890)	(12,000)	(12,000)
Interest / Dividend Income	-	-	-	-
Others	-	(258)	(284)	(312)
Net Cash from Inv. activities	(15,296)	(8,148)	(12,284)	(12,312)
Issue of share cap. / premium	1,344	5	5	5
Debt changes	-	-	-	-
Dividend paid	(3,850)	(3,850)	(5,630)	(6,708)
Interest paid	(132)	(135)	(150)	(175)
Others	-	-	-	-
Net cash from Fin. activities	(2,638)	(3,980)	(5,775)	(6,878)
Net change in cash	2,294	9,649	8,209	12,033
Free Cash Flow	4,932	13,887	14,268	19,224

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	24,059	31,939	35,540	37,108
YoY gr. (%)	55.2	154.0	94.1	67.5
Raw Material Expenses	15,178	21,706	26,094	28,636
Gross Profit	8,881	10,233	9,447	8,472
Margin (%)	36.9	32.0	26.6	22.8
EBITDA	5,005	6,175	5,275	4,285
YoY gr. (%)	1.8	62.2	(0.5)	(8.8)
Margin (%)	20.8	19.3	14.8	11.5
Depreciation / Depletion	753	857	914	925
EBIT	4,252	5,318	4,361	3,360
Margin (%)	17.7	16.7	12.3	9.1
Net Interest	49	24	31	26
Other Income	774	307	1,100	557
Profit before Tax	4,977	5,602	5,430	3,891
Margin (%)	20.7	17.5	15.3	10.5
Total Tax	1,361	1,394	1,269	1,109
Effective tax rate (%)	27.3	24.9	23.4	28.5
Profit after Tax	3,616	4,209	4,162	2,783
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,616	4,209	4,162	2,783
YoY gr. (%)	9.3	72.3	3.9	(9.8)
Margin (%)	15.0	13.2	11.7	7.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,616	4,209	4,162	2,783
YoY gr. (%)	9.3	72.3	3.9	(9.8)
Margin (%)	15.0	13.2	11.7	7.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

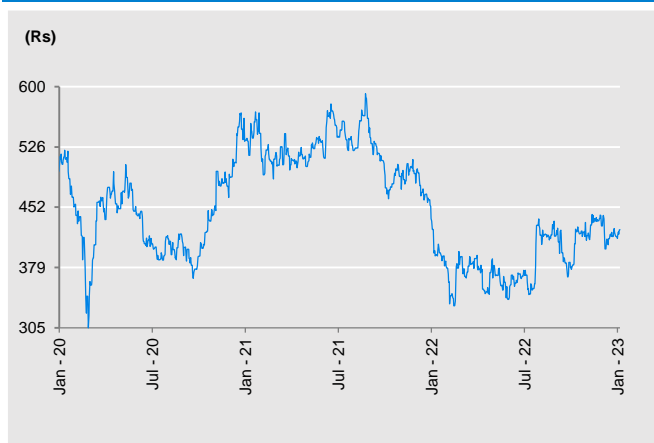
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	18.8	20.5	27.5	32.7
CEPS	23.3	25.9	33.8	40.1
BVPS	99.1	114.1	133.5	156.7
FCF	7.0	19.8	20.4	27.5
DPS	5.5	5.5	8.0	9.6
Return Ratio(%)				
RoCE	24.4	23.0	25.2	24.9
ROIC	21.9	20.7	23.7	24.9
RoE	20.5	19.2	22.2	22.6
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.6)	(0.6)
Net Working Capital (Days)	(10)	(11)	(11)	(11)
Valuation(x)				
PER	22.0	20.2	15.0	12.6
P/B	4.2	3.6	3.1	2.6
P/CEPS	17.7	16.0	12.2	10.3
EV/EBITDA	13.7	11.8	9.0	7.3
EV/Sales	3.4	1.8	1.5	1.2
Dividend Yield (%)	1.3	1.3	1.9	2.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Total sales volumes (mscm)	2,551	2,976	3,439	3,938
CNG sales volumes (mscm)	1,847	2,216	2,526	2,880
PNG sales volumes (mscm)	704	760	912	1,058
CNG retail price (Rs/kg)	43	75	74	76
PNG retail price (Rs/scm)	33	49	50	52

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Jan-23	BUY	596	419
2	01-Oct-22	BUY	596	397
3	09-Aug-22	BUY	576	359
4	05-Jul-22	BUY	589	361
5	23-May-22	BUY	589	379
6	18-May-22	BUY	589	387
7	04-Apr-22	BUY	660	392
8	08-Feb-22	BUY	660	392

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	420	334
2	Bharti Airtel	BUY	1,039	818
3	GAIL (India)	BUY	120	97
4	Gujarat Gas	Hold	530	490
5	Hindustan Petroleum Corporation	BUY	350	237
6	Indian Oil Corporation	BUY	130	78
7	Indraprastha Gas	BUY	596	419
8	Mahanagar Gas	BUY	1,103	845
9	Oil & Natural Gas Corporation	BUY	180	150
10	Oil India	BUY	300	215
11	Petronet LNG	BUY	326	223
12	Reliance Industries	BUY	2,878	2,443

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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