

November 3, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	406		539	
Sales (Rs.bn)	131	135	137	147
% Chng.	(4.3)	(8.0)		
EBITDA (Rs.bn)	23	24	25	27
% Chng.	(9.4)	(13.5)		
EPS (Rs.)	22.4	22.8	25.2	27.3
% Chng.	(11.4)	(16.5)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	141	131	135	143
EBITDA (Rs. bn)	20	23	24	25
Margin (%)	14.4	17.5	17.4	17.6
PAT (Rs. bn)	14	16	16	17
EPS (Rs.)	20.6	22.4	22.8	24.5
Gr. (%)	9.9	8.3	2.1	7.2
DPS (Rs.)	13.0	6.7	6.8	7.3
Yield (%)	3.3	1.7	1.8	1.9
RoE (%)	20.6	20.5	18.3	17.3
RoCE (%)	23.9	24.8	22.1	21.1
EV/Sales (x)	1.7	1.9	1.8	1.7
EV/EBITDA (x)	12.1	10.8	10.5	9.7
PE (x)	18.9	17.4	17.1	15.9
P/BV (x)	3.9	3.3	2.9	2.6

Key Data

IGAS.BO | IGL IN

52-W High / Low	Rs.516 / Rs.376
Sensex / Nifty	64,081 / 19,133
Market Cap	Rs.273bn/ \$ 3,278m
Shares Outstanding	700m
3M Avg. Daily Value	Rs.898.96m

Shareholding Pattern (%)

Promoter's	45.00
Foreign	20.94
Domestic Institution	21.24
Public & Others	12.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.3)	(21.0)	(7.6)
Relative	(12.0)	(24.3)	(12.2)

Swarnendu Bhushan

Swarnendubhushan@plindia.com | 91-22-66322260

Payal Shah

payalshah@plindia.com |

Indraprastha Gas (IGL IN)

Rating: HOLD | CMP: Rs390 | TP: Rs406

Operationally strong performance

Quick Pointers:

- Reported highest ever profit of Rs 5.3bn, up 25% YoY in Q2FY24.
- CNG volume increased by 2.6% YoY to 6.3 mmcmd

We cut our FY24-25E EPS estimates by 11.4%/16.5%, as we cut our volume estimates. Indraprastha Gas (IGL) reported an EBITDA/PAT of Rs 6.6bn (up 2% QoQ, PLe: Rs 6.4 bn) and Rs 5.3 bn (up 22% QoQ, PLe: Rs4.4 bn). Other income of Rs1.3 bn came in higher than expected (up 193% QoQ, PLe: Rs 0.5bn). Sales grew ~3% on a YoY basis. EBITDA came in at Rs8.6/scm, flat YoY. The company targets to reach an exit volume of 9 mmcmd in FY24. We build in conservative volume growth CAGR of 7% over FY24-26E. Maintain 'Hold' rating with a TP of Rs406 (earlier Rs539) based on 15x FY26E P/E.

- 2.6% YoY volume growth:** Total sales volume came in below estimates at 8.3 mmcmd (up 2.6% YoY, PLe: 8.7 mmcmd). CNG volume grew 2.6% YoY to 6.3 mmcmd (PLe: 6.2 mmcmd). PNG volume at 2 mmcmd also grew by 2.8% YoY (PLe: 2.5 mmcmd). On a QoQ basis, both CNG volumes and PNG volumes grew 1%. Going ahead, we estimate sales volume to grow at a CAGR of 7% over FY24-26E to 9.8 mmcmd in FY26E.
- Significant YoY growth in operational results:** IGL reported an EBITDA of Rs 6.6 bn, up 2% QoQ and PAT grew 22% QoQ to Rs 5.3bn. Gross margin/scm stood at Rs 14.1/scm, down by Rs 0.3/scm. EBITDA/scm came in at Rs8.6/scm, flat QoQ (PLe: Rs8/scm). EBITDA/scm came in above estimates due to lower than expected procurement cost and lower other expenses. PAT grew significantly QoQ due to a 2.9x growth in other income. EBITDA/PAT grew 25%/29% YoY mainly on account of lower gas sourcing cost. For H1FY24, EBITDA came in at Rs13 bn, up 13.5% YoY while PAT at Rs 9.7bn was up 16.3%. Going forward, we estimate EBITDA/scm at Rs 7.3/7/7/scm for FY24/25/26E
- Conference Call Highlights:** 1) The management highlighted that if the EV policy is implemented then 15% of its CNG volume is likely to be impacted and sales growth in the cab aggregator segment would remain muted for 3-5 years. 2) For Q2 monthly conversions stood at 15,900, up 13% QoQ. 3) 30 EV charging stations have been commissioned. 4) IGL added 8 new CNG stations and 70,000 d-PNG connections. 5) Capex guidance stands at Rs14-15bn every year. 6) The company stated that Delhi accounts for 60-65% of its CNG sales and Gautambuddha Nagar/ Ghaziabad account for 20-23%. 7)Current sales volume is 8.5 mmcmd, and company has guided for an exit volume of 9 mmcmd in FY24. Passenger vehicles are expected to grow at 8-9%.

Exhibit 1: Quarterly and Half Yearly Financials

Y/e March (Rs bn)	Q2FY24	Q1FY24	QoQ gr.	Q2FY23	YoY gr.	H1FY24	H1FY23	YoY gr.
Net Sales	34.6	34.1	1.5%	35.5	-2.7%	68.7	67.5	1.7%
EBITDA	6.6	6.4	2.3%	5.3	24.5%	13.0	11.5	13.5%
EBITDA (Rs/scm)	8.6	8.6		7.1				
Depreciation	1.0	1.0	3.3%	0.9	11.8%	2.0	1.8	13.6%
Interest	0.0	0.0	3.8%	0.0	-20.1%	0.0	0.1	-11.0%
Other Income	1.3	0.5	193.4%	1.1	21.8%	1.8	1.4	27.6%
PBT	6.9	5.9	17.0%	5.4	26.4%	12.7	11.0	15.4%
Tax	1.5	1.5	2.1%	1.3	19.4%	3.0	2.7	12.6%
Rate (%)	22.1	25.3		23.4				
PAT	5.3	4.4	22.0%	4.2	28.5%	9.7	8.4	16.3%
EPS (Rs)	7.6	6.3	22.0%	5.9	28.5%	14	12	16.3%

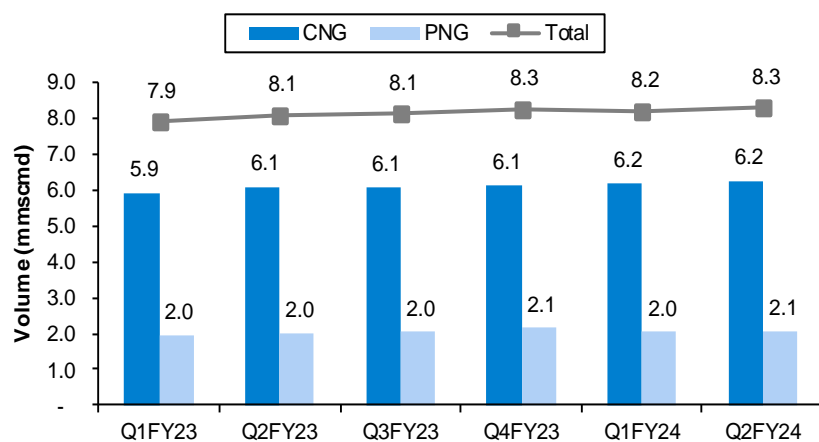
Source: Company, PL

Exhibit 2: Volumes grow 2.6% YoY

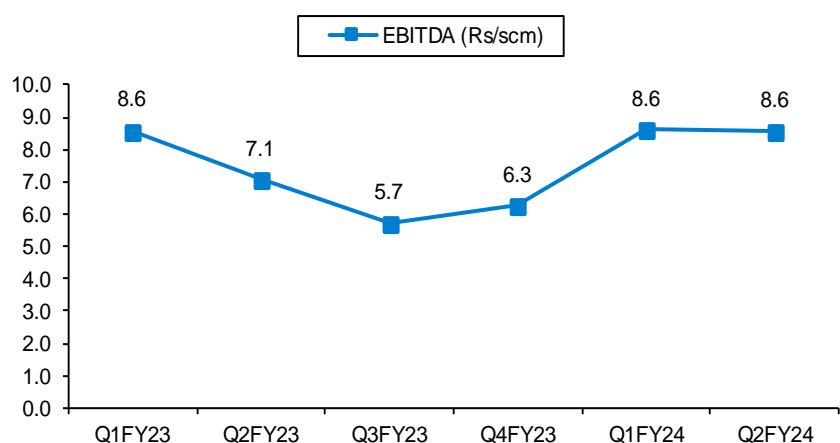
Gas Volumes (mmscmd)	Q2FY24	Q1FY24	QoQ gr.	Q2FY23	YoY gr.	Q2Est	Var.
CNG	6.25	6.17	1.3%	6.09	2.6%	6.24	0.2%
PNG	2.06	2.03	1.2%	2.00	2.8%	2.48	-17.3%
Total	8.30	8.20	1.2%	8.09	2.6%	8.72	-4.8%

Source: Company, PL

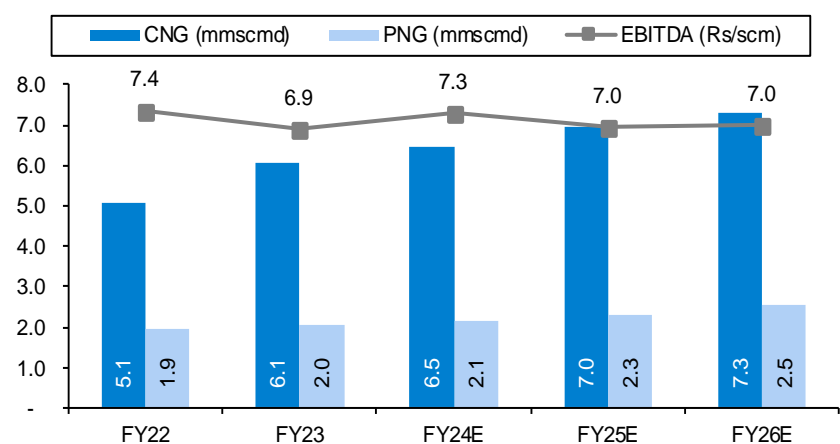
Exhibit 3: YoY total volumes up by 0.2 mmscmd



Source: Company, PL

Exhibit 4: EBITDA/scm remained flat QoQ


Source: Company, PL

Exhibit 5: FY25-26E EBITDA/scm estimated at Rs7/scm


Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	141	131	135	143
YoY gr. (%)	83.5	(7.1)	2.8	6.2
Cost of Goods Sold	104	92	93	98
Gross Profit	37	40	42	45
Margin (%)	26.2	30.1	31.2	31.5
Employee Cost	2	2	2	3
Other Expenses	15	14	16	17
EBITDA	20	23	24	25
YoY gr. (%)	8.4	12.9	2.1	7.1
Margin (%)	14.4	17.5	17.4	17.6
Depreciation and Amortization	4	4	4	4
EBIT	17	19	19	21
Margin (%)	11.9	14.4	14.3	14.5
Net Interest	0	0	0	0
Other Income	3	2	2	2
Profit Before Tax	19	21	21	23
Margin (%)	13.6	15.9	15.8	16.0
Total Tax	5	5	5	6
Effective tax rate (%)	25.0	25.2	25.2	25.2
Profit after tax	14	16	16	17
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14	16	16	17
YoY gr. (%)	9.9	8.3	2.1	7.2
Margin (%)	10.2	11.9	11.8	11.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14	16	16	17
YoY gr. (%)	9.9	8.3	2.1	7.2
Margin (%)	10.2	11.9	11.8	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	16	16	17
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	20.6	22.4	22.8	24.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	86	95	104	113
Tangibles	86	95	104	113
Intangibles	-	-	-	-
Acc: Dep / Amortization	31	35	40	44
Tangibles	31	35	40	44
Intangibles	-	-	-	-
Net fixed assets	55	60	65	70
Tangibles	55	60	65	70
Intangibles	-	-	-	-
Capital Work In Progress	14	20	26	32
Goodwill	-	-	-	-
Non-Current Investments	9	9	9	9
Net Deferred tax assets	(3)	(3)	(3)	(3)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	0	0	0	0
Trade receivables	9	8	9	9
Cash & Bank Balance	26	24	25	28
Other Current Assets	3	3	3	3
Total Assets	118	126	138	152
Equity				
Equity Share Capital	1	1	1	1
Other Equity	69	80	92	104
Total Network	71	82	93	105
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	44	41	42	44
Total Equity & Liabilities	118	126	138	152

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	19	21	21	23
Add. Depreciation	4	4	4	4
Add. Interest	0	0	0	0
Less Financial Other Income	3	2	2	2
Add. Other	(2)	-	-	-
Op. profit before WC changes	21	25	26	27
Net Changes-WC	6	(2)	1	2
Direct tax	(5)	(5)	(5)	(6)
Net cash from Op. activities	22	18	21	23
Capital expenditures	(12)	(15)	(15)	(15)
Interest / Dividend Income	-	-	-	-
Others	4	-	-	-
Net Cash from Invt. activities	(8)	(15)	(15)	(15)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(13)	(5)	(5)	(5)
Interest paid	-	0	0	0
Others	(1)	-	-	-
Net cash from Fin. activities	(14)	(5)	(5)	(5)
Net change in cash	0	(2)	1	3
Free Cash Flow	10	3	6	8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	20.6	22.4	22.8	24.5
CEPS	25.8	28.2	28.8	30.7
BVPS	101.2	116.9	132.9	150.0
FCF	14.4	4.0	8.6	11.9
DPS	13.0	6.7	6.8	7.3
Return Ratio(%)				
RoCE	23.9	24.8	22.1	21.1
ROIC	18.3	18.6	17.2	16.8
RoE	20.6	20.5	18.3	17.3
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	18.9	17.4	17.1	15.9
P/B	3.9	3.3	2.9	2.6
P/CEPS	15.1	13.8	13.5	12.7
EV/EBITDA	12.1	10.8	10.5	9.7
EV/Sales	1.7	1.9	1.8	1.7
Dividend Yield (%)	3.3	1.7	1.8	1.9

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

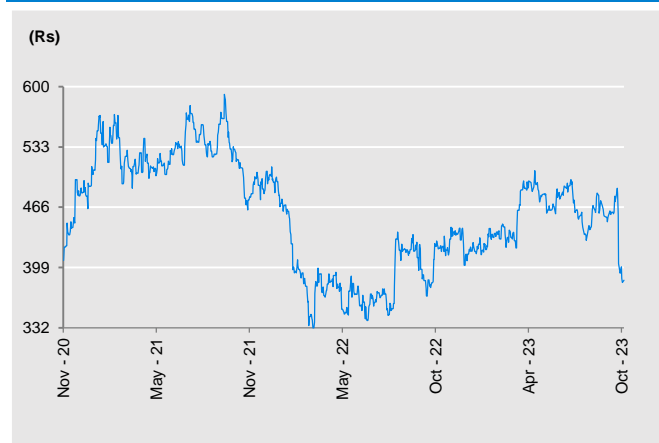
Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	37	37	34	35
YoY gr. (%)	67.5	53.3	6.7	(2.7)
Raw Material Expenses	29	28	23	24
Gross Profit	8	9	11	11
Margin (%)	22.8	24.3	31.5	31.2
EBITDA	4	5	6	7
YoY gr. (%)	(8.8)	(6.8)	4.0	24.6
Margin (%)	11.5	12.6	18.9	19.0
Depreciation / Depletion	1	1	1	1
EBIT	3	4	5	6
Margin (%)	9.1	10.1	16.0	16.1
Net Interest	-	-	-	-
Other Income	1	1	-	1
Profit before Tax	4	4	6	7
Margin (%)	10.5	11.8	17.2	19.9
Total Tax	1	1	1	2
Effective tax rate (%)	28.5	24.3	25.3	22.0
Profit after Tax	3	3	4	5
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3	3	4	5
YoY gr. (%)	(9.8)	(8.8)	4.2	28.6
Margin (%)	7.5	8.9	12.9	15.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3	3	4	5
YoY gr. (%)	(9.8)	(8.8)	4.2	28.6
Margin (%)	7.5	8.9	12.9	15.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3	3	4	5
Avg. Shares O/s (m)	1	1	1	1
EPS (Rs)	4.0	4.7	6.3	7.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Total Volume (mmscmd)	8.1	8.6	9.3	9.8
EBITDA (Rs/scm)	6.9	7.3	7.0	7.0

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-23	Hold	539	460
2	04-Jul-23	BUY	582	483
3	15-May-23	BUY	582	493
4	06-Apr-23	BUY	564	444
5	25-Jan-23	BUY	564	413
6	03-Jan-23	BUY	596	419

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	472	489
2	Bayer Cropscience	Accumulate	4,720	5,270
3	Bharat Petroleum Corporation	Hold	365	347
4	Bharti Airtel	Accumulate	936	926
5	Clean Science and Technology	Hold	1,418	1,410
6	Deepak Nitrite	Reduce	1,854	2,125
7	Dhanuka Agritech	BUY	950	854
8	Fine Organic Industries	Hold	4,252	4,303
9	GAIL (India)	BUY	139	120
10	Godrej Agrovet	Hold	420	515
11	Gujarat Fluorochemicals	Accumulate	3,230	2,846
12	Gujarat Gas	Accumulate	480	425
13	Gujarat State Petronet	BUY	327	290
14	Hindustan Petroleum Corporation	Hold	263	258
15	Indian Oil Corporation	Hold	94	92
16	Indraprastha Gas	Hold	539	460
17	Insecticides India	Accumulate	550	514
18	Jubilant Ingrevia	Hold	433	412
19	Laxmi Organic Industries	Reduce	220	254
20	Mahanagar Gas	Hold	1,065	1,015
21	Mangalore Refinery & Petrochemicals	Hold	94	96
22	Navin Fluorine International	BUY	4,007	3,430
23	NOCIL	Hold	228	226
24	Oil & Natural Gas Corporation	BUY	202	181
25	Oil India	BUY	341	296
26	P.I. Industries	BUY	4,850	3,421
27	Petronet LNG	Hold	208	202
28	Rallis India	Reduce	190	217
29	Reliance Industries	BUY	2,618	2,266

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com