BUY (Maintained)

CMP: **INR 185** Target Price: **INR 255 (INR 240)** ▲ 38%

ICICI Securities

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29 April 2025

India | Equity Research | Results Update

Indraprastha Gas

Oil & Gas

Healthy volume growth; margins to improve despite further APM cuts

Indraprastha Gas (IGL) reported ~27/31% dip in Q4FY25 EBITDA/PAT, but earnings were still ahead of I-Sec estimates, helped by a small beat on adjusted EBITDA/scm (INR 4.6/scm vs I-Sec est of INR 4.3/scm). Reported earnings were helped by INR 1.14bn reversal of provisions (settlement of an older dispute related to CY19-21). FY25 adj EBITDA/PAT of INR 18.65/13.8bn declined 22/21%, respectively, due to sharply lower margins on APM gas de-allocation. Volume growth of 6.7% in FY25, however, is positive and guidance of 8-9% growth for next 2-3 years is supported by multiple factors over FY26-28: i) Stronger CNG conversion, ii) tie up of higher term LNG, negating spot LNG requirements, iii) growth from industrial/commercial segment and iv) aggressive infra expansion, specifically in new areas. Valuation is also attractive; reiterate **BUY** with TP of INR 255.

Volume growth remains healthy; post hike growth to be key monitorable

IGL has delivered 5.2% YoY growth in volume to 9.2mmscmd in Q4 and volume of ~9mmscmd in FY25 (+6.7% YoY). Going forward, normalisation of operations in new GAs (geographical areas), higher conversions and strong momentum in I/C segment are likely to deliver relatively better growth. Management's guidance of ~10mmscmd exit rate for FY26 vs FY24 average volume of ~9mmscmd implies 8–10% growth for FY26, which we believe is attainable even as our base case assumptions are more conservative, at 9.7/10.3/11mmscmd for FY26/27/28E, respectively.

Margin dips YoY, to improve despite challenges

IGL's Q4 EBITDA/scm of INR 4.6/scm dipped INR 1.9 YoY, its second lowest in the last 12 quarters. However, the sharp reduction in Brent and US Henry Hub (HH) prices is a key support for gas costs (as IGL has tied up higher term contracts of LNG benchmarked to HH/Brent). Higher volumes of term LNG along with fall in crude price and spot LNG price Q1FY26 onwards should help improve margins without any material price hike over FY26-27E. Management has stated that a mere INR 2–3/scm blended price increase can restore margins. We have, therefore, raised our EBITDA/scm assumptions slightly to INR 7.4/7/6.5/scm levels for FY26/27/28E, respectively.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,48,134	1,61,818	1,75,774	1,89,424
EBITDA	18,646	25,950	26,243	26,233
EBITDA %	12.6	16.0	14.9	13.8
Net Profit	13,535	17,166	16,730	16,166
EPS (INR)	9.7	12.3	12.0	11.5
EPS % Chg YoY	(22.6)	26.8	(2.5)	(3.4)
P/E (x)	19.2	15.1	15.5	16.0
EV/EBITDA (x)	12.0	8.8	8.7	8.7
RoCE (Pre-tax) (%)	15.5	21.2	19.3	17.5
RoE (%)	15.2	17.9	16.3	14.9

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Market Data

Market Cap (INR)	259bn
Market Cap (USD)	3,051mn
Bloomberg Code	IGL IN
Reuters Code	IGAS.BO
52-week Range (INR)	285 /153
Free Float (%)	50.0
ADTV-3M (mn) (USD)	11.3

Price Performance (%)	3m	6m	12m
Absolute	(3.2)	(8.4)	(19.4)
Relative to Sensex	(8.9)	(8.7)	(28.2)

ESG Score	2022	2023	Change
ESG score	**63.1**	**69.8**	**6.7**
Environment	35.8	46.0	10.2
Social	63.2	70.6	7.4
Governance	76.2	81.2	5.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(3.7)	(2.1)
EBITDA	0.5	1.6
EPS	1.9	1.3

Previous Reports

29-01-2025: Q3FY25 results review
27-11-2024: Sector update

APM allocation should continue to reduce

Post multiple rounds of cuts in APM gas in Oct-Nov'24 and again in Apr'25 (offset by a partial restoration in Jan'25), blended % of APM gas is now <33%, with some gas via New Well Pricing (NWP) taking the overall domestic gas to 58-60%. However, with the trend in reducing production becoming clearer, we see those % continuing to decline and duly factor in a 10-15% annualised decline in our base case estimates

We continue to be optimistic on volume growth

Despite the slightly elevated pricing scenario, we note that our volume growth estimates for the next couple of years remain optimistic, driven by:

- Increasing penetration of CNG infrastructure not just in operating areas of the listed companies, but also in contiguous areas around their GAs – this has created a larger pool of vehicles including commercial vehicles (CVs) for CNG conversions.
- Higher running cost of inter-city transport improves the economics for CNG vs alternate fuels and even with lower discounts to diesel post price hikes, we believe running costs for commercial vehicles may remain attractive to drive higher volume growth.
- CGDs need to retain a balance between margins and volume growth – we believe they may take a hit to a certain extent on gas costs and prioritise volume growth at this point of time.

Management has pointed towards an impressive conversion run rate of >18k p.m. in Q4 as a key indicator of stronger demand prospects over the next few quarters, with guidance of 9–10% annualised growth seeming reasonable over the next few years.

Valuation and view: Resilient volumes, margins a key monitorable

The impact of EV policy cannot be minimised (even if pace of implementation and extent remains uncertain); hence, our long-term growth assumptions reflect the threat posed by EVs – our base case now builds in only 4.5-5% volume growth beyond FY30E. However, we note FY25 volumes have surprised positively and despite the reduction in APM volumes, a combination of lower LNG prices, still competitive pricing vs petrol/diesel and aggressive growth from newer areas can drive better-than-expected growth over FY26-30E. Given the sharp 20% dip in stock price in the last one year, current valuations of 15.5x FY27E PER and 8.7x EV/EBITDA, are unchallenging. With a robust 38% upside implied by our revised TP of INR 255/sh vs CMP, maintain **BUY**.

Key downside risks: 1) Larger-than-expected impact of EV policy due to stronger-than-expected success in implementation; 2) inability to pass on domestic gas price increases at all; and 3) sharp decline in petrol/diesel/LPG prices.

Key upside risks: 1) Higher volumes from new areas; 2) stronger intercity-led demand for NCR; 3) sustained decline in spot LNG prices; and 4) slower implementation of EV policy.

Q4FY25 conference call takeaways

Quarterly/annual performance

- IGL has added domestic connections of 3.7 lakh consumers, commissioned 72 new CNG stations and laid 293 km of steel pipeline in FY25.
- Provision of INR 1.14bn was made for the period Apr'19 to Nov'21 on trade margins expected to be revised as demanded by OMCs. The company has been paying revised commission/trade margin from Dec'21 to OMCs. In Q4, the dispute was settled and provision has been reversed.
- The company pays trade margins of INR 3.5-4.5/kg in new GAs while in Delhi it pays 5.5-6/kg. Also, there is 5% escalation on trade margin (last revision was done in Apr'25) which is reviewed every 3 years.
- Announced interim dividend of INR 1.5/sh for Q4FY25 with interim dividend of INR 5.5/sh declared during the year, taking the total to INR 7/sh for full FY25.

Volume growth and volume guidance

- The company reported volume of 5.38mmscmd in Delhi, 2.28mmscmd in NCR GAs (geographical areas) and 0.82 mmscmd in other GAs in FY25.
- In FY25, volume breakup in new GAs of 0.82mmmscmd was – 0.35mmscmd in Rewari, 0.12 mmscmd in Muzaffarnagar, Karnal and Kethal is 0.15mmscmd, Kanpur 0.15mmscmd and Ajmer is 0.118 mmscmd.
- In FY25, IGL reported CNG volume growth of 8% (ex DTC sales), domestic PNG volume grew by 12% while industrial /commercial volume grew by 10/8% vs FY24.
- On geographical areas (GA) wise growth, volume in Delhi excluding DTC buses grew by 5%, NCR volume (Gautam Buddha Nagar and Gurugram) grew by 13% and volumes in other GAs grew by 32% YoY during FY25.
- Volume from DTC buses has reduced from 1.8lac kg to 1.1lac kg due to transition of DTC buses into EV.
- As per management, with gas sourcing in place and increasing sales in new GAs -should help company achieve volume growth of 10% in FY26. Management guided volume growth of 7-8% in CNG segment, 13-14% in PNG segment and some growth in LNG for FY26.
- The company expects to add 3lac domestic PNG customers, which may drive 12-13% volume growth in the segment; industrial and commercial volume is also expected to grow by 13-14% YoY.
- During the year, MNGL/CUGL volumes (IGL holds 50% stake in each) grew by 19/0.3% YoY, respectively
- PAT for MNGL grew by 7% YoY while it was muted in case of CUGL. MNGL Q4FY25 volume grew by 30% YoY and 57% YoY in case of CUGL.

Vehicle conversion

- Average monthly CNG vehicle conversion reached 18,000+ in FY25 vs 15,000 in FY24.
- CNG volume growth, excluding DTC sales in Delhi, is expected to grow by 5-6%, NCR by 13-14% and other GAs by +30% in FY26.
- CNG vehicle conversion for Dec'24/Jan'25/Feb'25/Mar'25 was 15,000/27,000/17,200/17,500, respectively.
- Out of 18,000 conversion -80% is from new vehicle addition and 20% is from retrofit.

Gas sourcing

- IGL entered into incremental long term gas contracts of 1.65mmscmd – most of which is Henry Hub linked and balance is crude linked.
- Out of 8.99mmscmd volume in FY25, gas sourcing from APM was 3.3mmscmd, new gas well priced gas was 1.38mmscmd. Overall APM and new gas well sourcing was 51% of total volume and balance 49% is through RLNG. Out of non APM/new gas well mix, HPHT was 8%, Henry Hub linked contract was 65% and 28% was crude linked in FY25.
- The change in APM allocation would be communicated to company two quarters in advance by PNGRB. Thus, there won't be any surprise cut in APM allocation. Also, any shortfall in APM shall be fulfilled by new gas well which is linked to 12% of crude price

Margin guidance

- Management guided for long term EBITDA margin of INR 7-8/scm- initially to achieve range of 6-7/scm and then INR7-8/scm.
- The management is confident of achieving EBITDA margin of INR 6-7/scm in Q1FY26 – driven by fall in RLNG cost (linked to crude and HH), rupee appreciation and cut in APM is fulfilled by new gas well (125% of cut in APM). Also, it may take price hike if required.
- New GAs have been able to increase prices due to rise in gas cost. Combined together, volume growth in new GAs was 28-30%. Except Kanpur and Ajmer Gas, all are EBITDA positive.
- Delhi Transport Department has decided that all their buses would be EV in future, so the remaining 0.1mmscmd of CNG volumes from this sub-segment will be phased out.

Capex

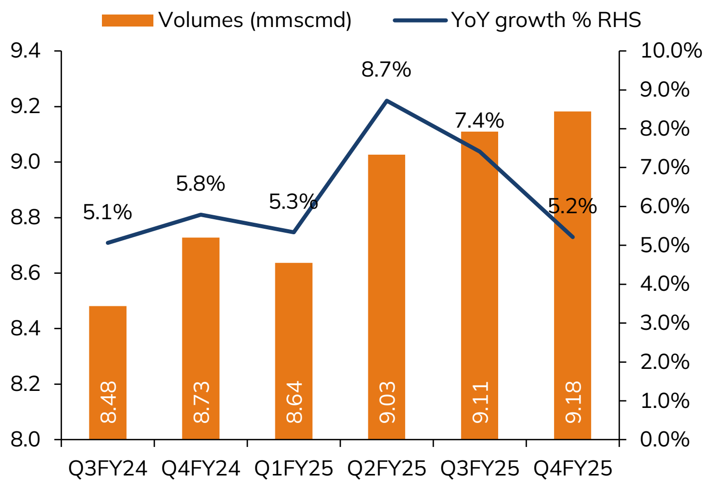
- The company incurred capex of INR 11bn in FY25 primarily on core business – domestic PNG, steel pipeline and CNG stations.
- Management has guided for capex of INR 20bn for FY26 of which INR 13-14bn would be towards core segment, INR 4-5bn in setting up solar plant and balance towards LNG and CBG segments. Out of INR 13-14bn, capex in Delhi would be 40%, 20-25% in NCR- and 30-40% in other new GAs. The run rate of INR 14-15bn should continue for next 3-4 years. IGL plans to add 90-100 CNG stations every year.
- The company has entered into 500MW solar plant in Rajasthan with JV with RVUNL with IGL's equity contribution of INR 3,720mn. The project is expected to commence within 18months.
- Solar plant could deliver IRR >14-15% and IGL has the right to use 50% of power units generated for captive consumption. It has been looking out for an opportunity in biogas and LNG retail.
- The company has tied with CONCOR for setting up one LNG station in Noida which is likely to come in Jun-Jul'25; 2 more LNG stations are coming -one in Dadri and another in Rewari

Exhibit 1: Q4FY25 result snapshot

INR mn	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ %	FY25	FY24	YoY (%)
Sales	**38,365**	**35,968**	**6.7**	**37,591**	**2.1**	**1,48,134**	**1,40,185**	**5.7**
Adj EBITDA	3,831	5,226	(26.7)	3,636	5.4	18,646	23,860	(21.9)
Adj. PAT	**2,637**	**3,828**	**(31.1)**	**2,858**	**(7.8)**	**13,820**	**17,480**	**(20.9)**
Adj EPS (INR)	1.9	2.7	(31.1)	2.0	(7.8)	9.9	12.5	(20.9)
Depreciation	1,198	1,108	8.2	1,216	(1.4)	4,741	4,138	14.6
Sales (mmscm)	826	794	4.1	838	(1.4)	3,281	3,084	6.4
Sales (mmscmd)	9.18	8.73	5.2	9.11	0.8	8.99	8.43	6.7
CNG sales (mn kg)	431	414	4.1	440	(2.1)	1,738	1,642	5.8
PNG sales (mmscm)	222	214	3.8	221	0.4	848	786	7.9
Gross margin (INR/scm)	10.8	13.1	(17.6)	9.7	11.3	11.4	13.6	(16.4)
EBITDA margin (INR/scm)	4.6	6.6	(29.5)	4.3	6.9	5.7	7.7	(26.5)
EBITDA Margin (%)	10.0%	14.5%		9.7%		12.6%	17.0%	
CNG sales (INRmn)	27,899	26,090	6.9	27,485	1.5	1,09,498	1,03,330	6.0
CNG realisations (INR/kg)	64.7	63.0	2.7	62.4	3.6	63.0	62.9	0.1
PNG sales (INRmn)	10,466	9,878	6.0	10,106	3.6	38,637	36,855	4.8
PNG realisations (INR/scm)	47.0	46.1	2.1	45.6	3.1	45.5	46.9	(2.8)

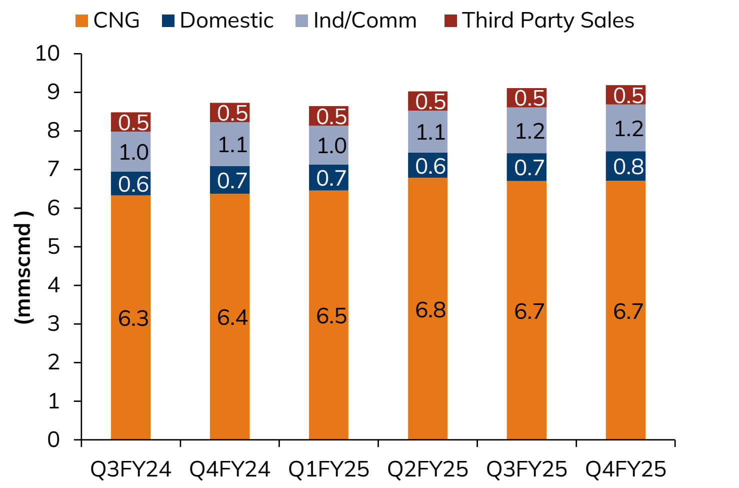
Source: Company data, I-Sec research

Exhibit 2: Strong YoY volume growth in Q4FY25



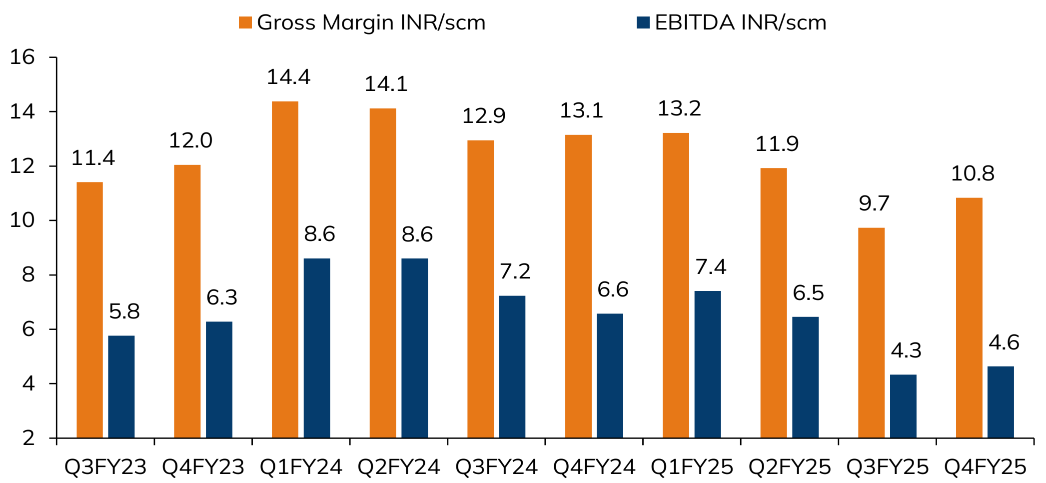
Source: Company data, I-Sec research

Exhibit 3: CNG remains the key driver of volumes



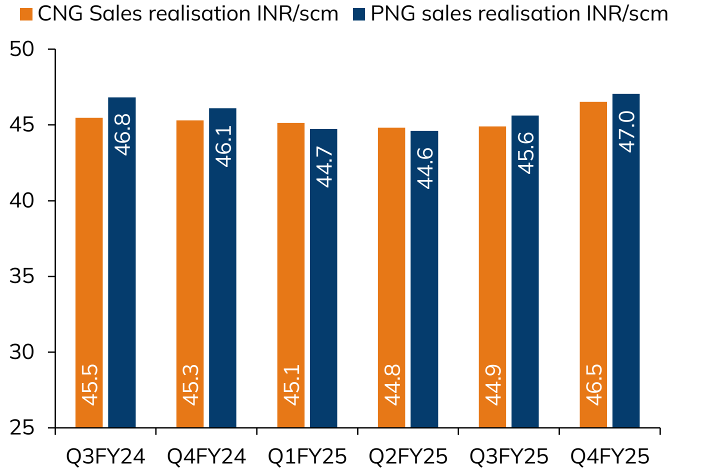
Source: Company data, I-Sec research

Exhibit 4: Margins declined YoY but improved marginally QoQ



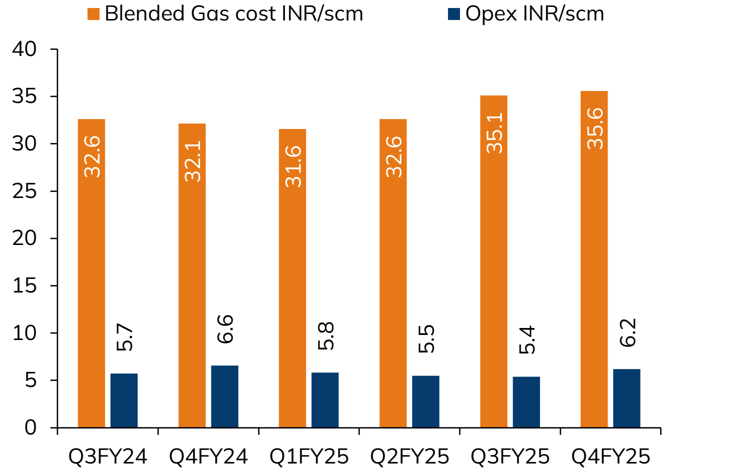
Source: Company data, I-Sec research

Exhibit 5: CNG and PNG sales realisation improved QoQ



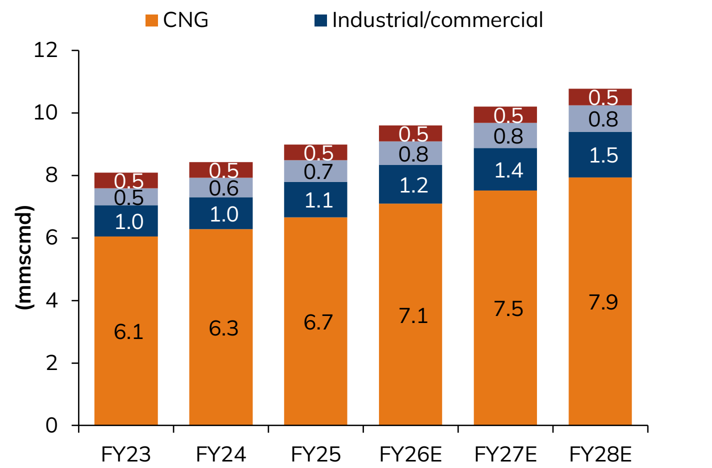
Source: Company data, I-Sec research

Exhibit 6: Gas cost increased and opex has also increased QoQ



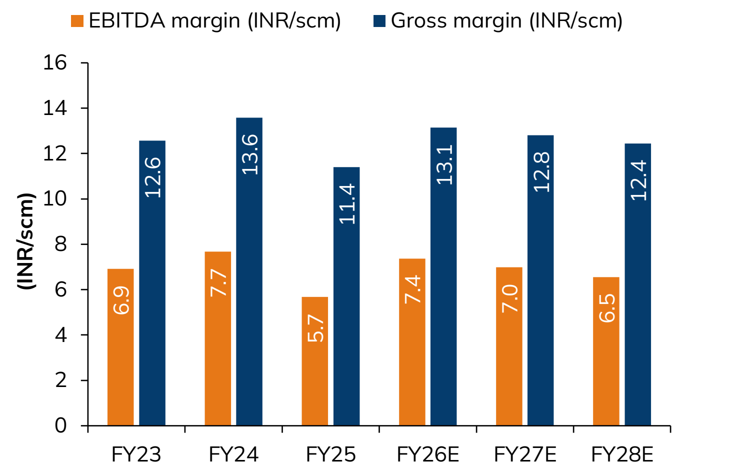
Source: Company data, I-Sec research

Exhibit 7: Volume growth likely to remain strong



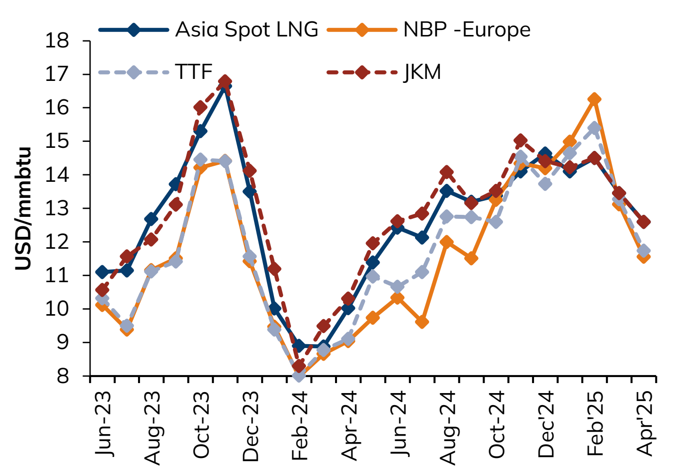
Source: Company data, I-Sec research

Exhibit 8: Margins to remain muted over FY26-28E



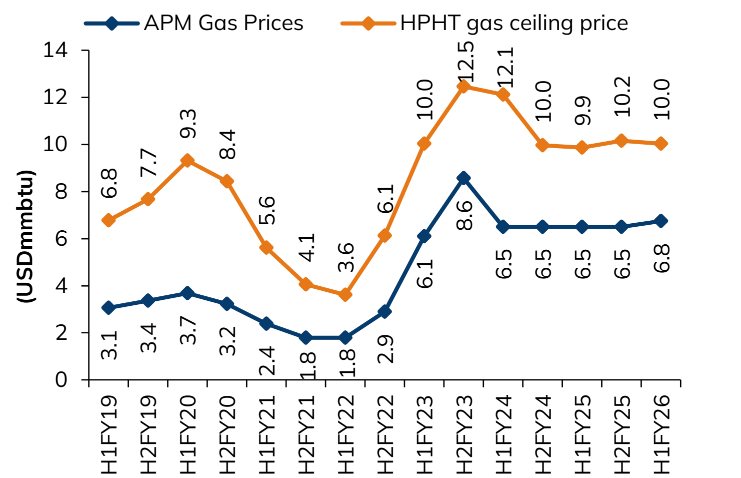
Source: Company data, I-Sec research

Exhibit 9: Comparative gas prices at various international hubs



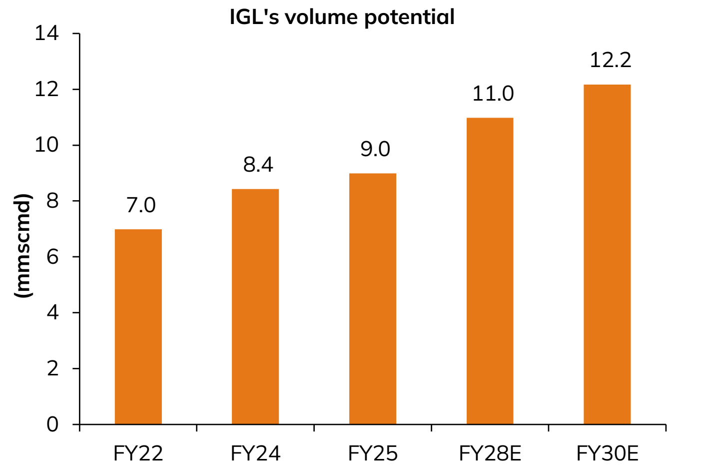
Source: Bloomberg, I-Sec research

Exhibit 10: Domestic gas prices (GCV)



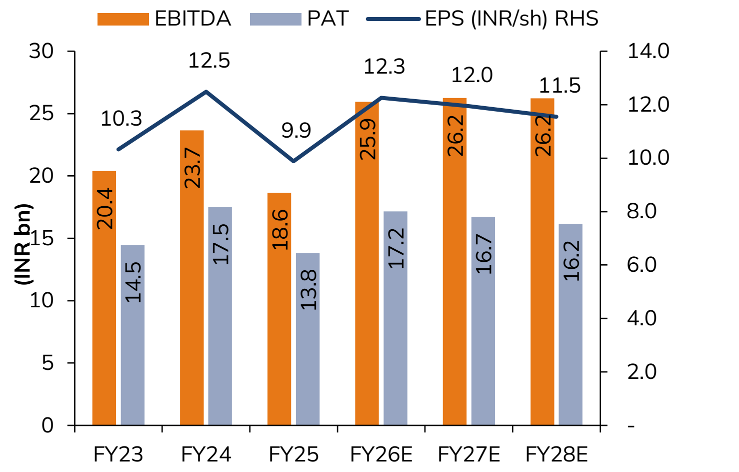
Source: Company data,PPAC, I-Sec research

Exhibit 11: Good potential for medium-term volumes



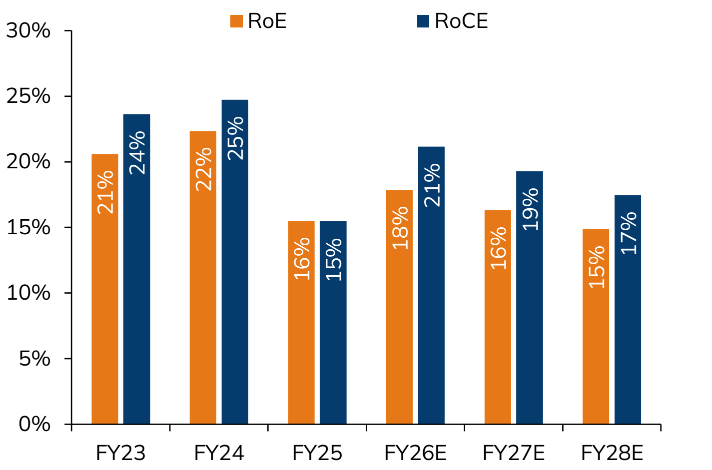
Source: Company data, I-Sec research

Exhibit 12: EBITDA/EPS CAGR estimated at +0.5/-3% over FY26-28E



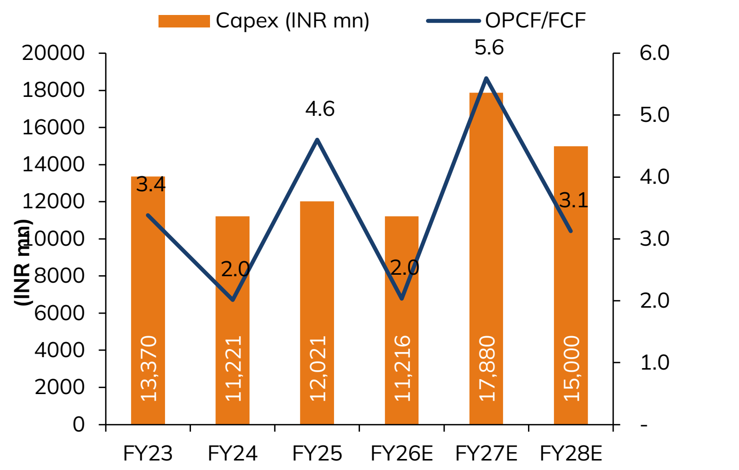
Source: Company data, I-Sec research

Exhibit 13: Return ratios likely to remain muted



Source: Company data, I-Sec research

Exhibit 14: Capex of INR 44.1bn over FY26-28E



Source: Company data, I-Sec research

Valuations: Maintain BUY; TP of INR 255 implies 38% upside

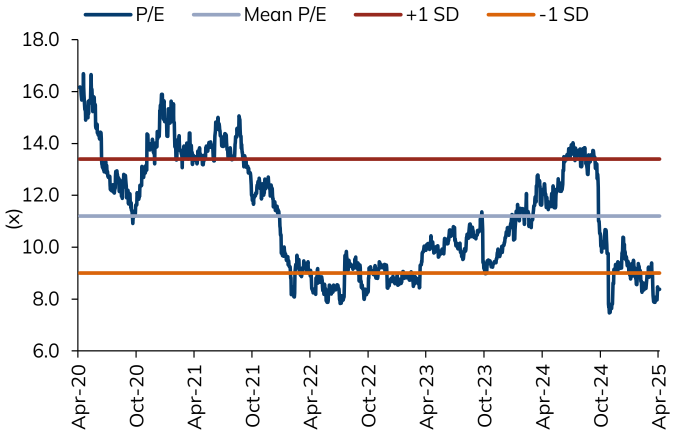
We value IGL, as per DCF methodology, using a WACC of 11.1%, DER of 35%, long term EBITDA assumption of INR 6.5/scm and terminal growth rate of 2.9%. Our DCF-based valuation delivers a target price of INR 255, ~38% upside from CMP. Maintain **BUY.**

Exhibit 15: Valuation summary

	Assumption
Cost of Equity	13.2%
Cost of Debt	8.0%
Average D/E ratio	35.0%
WACC	11.1%
Terminal Growth rate	2.9%
Average NPV potential (INR mn)	3,13,807
IGL Standalone DCF	224
Rewari and MNGL/CUGL	29
Target Price	255
CMP	185
Upside	38%

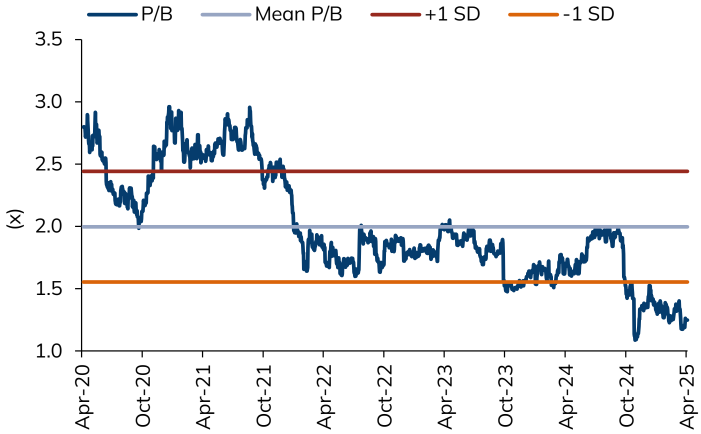
Source: Company data, I-Sec research

Exhibit 16: P/E band trading below 5-year average



Source: Company data, I-Sec research

Exhibit 17: P/B band trading below 5-year average



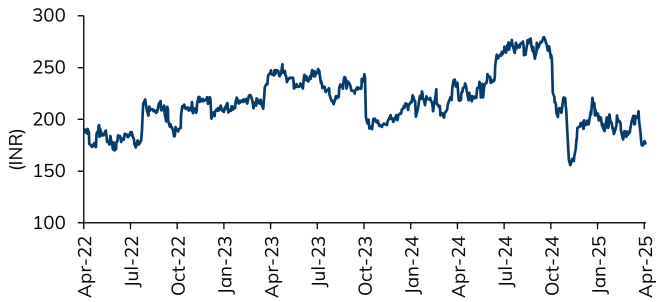
Source: Company data, I-Sec research

Exhibit 18: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	45.0	45.0	45.0
Institutional investors	42.5	40.4	40.8
MFs and others	10.4	13.2	12.8
FIs/ Banks	0.1	0.0	0.1
Insurance	12.7	12.8	13.3
FIIs	19.3	14.4	14.7
Others	12.5	14.6	14.2

Source: Bloomberg, I-Sec research

Exhibit 19: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 20: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**1,48,134**	**1,61,818**	**1,75,774**	**1,89,424**
EBITDA	**18,646**	**25,950**	**26,243**	**26,233**
EBITDA Margin (%)	12.6	16.0	14.9	13.8
Depreciation & Amortization	4,741	5,475	6,327	7,104
EBIT	13,905	20,475	19,916	19,129
Interest expenditure	92	86	86	86
Other Non-operating Income	4,416	2,551	2,528	2,561
PBT	**18,228**	**22,940**	**22,358**	**21,604**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	4,693	5,774	5,627	5,438
PAT	13,535	17,166	16,730	16,166
Less: Minority Interest	-	-	-	-
Net Income (Reported)	**13,535**	**17,166**	**16,730**	**16,166**
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	**13,535**	**17,166**	**16,730**	**16,166**

Source Company data, I-Sec research

Exhibit 21: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	32,958	29,158	28,773	28,659
of which cash & bank	22,568	18,278	17,409	16,874
Total Current Liabilities & Provisions	43,704	45,785	47,715	49,353
Net Current Assets	**(10,746)**	**(16,627)**	**(18,942)**	**(20,694)**
Other Non Current Assets	-	-	-	-
Net Fixed Assets	71,709	84,114	92,787	1,00,684
Other Fixed Assets	-	-	-	-
Capital Work in Progress	14,857	14,857	14,857	14,857
Non Investment	9,072	9,072	9,072	9,072
Current Investment	13,291	13,291	13,291	13,291
Deferred Tax Assets	(4,563)	(4,563)	(4,563)	(4,563)
Total Assets	**93,620**	**1,00,144**	**1,06,502**	**1,12,646**
Liabilities				
Borrowings	**690**	**690**	**690**	**690**
Deferred Tax Liability	**-**	**-**	**-**	**-**
Lease Liability	-	-	-	-
Other Liabilities	90	92	94	96
Equity Share Capital	2,800	2,800	2,800	2,800
Reserves & Surplus*	90,040	96,562	1,02,919	1,09,061
Total Net Worth	**92,840**	**99,362**	**1,05,719**	**1,11,861**
Minority Interest	-	-	-	-
Total Liabilities	**93,620**	**1,00,144**	**1,06,502**	**1,12,646**

Source Company data, I-Sec research

Exhibit 22: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	35,206	36,973	37,591	38,365
% growth (YOY)	-2.1%	5.0%	1.7%	2.1%
EBITDA	5,819	5,359	3,636	3,831
Margin %	16.5%	14.5%	9.7%	10.0%
Other Income	727	1,493	1,288	908
Extraordinaries				1,141
Adjusted Net Profit	4,015	4,311	2,858	2,637

Source Company data, I-Sec research

Exhibit 23: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Cash Flow from operation before working Capital	**20,486**	**25,950**	**26,243**	**26,233**
Working Capital Changes	5,518	1,594	1,448	1,220
Tax	(3,951)	(5,774)	(5,627)	(5,438)
Operating Cashflow	**22,053**	**21,770**	**22,063**	**22,015**
Capital Commitments	(11,216)	(17,880)	(15,000)	(15,000)
Free Cashflow	**10,837**	**3,890**	**7,063**	**7,015**
Others CFI	(5,700)	2,551	2,528	2,561
Cashflow from Investing Activities	**(16,916)**	**(15,329)**	**(12,472)**	**(12,439)**
Inc (Dec) in Borrowings	-	-	-	-
Interest Cost	-	(86)	(86)	(86)
Others	(7,747)	(10,644)	(10,374)	(10,024)
Cash flow from Financing Activities	**(7,747)**	**(10,730)**	**(10,460)**	**(10,110)**
Chg. in Cash & Bank balance	**(2,610)**	**(4,289)**	**(869)**	**(535)**
Closing cash & balance	18,883	18,278	17,409	16,874

Source Company data, I-Sec research

Exhibit 24: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Recurring EPS	9.7	12.3	12.0	11.5
Diluted EPS	9.7	12.3	12.0	11.5
Recurring Cash EPS	13.1	16.2	16.5	16.6
Dividend per share (DPS)	6.5	7.6	7.4	7.2
Book Value per share (BV)	66.3	71.0	75.5	79.9
Dividend Payout (%)	67.2	62.0	62.0	62.0
Growth (%)				
Net Sales	5.8	9.2	8.6	7.8
EBITDA	(21.2)	39.2	1.1	0.0
EPS	(22.6)	26.8	(2.5)	(3.4)
Valuation Ratios (x)				
P/E	19.2	15.1	15.5	16.0
P/CEPS	14.2	11.5	11.3	11.1
P/BV	2.8	2.6	2.5	2.3
EV / EBITDA	12.0	8.8	8.7	8.7
EV / Operating Income	12.2	9.9	10.2	10.6
Dividend Yield (%)	3.5	4.1	4.0	3.9
Operating Ratios				
EBITDA Margins (%)	12.6	16.0	14.9	13.8
Effective Tax Rate (%)	25.7	25.2	25.2	25.2
Net Profit Margins (%)	9.1	10.6	9.5	8.5
NWC / Total Assets (%)	(11.5)	(16.6)	(17.8)	(18.4)
Fixed Asset Turnover (x)	1.6	1.5	1.4	1.4
Working Capital Days	(2.6)	(6.6)	(5.2)	(3.5)
Net Debt / Equity %	(37.9)	(31.1)	(28.4)	(26.4)
Profitability Ratios				
RoCE (%)	11.5	15.8	14.4	13.1
RoCE (Pre-tax) (%)	15.5	21.2	19.3	17.5
RoE (%)	15.2	17.9	16.3	14.9

Source Company data, I-Sec research

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