BUY (Maintain)

CMP: **INR 213** Target Price: **INR 270** ▲ 27%

ICICI Securities

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15 November 2025

India | Equity Research | Results Update

Indraprastha Gas

Oil & Gas

A muted quarter, but margins and volumes could see traction over next 12–18 months

Indraprastha Gas (IGL) saw YoY ~17.4%/13.6% dip in Q2FY26 EBITDA/PAT to INR 4.4/INR 3.7bn, below I-Sec's estimates of INR 5.6/INR 4bn, driven by higher gas cost with a reduction in APM and NWG's share in Q2. Volume growth, of just 3%, was at an eight-quarter low, with sharper impact of EV visible in Q2 and adverse propane to gas prices impacting industrial volumes. Prospects for the next 2–3 years appear stronger, given: 1) strong rate of vehicle addition in core areas; 2) aggressive infra rollout in non-NCR gas; 3) moderation expected in LNG prices; 4) base to start reflecting full impact of DTC bus volume reduction; and 5) margin strength via tariff rationalisation and reduction in Gujarat VAT. FY26/27/28E EPS changed by -7.3/-1.7/-1.6%. TP unchanged at INR 270. **BUY**.

Moderate volume growth; guidance remains aggressive

IGL delivered 3.2% YoY growth in volume to 9.2mmscmd in Q2. Normalisation of operations in new GAs (geographical areas), higher conversions and strong momentum in I/C segment are likely to deliver relatively better growth – a reduction in gas cost via tariff rationalisation and reduction in Gujarat VAT being an added boost to pricing power over FY27–28E. Management's guidance of ~10mmscmd exit-rate for FY26 and 11mmmsmd in FY27 implies 8% growth for FY27; which, we believe, is attainable, even as our base case assumptions are more conservative at 9.5/10.3/11.1mmscmd for FY26/27/28E.

Margin dips YoY, likely to improve steadily

IGL's Q2 EBITDA/scm of INR 5.2/scm dipped INR 1.3/scm YoY and INR 1/scm QoQ driven by higher gas cost driven by a reduction in APM and NWG allocation. Fall in crude/spot LNG prices, tariff rationalisation and reduction in Gujarat VAT should support margins without any material price hike over FY26–28E. The recent change in regulations by PNGRB, advocating Zone-1 tariff for all priority sector sales will likely help reduce gas costs for IGL by INR 1/scm (existing sales are mostly within Zone-2 or 3) and reduction in Gujarat VAT from 15% to 2% CST for gas sourced from Gujarat, effective 1 Oct'25 – reduces gas cost by INR1/scm. Management maintains guidance of INR 7-8/scm for FY27–28E. We cut earnings by 7.3% for FY26 to factor in lower margins and volume.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,48,134	1,60,016	1,68,953	1,85,814
EBITDA	18,646	21,982	26,809	28,906
EBITDA %	12.6	13.7	15.9	15.6
Net Profit	13,535	14,204	17,159	18,171
EPS (INR)	9.7	10.1	12.3	13.0
EPS % Chg YoY	(22.6)	4.9	20.8	5.9
P/E (x)	22.0	21.0	17.4	16.4
EV/EBITDA (x)	14.1	12.2	10.1	9.3
RoCE (Pre-tax) (%)	15.5	17.2	20.1	20.0
RoE (%)	15.2	14.9	16.9	16.8

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Market Data

Market Cap (INR)	298bn
Market Cap (USD)	3,356mn
Bloomberg Code	IGL IN
Reuters Code	IGAS.BO
52-week Range (INR)	229 /153
Free Float (%)	50.0
ADTV-3M (mn) (USD)	6.1

Price Performance (%)	3m	6m	12m
Absolute	4.2	3.4	4.8
Relative to Sensex	(0.7)	(0.6)	(4.2)

ESG Score	2023	2024	Change
ESG score	**69.8**	**65.5**	**-4.3**
Environment	46.0	50.4	4.4
Social	70.6	68.1	-2.5
Governance	81.2	73.6	-7.6

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E	FY28E
Revenue	(1.4)	(3.0)	(2.9)
EBITDA	(6.4)	(1.5)	(1.3)
EPS	(7.3)	(1.7)	(1.6)

Previous Reports

01-08-2025: Q1FY26 results review

29-04-2025: Q4FY25 results review

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 percentage of APM gas is now ~41%, with additional gas via New Well Pricing (NWP) also being supplied to priority sectors. However, with the trend in reducing production becoming clearer, we see this percentage 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 that running costs for commercial vehicles may remain attractive and could drive higher volume growth.
- CGDs need to retain a balance between margins and volume growth – we believe that they may take a hit to a certain extent on gas costs and prioritise volume growth at this point of time.

Valuation and view: Volumes to recover; margins a key monitorable

The impact of EV policy cannot be minimised (even if the 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 3–5% 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; also, aggressive growth from newer areas could drive better-than-expected growth over FY27–30E. Further, the higher margin scenario shall be an added positive for the company over the next 18–24 months. Current valuations of 16.4x FY28E PER and 9.3x EV/EBITDA, are unchallenging. With a robust ~27% upside implied by our TP of INR 270/share vs. CMP, we 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.

Q2FY26 conference call takeaways

Geographic and infrastructure overview

- IGL operates across 12 geographical areas (GAs) spread over four states. The company's gas distribution infrastructure includes ~2,500 km of steel pipelines and 29,000km of polyethylene pipelines. It serves ~0.32mn households, 5,300 industrial units, and 7,200 commercial establishments.
- The company's CNG network consists of 955 CNG stations across its operating areas, with online station sales accounting for 97.5% of total CNG volumes.

Operational performance

- For Q2FY26, IGL's volume was 9.3 mmscmd. Volumes in Delhi remained largely flat YoY (was 1.5% growth YoY in Q1FY26), while the NCR region, excluding Delhi, registered 7% growth. The newer GAs performed strongly, reporting 16% volume growth YoY.
- In Q2FY26, CNG volumes grew by 3% YoY, but excluding DTC sales, underlying growth stood at 10%. DTC volumes continued to decline, with current sales at ~30,000kg/day compared to 200,000kg/day in Q2FY25. PNG sales recorded 6% growth during the quarter, with the industrial PNG demand temporarily impacted due to lower propane prices.
- IGL continues to witness healthy CNG vehicle additions. The 12-month rolling average stands at 19,000 new CNG vehicles per month, which is 21 % higher YoY. In Q2, 31,000 new CNG vehicles were added. CNG continues to be economically attractive vs. alternate fuels with a reduction of GST from 28% to 18% for CNG vehicles being a further support. During Q2FY26, PNG/CNG volume in NCR grew by 9&/5% YoY.
- Currently, DTC buses are 226 and total 2,000 buses, including DIMTS vs. 3,200 in Q2FY25. Management expects the DTC contribution to decline further, improving overall volume growth going forward.
- MNGL volume for Q2FY26 was 1.9mmscmd with PAT of INR 1.5bn.
- In Q2FY26, operating expense reduction was driven by lower repair and maintenance; and power expenses, which will likely sustain over H2FY26E.

Gas sourcing and cost structure

- Q2FY26 sourcing mix for IGL was as follows: APM gas 3.2mmscmd, NWG at 0.8mmscmd, HPHT gas at 0.7mmscmd, CBM at 0.1mmscmd and RLNG at 2.9mmscmd.
- During the quarter, increase in gas costs was mainly due to an increase in Henry Hub-linked prices and the depreciation of the INR. The decrease in APM and NWG allocations further affected cost in Q2FY26.

Margins and cost efficiency

- IGL has maintained its EBITDA guidance of INR 7–8/scm. Margins are expected to improve in the coming quarters driven by multiple factors:
    - Reduction in Gujarat VAT from 15 % to 2%, CST for gas sourced from Gujarat which provides an estimated benefit of INR 1/scm.
    - Implementation of Zone 1 tariff rationalisation, expected to contribute over INR 1/scm in savings.

- o Lower global LNG and crude prices, reducing input gas costs.
- o Operational efficiency initiatives that could deliver additional savings of INR 0.2–0.25/scm through lower repair and maintenance, costs and more efficient management of power expenses.

Management and outlook commentary

- The company has guided for volume growth of 6–7% for FY26, including DTC impact. Adjusted for DTC, underlying growth guidance stands at 8–10%.
- In H1FY26, IGL's volume stood at 9.2 mmscmd, and the company expects to exit FY26 with volumes of ~10mmscmd and an additional 1mmscmd expected to be added in FY27.
- Despite the savings in input costs expected over the next six months, Delhi CNG prices are likely to remain unchanged in the near term. This is because the earlier cost inflation was also not passed on to Delhi customers; hence, management would like to keep prices stable in the main Delhi region as of now.
- Trade commissions being paid to OMCs for CNG fuel stations at the OMC fuel retail outlets will likely see a 5% annual escalation, as per the existing agreement in NCR regions outside of Delhi

Capital expenditure

- Capex during H1FY26 stood at INR 5.8bn, with 55% directed toward PNG infrastructure and 45% toward CNG expansion. The company expects FY26 capex to be in the range of INR 12–14bn. It continues to prioritise network expansion and digital upgrades to enhance operational efficiency.

Saudi Arabia Joint Venture Initiative

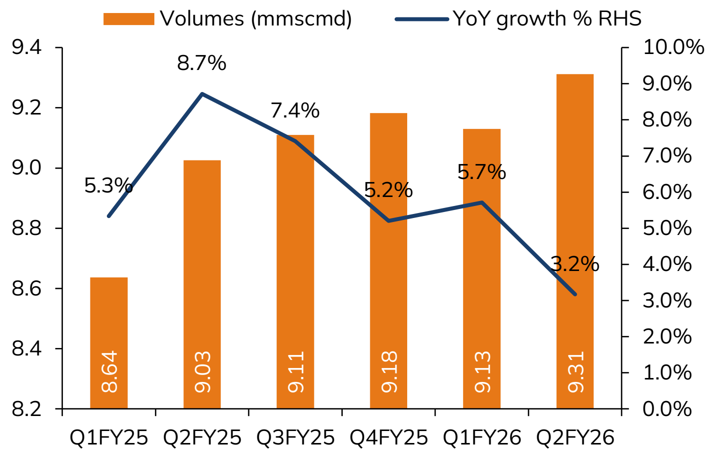
- IGL has approved Alliance-cum-Partnership Agreement between IGL and MASAH Construction Company, Saudi Arabia, for participating in pre-qualification for tender to obtain license for development of Natural Gas Distribution networks in various industrial cities of Kingdom of Saudi Arabia. This would be a joint venture in Saudi Arabia, with IGL holding a 40 % equity stake, while the Saudi partner shall hold 60%.
- The project aims to set up city gas distribution infrastructure in industrial cities across Saudi Arabia. Consultant Grant Thornton is supporting IGL with regulatory and licensing processes.
- Saudi Arabia has identified 36 industrial cities for gas infrastructure development. Seven of these cities have already been converted from liquid fuels to gas, and five additional cities are planned for the near term which IGL is targeting. Each city has an estimated gas demand potential of 1–1.5 mmscmd, with the first phase potentially yielding a total of 4–5 mmscmd volumes if IGL qualifies for the same.
- The required investment is estimated to be lower compared to similar projects in India due to established trunk pipelines and nearby gas availability. IGL would provide technical and operational expertise, while local funding shall be arranged in Saudi Arabia. The expected returns are above internal investment thresholds. Tender finalisation is scheduled for May–Jun'26, with operations targeted to commence by CY27.

Exhibit 1: Q2FY26 result snapshot

INR mn	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ %	H1FY26	H1FY25	YoY (%)
Sales	**40,233**	**36,973**	**8.8**	**39,139**	**2.8**	**79,372**	**72,179**	**10.0**
Adj EBITDA	4,428	5,359	(17.4)	5,118	(13.5)	9,546	11,178	(14.6)
Adj. PAT	**3,725**	**4,311**	**(13.6)**	**3,559**	**4.7**	**7,285**	**8,325**	**(12.5)**
Adj EPS (INR)	2.7	3.1	(13.6)	2.5	4.7	5.2	5.9	(12.5)
Depreciation	1,279	1,184	8.0	1,238	3.3	2,517	2,327	8.2
Sales (mmscm)	857	830	3.2	831	3.1	1,688	1,616	4.4
Sales (mmscmd)	9.31	9.03	3.2	9.13	2.0	9.22	8.83	4.4
CNG sales (mn kg)	458	446	2.7	441	3.8	899	866	3.9
PNG sales (mmscm)	216	206	4.7	213	1.2	429	404	6.0
Gross margin (INR/scm)	10.3	11.9	(13.7)	11.9	(13.2)	11.1	12.6	(11.8)
EBITDA margin (INR/scm)	5.2	6.5	(19.9)	6.2	(16.1)	5.7	6.9	(18.2)
EBITDA Margin (%)	11.0%	14.5%		13.1%		12.0%	15.5%	
CNG sales (INRmn)	30,134	27,784	8.5	29,069	3.7	59,203	54,113	9.4
CNG realisations (INR/kg)	65.8	62.3	5.7	65.9	(0.1)	65.8	62.5	5.3
PNG sales (INRmn)	10,100	9,189	9.9	10,069	0.3	20,169	18,066	11.6
PNG realisations (INR/scm)	46.8	44.6	5.0	47.3	(0.9)	47.0	44.7	5.3

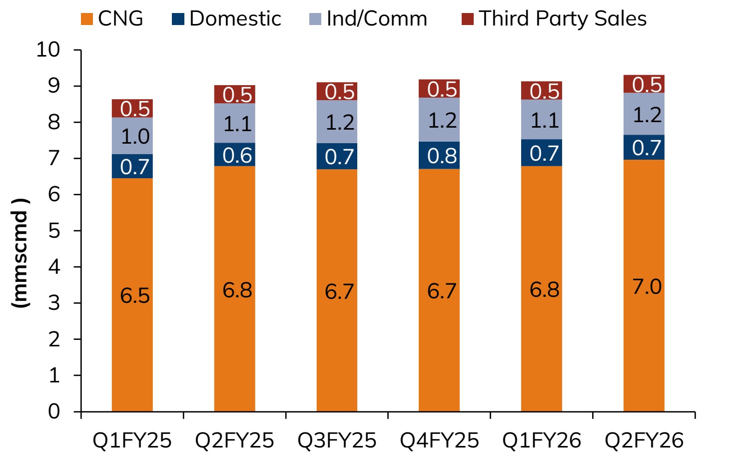
Source: I-Sec research, Company data

Exhibit 2: Moderate YoY volume growth in Q2FY26



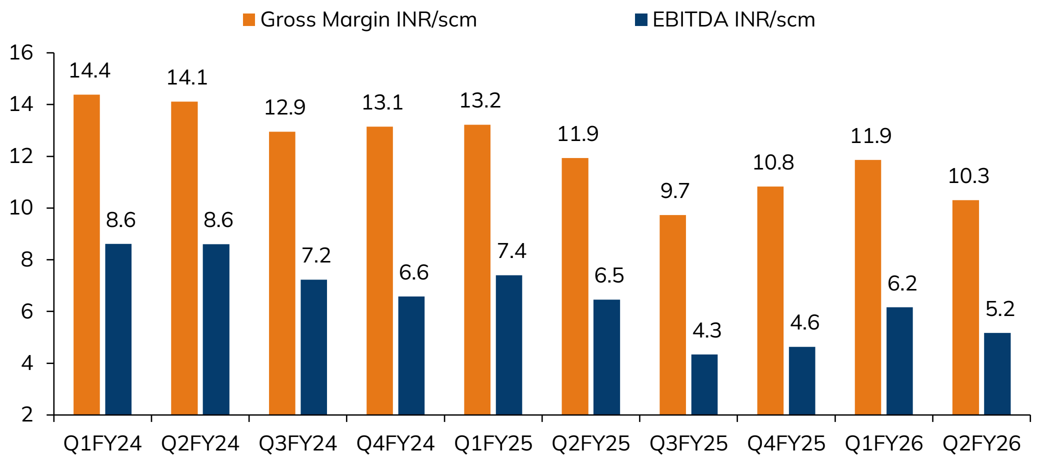
Source: Company data, I-Sec research

Exhibit 3: CNG remains the key driver of volumes



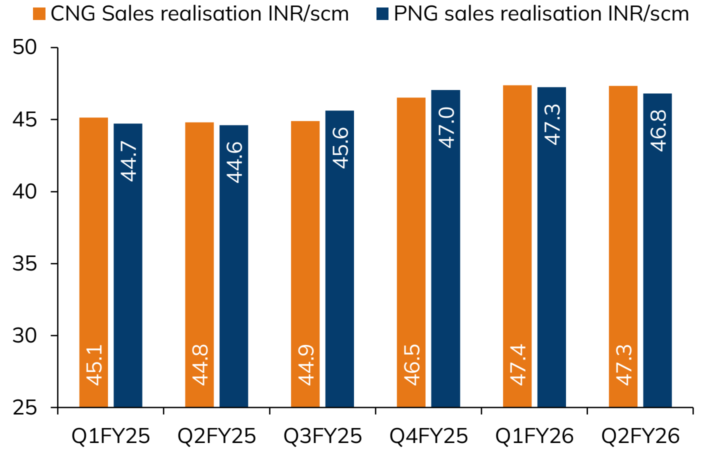
Source: Company data, I-Sec research

Exhibit 4: Margins declined YoY /QoQ



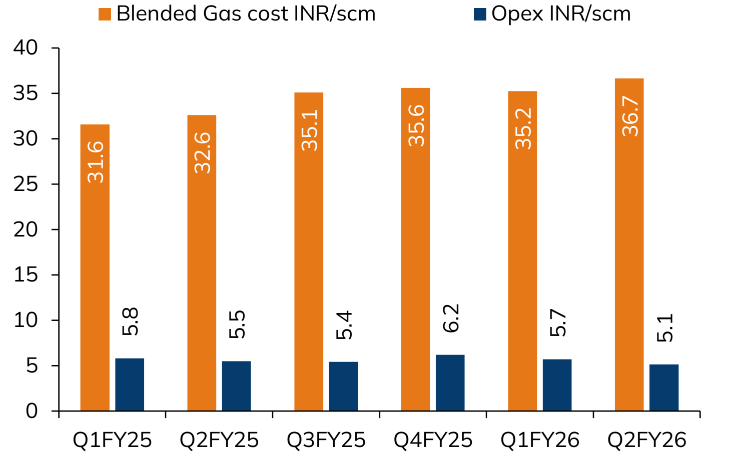
Source: Company data, I-Sec research

Exhibit 5: CNG and PNG sales realisation declined QoQ



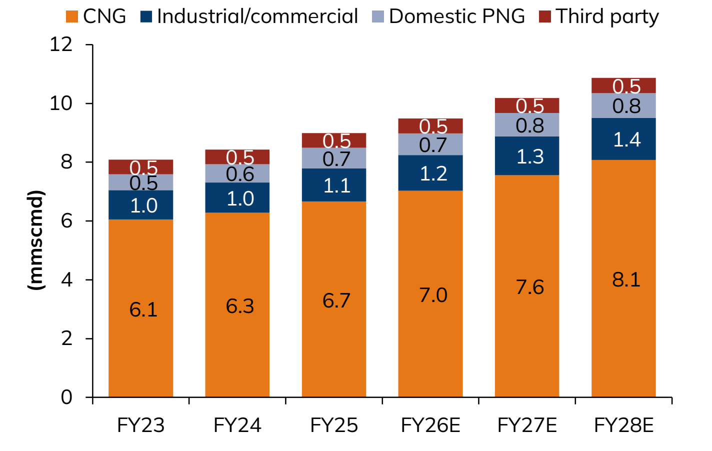
Source: Company data, I-Sec research

Exhibit 6: Gas cost increased while opex decreased QoQ



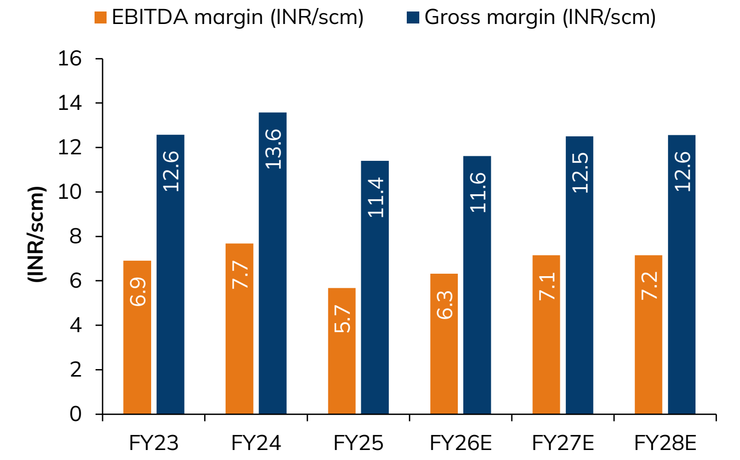
Source: Company data, I-Sec research

Exhibit 7: Volume growth likely to remain strong



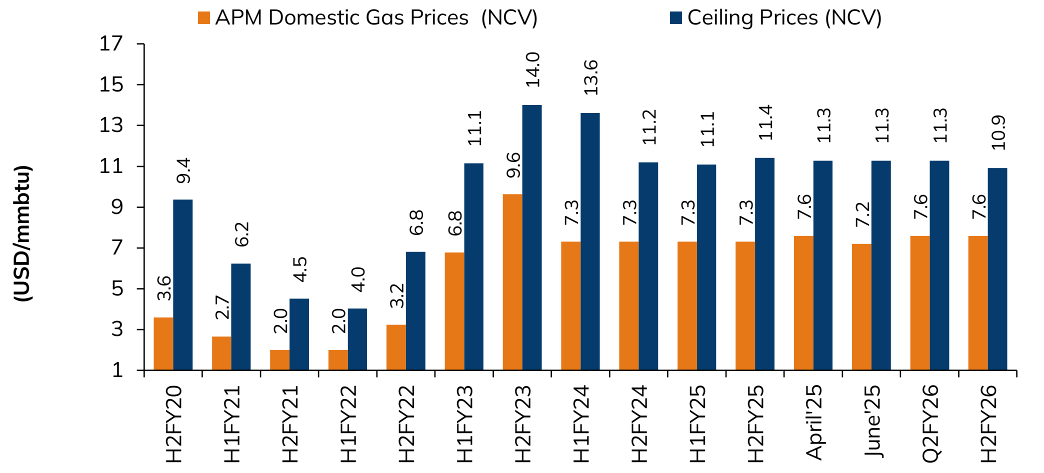
Source: Company data, I-Sec research

Exhibit 8: Margins to improve steadily



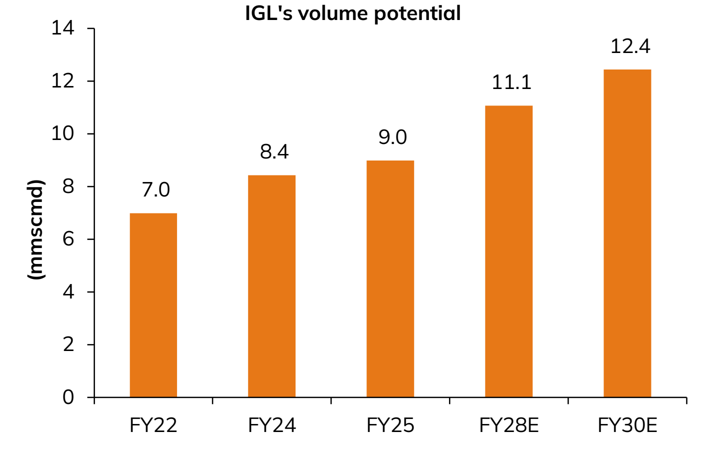
Source: Company data, I-Sec research

Exhibit 9: APM gas and HPHT price trend on NCV basis



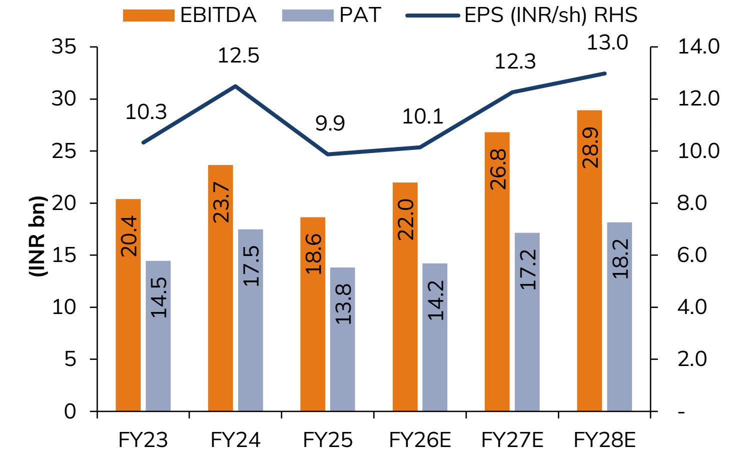
Source: PPAC, I-Sec research

Exhibit 10: Good potential for medium-term volumes



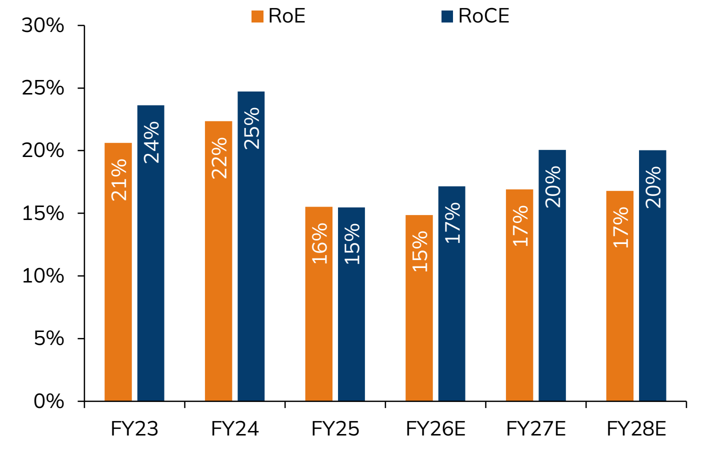
Source: Company data, I-Sec research

Exhibit 11: EBITDA/EPS CAGR estimated at ~14.7/13.1% over FY26-28E



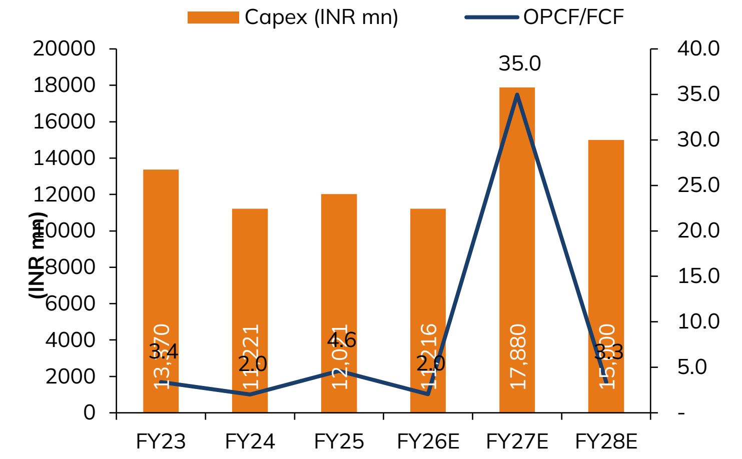
Source: Company data, I-Sec research

Exhibit 12: Return ratios stay resilient



Source: Company data, I-Sec research

Exhibit 13: Capex of INR 44.1bn over FY26-28E



Source: Company data, I-Sec research

Valuations: Maintain BUY; TP of INR 270 implies 27% upside

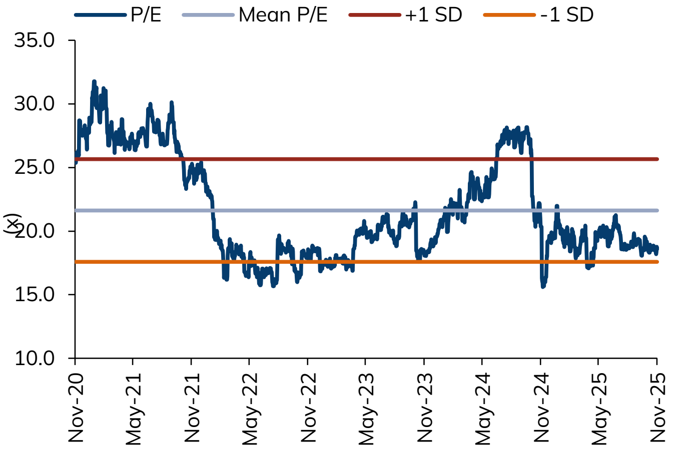
We value IGL, as per the DCF methodology, using a WACC of 11.1%, DER of 35%, long-term EBITDA assumption of INR 7/scm and terminal growth rate of 2.9%. Our DCF-based valuation delivers a target price of INR 270, *viz.* ~27% upside from CMP. Maintain **BUY.**

Exhibit 14: 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)	3,34,567
IGL Standalone DCF	239
Rewari and MNGL/CUGL	30
Target Price	270
CMP	213
Upside	27%

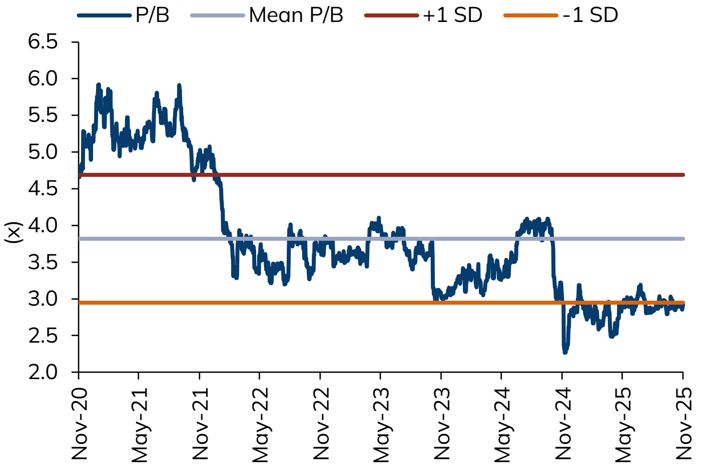
Source: Company data, I-Sec research

Exhibit 15: P/E band trading below 5-year average



Source: Company data, I-Sec research

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



Source: Company data, I-Sec research

Exhibit 17: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	45.0	45.0	45.0
Institutional investors	40.8	40.8	41.3
MFs and others	12.8	10.4	10.6
FIs/ Banks	0.1	0.2	0.1
Insurance	13.3	13.4	13.5
FIIs	14.7	16.8	17.2
Others	14.2	14.2	13.7

Source: Bloomberg, I-Sec research

Exhibit 18: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 19: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**1,48,134**	**1,60,016**	**1,68,953**	**1,85,814**
EBITDA	**18,646**	**21,982**	**26,809**	**28,906**
EBITDA Margin (%)	12.6	13.7	15.9	15.6
Depreciation & Amortization	4,741	5,465	6,319	7,098
EBIT	13,905	16,517	20,489	21,808
Interest expenditure	92	86	86	86
Other Non-operating Income	4,416	2,551	2,528	2,561
PBT	**18,228**	**18,982**	**22,931**	**24,283**
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	4,693	4,778	5,772	6,112
PAT	13,535	14,204	17,159	18,171
Less: Minority Interest	-	-	-	-
Net Income (Reported)	**13,535**	**14,204**	**17,159**	**18,171**
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	**13,535**	**14,204**	**17,159**	**18,171**

Source Company data, I-Sec research

Exhibit 20: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	32,958	27,513	25,942	27,496
of which cash & bank	22,568	16,751	15,006	15,929
Total Current Liabilities & Provisions	43,704	45,275	45,863	48,413
Net Current Assets	**(10,746)**	**(17,762)**	**(19,921)**	**(20,917)**
Other Non Current Assets	-	-	-	-
Net Fixed Assets	71,709	84,124	92,805	1,00,706
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**	**99,019**	**1,05,540**	**1,12,446**
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	95,437	1,01,956	1,08,860
Total Net Worth	**92,840**	**98,237**	**1,04,756**	**1,11,660**
Minority Interest	-	-	-	-
Total Liabilities	**93,620**	**99,019**	**1,05,540**	**1,12,446**

Source Company data, I-Sec research

Exhibit 21: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	37,591	38,365	39,139	40,233
% growth (YOY)	1.7%	2.1%	2.0%	2.8%
EBITDA	3,636	3,831	5,118	4,428
Margin %	9.7%	10.0%	13.1%	11.0%
Other Income	1,288	908	901	1,626
Extraordinaries		1,141	-	-
Adjusted Net Profit	2,858	2,637	3,559	3,725

Source Company data, I-Sec research

Exhibit 22: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Cash Flow from operation before working Capital	**20,486**	**21,982**	**26,809**	**28,906**
Working Capital Changes	5,518	1,202	416	1,921
Tax	(3,951)	(4,778)	(5,772)	(6,112)
Operating Cashflow	**22,053**	**18,406**	**21,453**	**24,715**
Capital Commitments	(11,216)	(17,880)	(15,000)	(15,000)
Free Cashflow	**10,837**	**526**	**6,453**	**9,715**
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)	(8,807)	(10,640)	(11,267)
Cash flow from Financing Activities	**(7,747)**	**(8,894)**	**(10,726)**	**(11,353)**
Chg. in Cash & Bank balance	**(2,610)**	**(5,816)**	**(1,745)**	**923**
Closing cash & balance	18,883	16,751	15,006	15,929

Source Company data, I-Sec research

Exhibit 23: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Recurring EPS	9.7	10.1	12.3	13.0
Diluted EPS	9.7	10.1	12.3	13.0
Recurring Cash EPS	13.1	14.0	16.8	18.0
Dividend per share (DPS)	6.5	6.3	7.6	8.0
Book Value per share (BV)	66.3	70.2	74.8	79.8
Dividend Payout (%)	67.2	62.0	62.0	62.0
Growth (%)				
Net Sales	5.8	8.0	5.6	10.0
EBITDA	(21.2)	17.9	22.0	7.8
EPS	(22.6)	4.9	20.8	5.9
Valuation Ratios (x)				
P/E	22.0	21.0	17.4	16.4
P/CEPS	16.3	15.1	12.7	11.8
P/BV	3.2	3.0	2.8	2.7
EV / EBITDA	14.1	12.2	10.1	9.3
EV / Operating Income	14.3	14.1	11.7	11.0
Dividend Yield (%)	3.1	3.0	3.6	3.8
Operating Ratios				
EBITDA Margins (%)	12.6	13.7	15.9	15.6
Effective Tax Rate (%)	25.7	25.2	25.2	25.2
Net Profit Margins (%)	9.1	8.9	10.2	9.8
NWC / Total Assets (%)	(11.5)	(17.9)	(18.9)	(18.6)
Fixed Asset Turnover (x)	1.6	1.5	1.4	1.4
Working Capital Days	(2.6)	(2.2)	(6.5)	(6.8)
Net Debt / Equity %	(37.9)	(29.9)	(26.4)	(25.6)
Profitability Ratios				
RoCE (%)	11.5	12.8	15.0	15.0
RoCE (Pre-tax) (%)	15.5	17.2	20.1	20.0
RoE (%)	15.2	14.9	16.9	16.8

Source Company data, I-Sec research

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