

## Indraprastha Gas (IGL) - REDUCE

### Q4FY26 Result Update

Current Market Price (CMP) <b>Rs.157</b>	Fair Value (FV) <b>Rs.160</b>
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### Rationale:

- Q4FY26 ahead on volumes and realization.
- CNG out of favor; limited upside from higher focus on PNG.
- Gas cost sharply higher in Q1FY27; but CNG hikes are getting easier.
- We have been bearish on IGL due to increasing gas costs, difficulties in raising prices, competition from alternative fuels & lack of policy support.
- Our earnings changes are marginal & DCF-based FV rises to Rs160 (from Rs155) on roll-forward.
- After correction (12M IGL down 26%), downside is limited. Upgrade to REDUCE (from SELL).

### 👍 Positives:

- EBITDA of Rs424 cr (+10.6% yoy) was 10.5% ahead of estimate.
- Volumes at 97 lakh mscmd (+5.6% yoy) were 2.3% ahead.
- CNG at 71 lakh mscmd (+5.5% yoy, +1.0% versus Kotak).
- PNG at 26 lakh mscmd (+5.9% yoy; +5.9% versus Kotak).
- EBITDA/scm of Rs4.9/scm up 4.7% yoy, 8% ahead of Kotak.

### 👎 Negatives:

- For FY26, volume growth further weakened at 4.5% (6.3% in FY25).
- FY26 EBITDA margins at Rs5.5/scm declined 3.6% yoy (FY25 Rs5.7/scm, FY24 Rs7.7/scm).

(EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization, EPS: Earnings Per Share, CNG: Compressed Natural Gas, PNG: Piped Natural Gas, SCM: Standard Cubic Meter, DCF: Discounted Cash Flow, MSCMD: Metric Standard Cubic Meter Per Day)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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