



Indraprastha Gas Limited

Corporate Presentation

August 2005

Agenda



- Overview of Indian Oil & Gas Sector
- CNG and PNG Business in India
- Indraprastha Gas
- Critical Success Factors and Opportunities
- Growth Strategy
- Financials
- Risks & Mitigation



Overview of Oil & Gas Sector



Structure of the sector

- Aggregate consumption of petroleum products 107 MMTPA, Gas demand is 120 mmscmd, supply of 80 mmscmd.
- Sector dominated by Public Sector Undertakings: ONGC, IOCL, GAIL, HPCL & BPCL.
- Reliance Industries (RIL) a formidable private sector player.
- Cairn Energy, British Gas, NIKO, Hardy, UNACOL & SHELL have domestic presence & plan to increase investments.
- Present Government Committed to sectoral reforms.

Gas sector



- Demand (120 mmscmd) outstrips the supply (80 mmscmd)

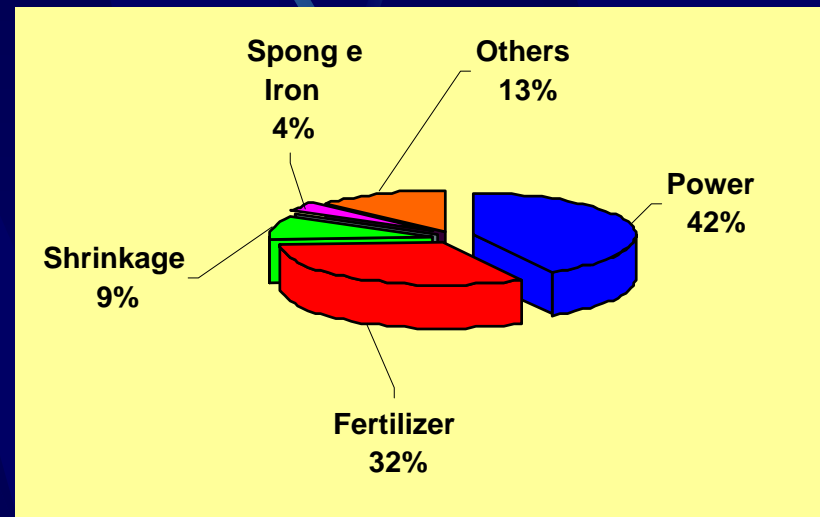
- ONGC and OIL combined produce 90% of gas.

- Gas from *APM* fields subsidized to the extent of 50% of the price, *Non-APM* gas sold at market rate.

Demand Supply Scenario*

m m s c m d	FY05
Demand	120
Supply	80
Gap	40

Natural Gas User Profile*



*Source: Industry



Gas availability is expected to increase as:

- Recent gas discoveries by:
 - Cairn (Western coast)
 - RIL (KG D-6)
 - ONGC & others
 - GSPC
- Import of LNG by:
 - Petronet LNG Limited:
 - ❖ Dahej Terminal already operational – capacity to be doubled by 2010
 - ❖ Kochi terminal expected by FY08
 - SHELL:
 - ❖ Gas import from Hazira (Gujarat)
- Gas import by Pipeline:
 - Iran
 - Myanmar

Availability of Gas to Increase



Gas Pipeline Policy likely to be finalized:

- Draft gas transmission pipeline policy issued:
 - Issues of “Open Access” and “Common Carrier” discussed
 - Final policy expected shortly

National transportation Network to expand:

- GAIL plans to roll out *National Gas Grid*
- RIL has proposed pipeline connecting East and West coast.
- Participation of Regional players (like GSPC) also expected to increase.

Policy initiatives & additional supply to increase gas penetration in India.



CNG & PNG Business



CNG & PNG Activity in India

- Compressed Natural Gas (CNG) & Piped Natural Gas (PNG) usage in India is limited.
- Consumption of CNG estimated at 1.3 mn kg/day while PNG at 2 mmscmd with usage limited to select markets (eg: Delhi, Surat, Bharuch, Vadodara, Mumbai).
- IGL (Delhi), MGL (Mumbai), GGCL, GSPC, GAIL & Adani Energy (Gujarat) operate in India.
- Usage of CNG & PNG is bound to increase given the environmental & economic benefits and expected supply in future.



Indraprastha Gas Limited



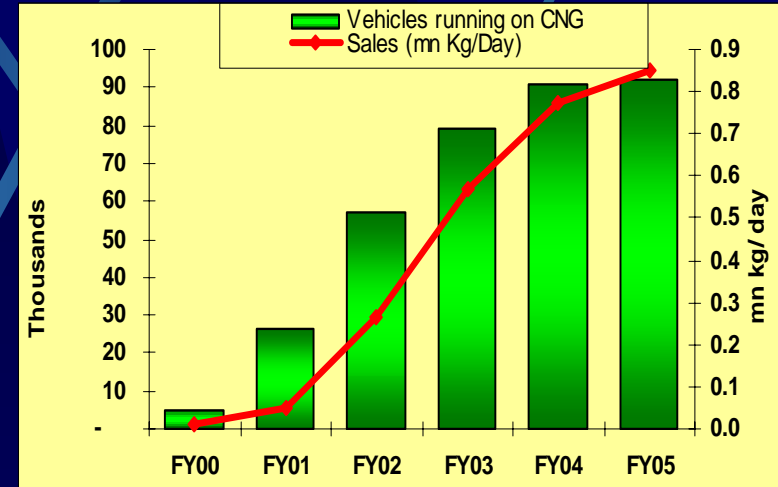
Brief History

- A JV between GAIL & BPCL. Government of National Capital Territory of Delhi also a shareholder.
- Incorporated to implement CNG & PNG expansion programme for commercial and domestic use.
- Got an impetus when Supreme Court directed all public transportation vehicles in Delhi to switch to CNG.
- Capitalizing on the opportunity, IGL rolled out the CNG required infrastructure.
- With this IGL has created strong entry barriers in Delhi virtual monopoly in Delhi and has fortified its bastion.

CNG Business



- CNG business has shown robust growth since FY00.
- Sales have grown at 169% CAGR over past 4 years.
- Increased CNG dispensing stations from meagre 30 to 135 in 4 years including 2 CNG facilities in Noida.
- Presently caters close to 0.1 mn vehicles in Delhi with sales of 0.90 mn kg/day.
- Contributes 95% to turnover.



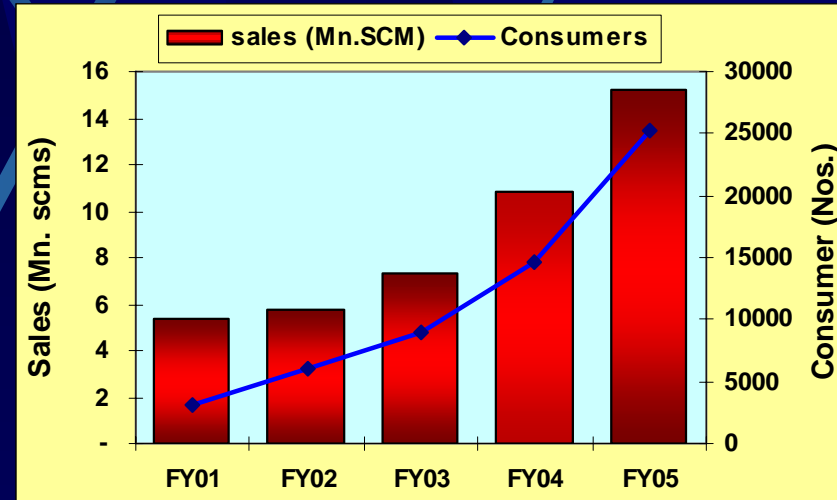
Type of Station	IGL	DTC	OMC	Total
Mother	37	22	-	59
On line	12	-	22	34
Daughter	-	-	4	4
Daughter Booster	10	-	28	38
Total	59	22	54	135

As on June 30, 2005

PNG Business



- AT present PNG penetration in Delhi is low (< 1%).
- Business contributes 5% to turnover.
- Daily average sales of $\approx 70K$ scmd, largely contributed by commercial segment.
- Management is committed to grow the business as potential is huge.



	Sales (scmd)	No of Consumers
Domestic	0.65	29,361
Large Commercial	1,500	37
Small Commercial	30	161
Total		29,559

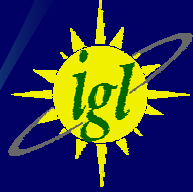
PNG customer Breakup as on June, 30, 2005



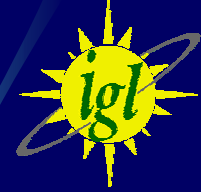
Critical Success Factors

- Distribution network
- Entry Barriers, legal monopoly under discussions
- Balance Sheet Strength
- Pricing Power

CNG sales in Delhi can expand significantly

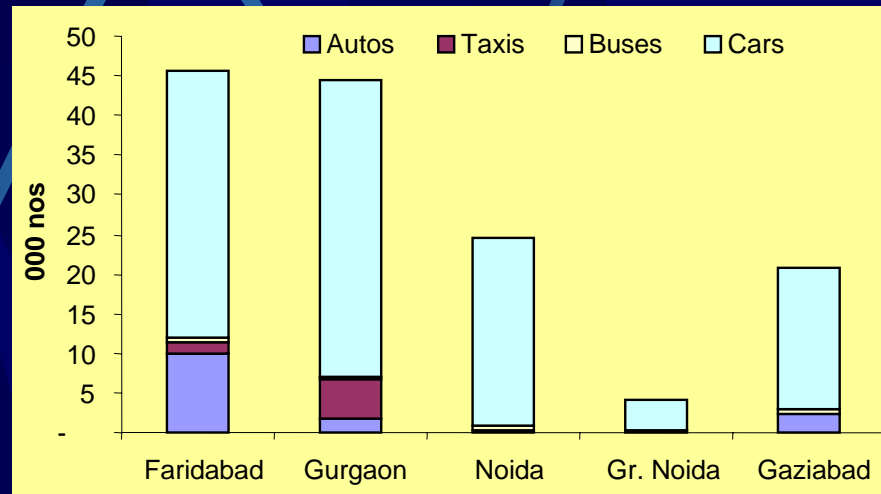


- At present, around 94,000 vehicles consume 0.85 mn kg/day of CNG in Delhi.
- Consumption growth from existing fleet of vehicles can be pegged to economic growth.
- Boost in CNG sales likely as:
 - Most of the existing LCVs run on HSD. Delhi Government is likely to ask existing LCVs to run on CNG.
 - Estimated size of the incremental market is close to 0.9 mn kg/day.
 - After complete conversion of vehicles, CNG sales can double.
- Leading passenger car manufacturers likely to introduce CNG variants.
- Use of CNG for Locomotives also possible.
- Monopoly for CNG operators under discussions.



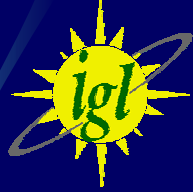
Potential of New Geographies Lucrative

- New geographies also offer lucrative market.
- Local governments of adjoining regions are likely to follow Delhi model considering its success.
- Existing fleet of vehicles in new geographies close to Delhi.



At least Public mode of transportation can run on CNG in near future.

Untapped PNG market



- Due to regulatory compliance, preference was given to CNG business over PNG.
- With successful roll out of CNG infrastructure, management is now committed to grow PNG business.
- Present PNG penetration in Delhi is <1% on base of 3.5 mn users.
- Marginal 1% y-o-y shift from LPG to PNG results addition of 30,000 consumers every year.
- LPG user base in new geographies is equivalent to Delhi.
- Could create market equivalent to Delhi over 10 years.

If PNG substitutes electricity in home appliances, sales to go in new orbit.

CNG for Clean & Green Environment

Growth Strategy of IGL



- Capitalize on the future regulatory initiatives for CNG business
- Improve penetration of PNG business :
 - Focus on area surrounding existing CNG infrastructure
 - Target large consumers (Residential complex, industrial estate)
 - Penetration of network at marginal capital outlay
 - Tap industrial demand by supply at market driven prices

Economic benefits & low penetration ensure high growth potential.



Growth Strategy of IGL

- Expand in new geographies:
 - Tap geographies where gas supply not an issue: Gaziabad, Faridabad, Noida, Gr. Noida and Gurgaon.
 - Planned capital outlay of Rs 2 bn over next 4 years for rolling out infrastructure.
 - Already 2 CNG dispensing stations operational at Noida.



Strong Financials

Q1 - 2006

FY - 2005



Snapshot of Income and Profits

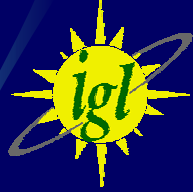
Rs Mn.				
Particulars	FY02	FY03	FY04	FY05
Net Sales	1,187.7	3,051.4	4,194.4	4,500.4
<i>% Growth</i>		156.9	37.5	7.3
EBIDTA	293.3	1,189.5	1,692.3	1,844.7
<i>% Growth</i>		305.6	42.3	9.0
PBT	120.2	870.1	1,286.0	1,411.3
<i>% Growth</i>		623.7	47.8	9.7
PAT	65.4	539.8	822.0	926.8
<i>% Growth</i>		725.7	52.3	12.7



Snapshot of Balance Sheet

Rs Mn.				
Particulars	FY02	FY03	FY04	FY05
Equity	1,400.0	1,400.0	1,400.0	1,400.0
Reserves	71.7	532.6	1,117.6	1,724.7
Networth	1,471.7	1,932.6	2,517.6	3,124.7
Debt	570.0	798.8	600.0	480.0
Capital Employed	2,041.7	2,731.4	3,117.6	3,604.7
Gross Block	2,467.8	3,883.1	4,627.2	5,084.8
Working Capital*	(169.7)	(488.0)	(260.9)	276.5

**Includes short-term investments*



Payouts :Dividend Policy

- Dividend Policy provides for targeted payout of 25%
- Track record

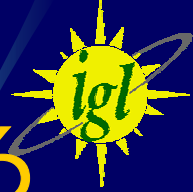
<u>Year</u>	<u>% of equity</u>	<u>% payout</u>
FY03	5	13.0
FY04	15	25.5
FY05*	20	30.2

*Proposed

Risks & Mitigations



- Gas Price Increase
 - Recent increase already passed on to customers
 - CNG price still remains competitive vis-à-vis petrol and diesel
 - Any future increase can also be dealt with in the same way
- Adverse Regulatory Intervention
 - Unlikely in near future
 - May result in legal monopoly
 - May also be advantageous for expansion in neighbouring towns
- Availability of Gas
 - Firm allocation from Govt. of India
 - New discoveries, LNG and Pipe Gas from Myanmar and Iran



Growth Continues – Q1 FY'06

- CNG sales volume increased by 6.3% from Q1 FY'05 to Q1 FY'06
- PNG sales volume increased by 95.2% from Q1 FY'05 to Q1 FY'06
- Overall sales value increased by 9.0% from Q1 FY'05 to Q1 FY'06

Particulars		F.Y. 2004-05 Q1	F.Y. 2005-06 Q1	Increase %
CNG	Rs. (Millions) Qty. (Million Kgs.)	1,153.57 69.62	1,226.93 74.01	6.4% 6.3%
PNG	Rs. (Millions) Qty. (Million SCM)	53.81 3.53	88.86 6.89	65.1% 95.2%
Total	Rs. (Millions)	1,207.39	1,315.79	9.0%



Customer base & Infrastructure

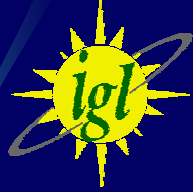
● CNG

➤ No. of vehicles on CNG	94,246
➤ Compression Capacity (mn kgs per day)	1.73
➤ Steel Pipeline (kms)	150
➤ No. of CNG Stations	135

● PNG

➤ No. of Customers	
- Domestic	29,361
- Small Commercial	161
- Large Commercial	37
➤ MDPE Pipeline (kms)	526

As on 30th June, 2005



DISCLAIMER: This presentation contains forward-looking statements which may be identified by their use of words like “plans,” “expects,” “will,” “anticipates,” “believes,” “intends,” “projects,” “estimates” “discussions” or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The companies referred to in this presentation cannot guarantee that these assumptions and expectations are accurate or will be realised. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. These companies assume no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events, or otherwise.

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