



Indraprastha Gas Limited

Corporate Presentation
January 2005

CNG for Clean & Green Environment



Agenda

- Overview of Indian Oil & Gas sector
- Overview of Gas sector
- CNG and PNG business in India
- Indraprastha Gas
- Critical Success Factors
- Opportunity
- Growth Strategy
- Financial Overview
- Risks



Overview of Indian 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.
- Government walks on a tight rope while maintaining balance between economics & politics in the sector.
- Present Government Committed to sectoral reforms.



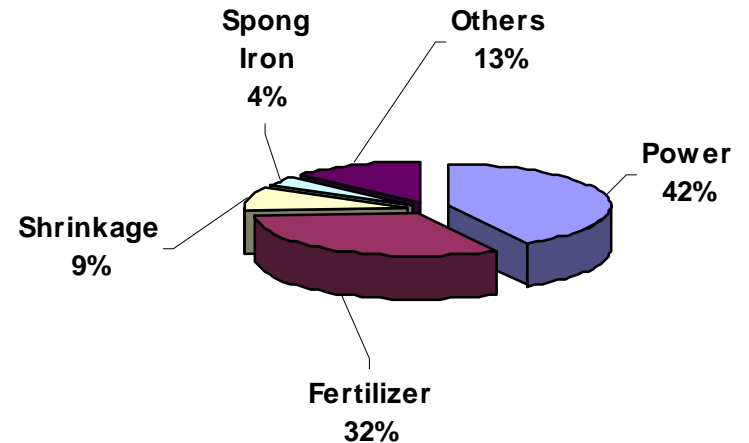
Gas sector

- 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	FY04
Demand	120
Supply	80
Gap	40

Natural Gas User Profile*

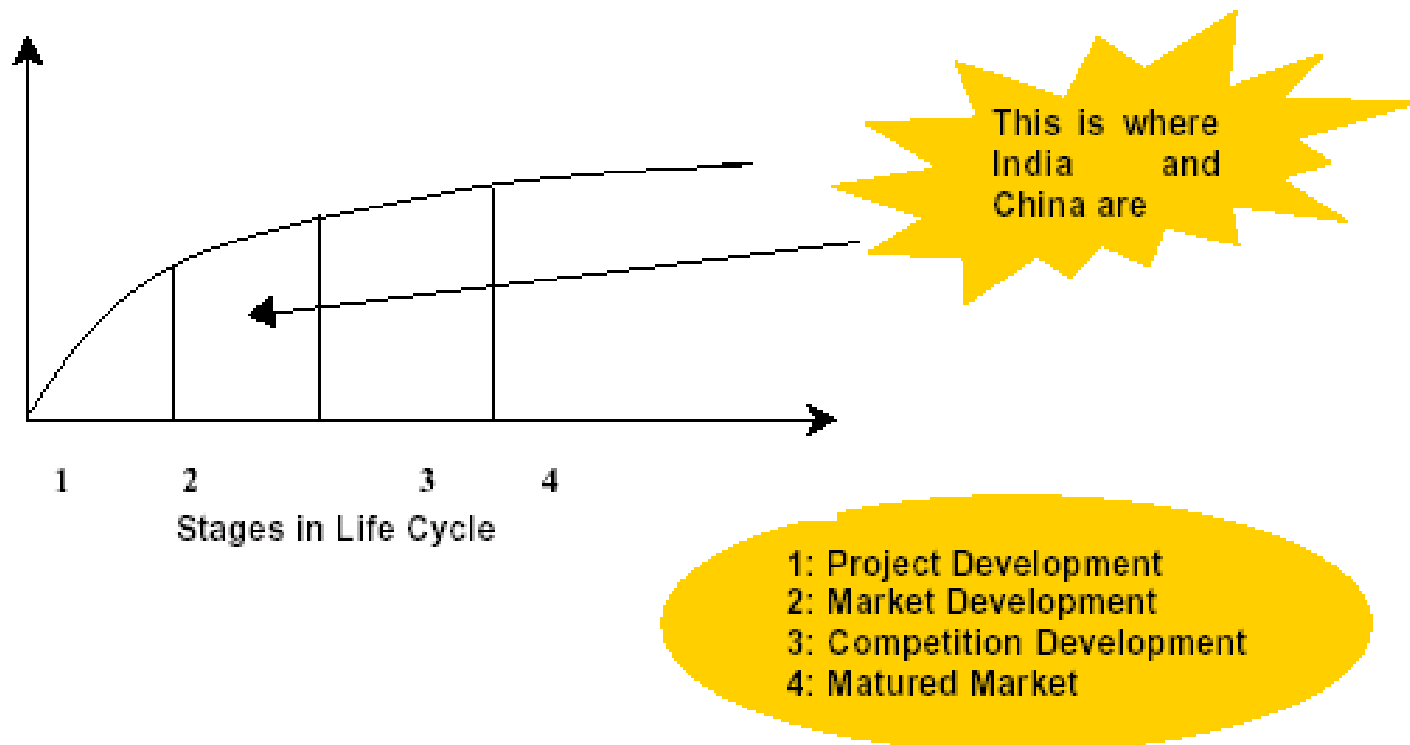


*Source: Industry



Sector in phase of “*Market Development*” characterized by:

- Strong Volume growth
- Gradual buildup in competition.





Gas availability is expected to increase as:

- Recent gas discoveries by:
 - Cairn (Western coast)
 - RIL (KG D-6)
 - ONGC & others
- Import of LNG by:
 - Petronet LNG Limited:
 - Dahej Terminal already operational
 - Kochi terminal expected by FY08
 - SHELL:
 - Gas import expected shortly 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 In India



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.



CNG & PNG Activity in India

CNG Sales	mn kg/day	Annualized	CNG stations	Vehicles serviced
IGL	0.82	299	128	90591
MGL*	0.48	175	90	141050
GAIL	0	0	2	466
Gujarat Gas	0.01	5	5	5000
Total	1.31	479	225	237107

PNG Sales	mmscmd	Annualized	Number of consumers
IGL	0.1	17	19000
MGL	0.5	172	195054
Gujarat Gas & GSPC*	1.5	548	147500
Total	2.0	736	361554

*: Not Listed; Source: Company

IGL is leader in CNG

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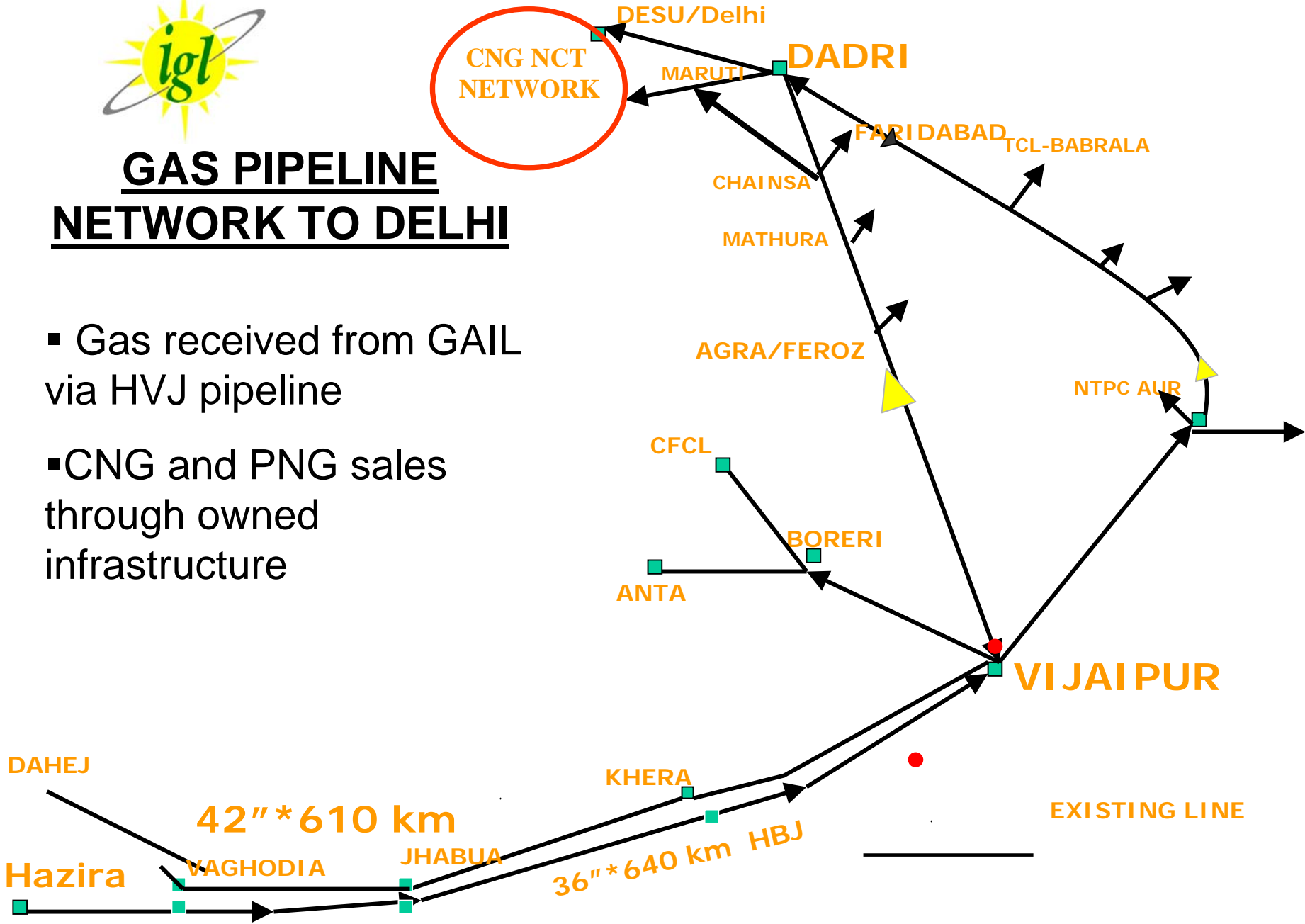
Brief History

- 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.



GAS PIPELINE NETWORK TO DELHI

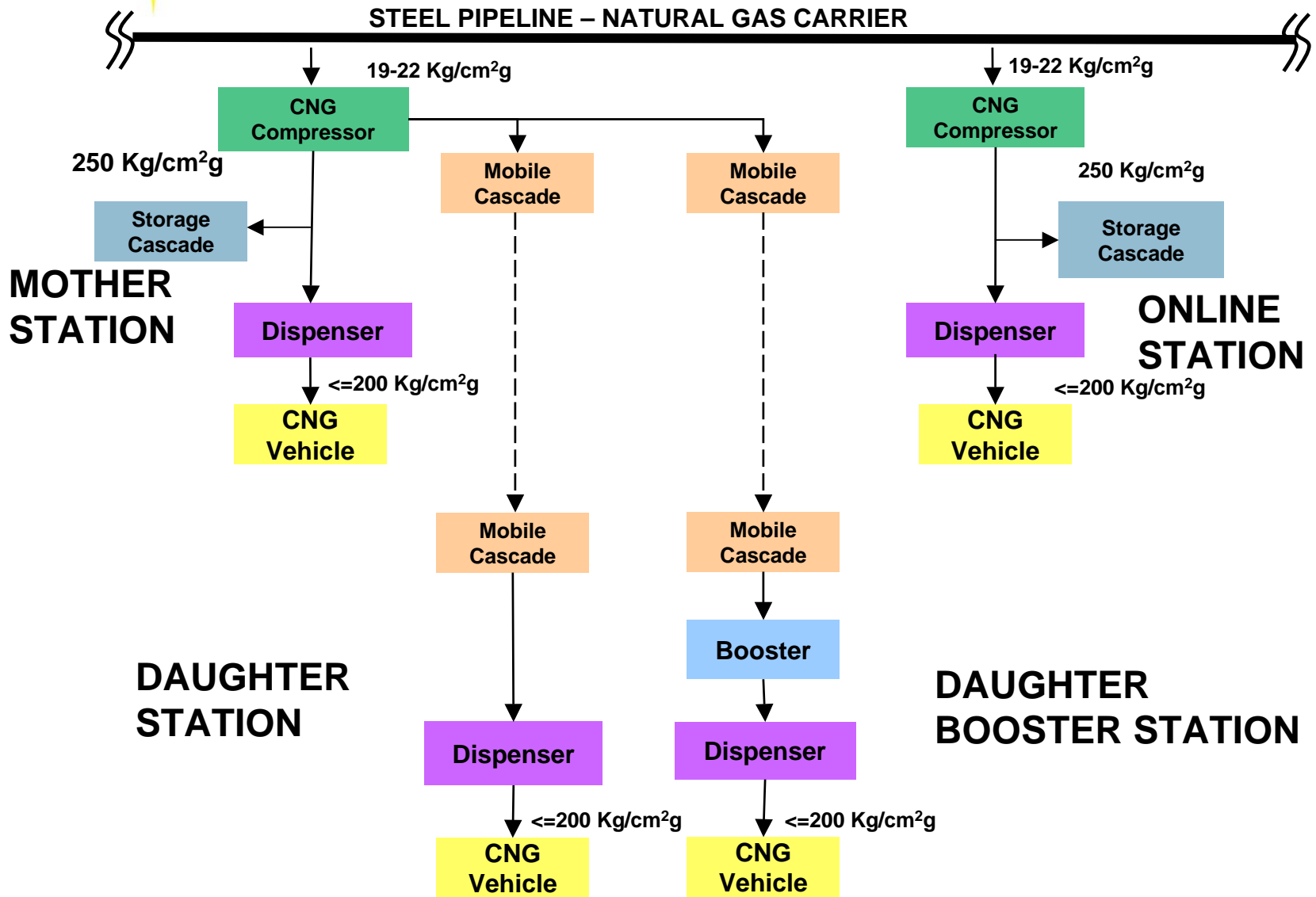
- Gas received from GAIL via HVJ pipeline
- CNG and PNG sales through owned infrastructure



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Value Chain of CNG

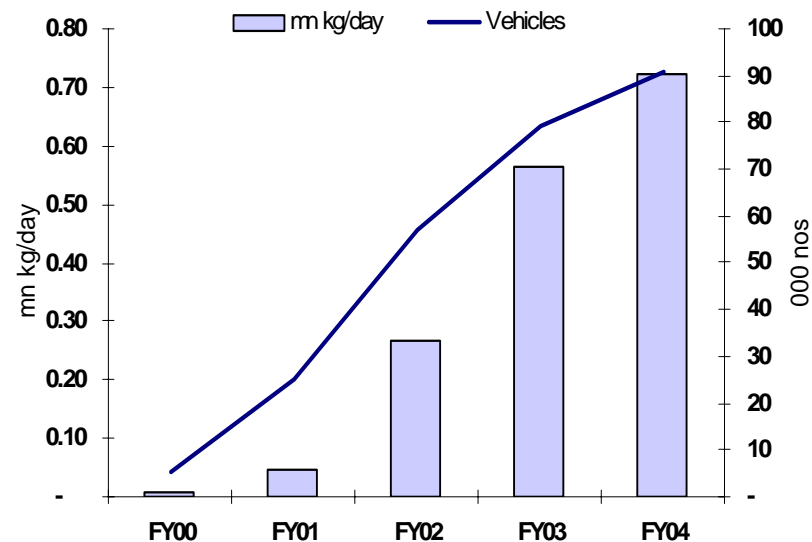


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CNG Business

- CNG business has shown robust growth since FY00.
- Sales have grown at 200% CAGR over past 4 years.
- Increased CNG dispensing stations from meagre 30 to over 128 in 4 years.
- Presently caters close to 0.1 mn vehicles in Delhi with sales of 0.8 mn kg/day.
- Contributes 97% to turnover.

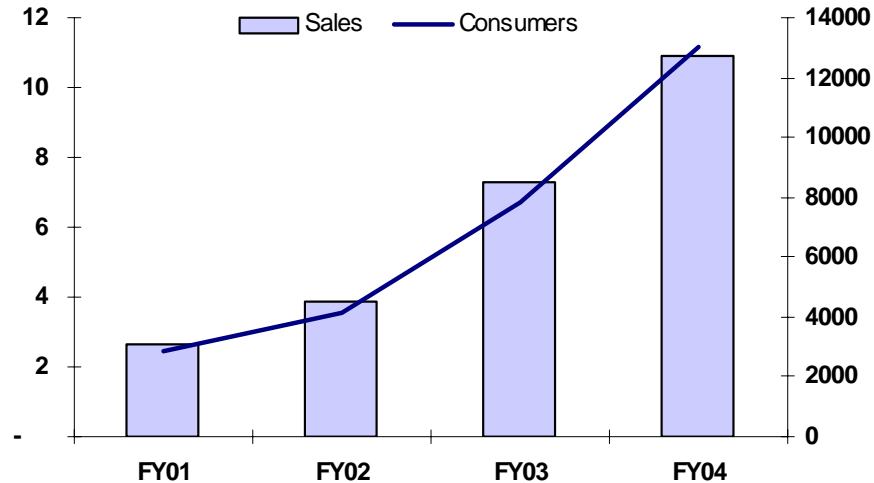


	IGL	DTC	OMC	Total
Mother	37	20	0	57
On line	12	0	20	32
Daughter	0	0	4	4
Daughter Booster	10	0	25	35
Total	59	20	49	128



PNG Business

- AT present PNG penetration in Delhi is low (< 1%).
- Business contributes 3% to turnover.
- Daily sales of 50K scmd, largely contributed by commercial segment.
- Management is committed to grow the business as potential is huge.



PNG Volumes Breakup

	Sales (scmd)	No of Consumers
Domestic	0.65	20000
Large Commercial	1500	23
Small Commercial	30	122
Total	1531	20145



Porter's 5 forces model

**Threat
of
substitutes**

- Economic benefits far out way the threats

**Bargaining
power of Buyers**

**Internal Rivalry
Low**

**Bargaining power
of Suppliers**

- Virtual monopoly ensures LOW bargaining power

- Regulated by government

**Entry
Barriers**

- Strong barriers to entry



Critical Success Factors

It is the skill, not strength that governs the ship! ()*

**- Fuller Thomas*





Critical Success Factors

Macro: Industry Level

- Supply- Demand
- Regulatory Issues
- Political interference

Micro: Company Level

- Distribution network
- Entry Barriers
- Balance Sheet Strength
- Pricing Power



Critical Success Factors: Macro

Macro: Industry Specific

- Supply- Demand: Demand far out ways supply
- Political interference: Concern exists till appointment of regulator
- Regulatory Issues: Regulator to address micro issues

Impact common for the industry



Critical Success Factors: Micro

Micro: Company Specific

- Distribution network: IGL has wide penetration of network
- Entry Barriers: Strong barriers to entry as:
 - Assured supply of gas
 - Deep penetration of network
- Balance Sheet Strength:
 - Size of Rs 4 bn, with Debt Equity Ratio 0.2.
 - Under leveraged Balance sheet
- Pricing Power:
 - Economic benefits and entry barriers ensure high Pricing Power

IGL placed favorably on the CSF matrix

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Opportunity for IGL

“Small opportunities are often the beginning of great enterprises!”
-Demosthenes (384 BC - 322 BC)



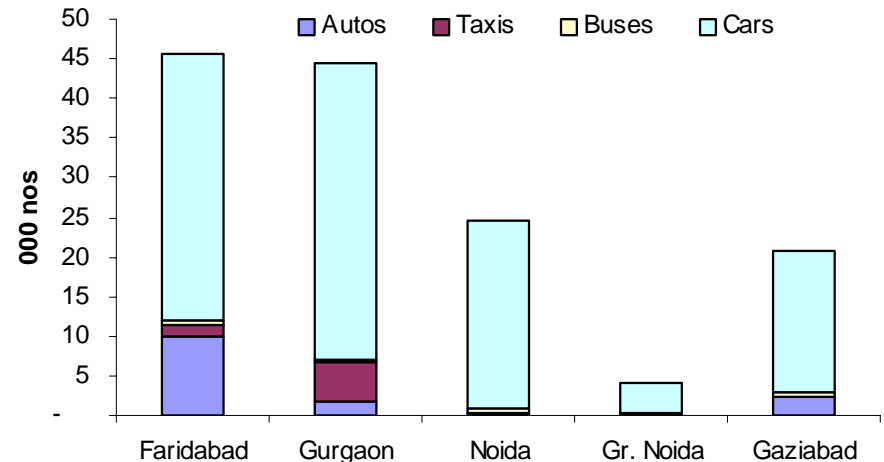
CNG sales in Delhi can expand significantly

- At present, 90,000 vehicles consume 0.8 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.



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 35000 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.



Growth Strategy of IGL

“Strategy is buying bottle of fine wine when you take a lady out for dinner. Tactics is getting her to drink it!” -- Frank Muir



Growth Strategy of IGL

- Stress is to improve asset turnover in Delhi
- IGL's strategy centered around improving the asset turnover rather than aggressive expansion of network.
- Plans are to:
 - 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.

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



Snapshot of Profit & Loss A/C

Rs mn	FY02	FY03	FY04	H1 FY05	H1 FY04
Net Sales	1187.7	3069.1	4262.1	2209.3	2020.0
<i>% Growth</i>		158.4	38.9		
EBIDTA	297.7	1191.9	1695.5	909.6	810.4
<i>% Growth</i>		300.3	42.2		
PBT	120.2	870.2	1286.0	661.6	580.5
<i>% Growth</i>		623.9	47.8		
Tax	59.0	320.6	464.1	253.9	210.4
PAT	61.2	539.8	821.9	408.0	370.2
<i>% Growth</i>		781.6	52.3		



Snapshot of Balance Sheet

Rs mn	FY02	FY03	FY04
Equity	1400.0	1400.0	1400.0
Reserves	28.6	532.6	1076.5
Networth	1428.6	1932.6	2476.5
Debt	570.0	798.8	600.0
Capital Employed	2114.3	2957.7	3508.5
Net Fixed Assets	2282.3	3445.7	3769.4
Working Capital	(169.7)	(488.0)	(260.9)
Capital Deployed	2114.3	2957.7	3508.5



Key Ratios

Key Ratios	FY02	FY03	FY04	H1FY05	H1FY04
EPS	0.4	3.9	5.9	2.9	2.6
OPM (%)	25	39	40	41	40
NPM (%)	5	18	19	18	18
RoCE (%)	16	32	39		
RoE(%)	4	28	33		
Book Value	10	14	18		



Risks

- Adverse Regulatory Intervention : *Unlikely*
- Acute shortage of gas in India: *Unlikely*



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