

November 08, 2024

RESULT REPORT Q2 FY25 | Sector: Energy

# Gujarat State Petronet Ltd

## Weak volumes & tariffs impact core performance; dividend income drives reported earning

GSPL's Q2FY25 performance presents a weak picture, EBITDA and PAT witnessed YoY de-growth of 53%/26.8%; EBITDA was down 35.9% on lower volumes and tariffs but PAT was up 83.6% QoQ on higher other income. Volumes at 29.68mmscmd was lower than our expectations of 34.1mmscmd, on lower-than-expected volumes across sectors. However, the tariffs at (Rs 0.831/scm) were lower than our expectations of (Rs 0.997/scm). In Q2FY25, GUJGA volumes declined at large at Morbi which impacted the CGD demand for GSPL. In GUJGA's recent concall, they have highlighted an increase of 0.6-0.8mmscmd at Morbi uplifting volumes for GSPL in Q3FY25. While managing cost pressures remains crucial, weaker volume growth and lower tariffs, we maintain a NEUTRAL rating on GSPL with a target price of Rs 434/share.

### Result Highlights

- EBITDA/PAT at Rs 1.9/3.9bn, down 53%/26.8% YoY on a sharp decline in volumes and tariffs; and EBITDA was down 35.9% on lower volumes and tariffs but PAT was up 83.6% QoQ on higher other income. The EBITDA performance is lower than our estimates and consensus on lower-than-expected volumes and tariffs. The other expenses declined sharply (as gas transmission expenses in Q2FY25 was at Rs 200mn vs Rs 189mn in Q1FY25 and Rs 760mn in Q2FY24).
- Transmission revenues stood at Rs 2,269mn adjusted for gas transmission expense (Rs 200mn) was down by 48.6% YoY and 30.2% QoQ.
- The overall volumes for the quarter at 29.68mmscmd, were down 1.7%YoY and 18.4% QoQ (Q1FY25 - 36.39mmscmd and Q2FY24 - 30.2mmscmd), was weaker than our est. of 34.1mmscmd on lower-than-expected volumes from across sectors. The volumes sequentially declined by 6.7mmscmd mainly hit by power sector which was down by 3.2mmscmd, CGD by 2.2 and refinery by 1.0. Overall, the YoY decline was just 0.5mmscmd, with large decline in power sector, while refinery increase of 1.0mmscmd compensating decline in CGD and fertilizer.
- EBITDA/PAT Rs/mmscmd at 83/65 was down 51.4%/52.1% YoY and 12%/21.4% QoQ on a sharp decline in tariffs.
- The gas transmission expense of Rs 200mn, which is a pass-through, adjusted for the same which has resulted in a tariff of Rs 0.831/scm (our expected at 0.997), which has declined by 47.7% YoY and 15.4% QoQ.
- The other income at Rs 2.94bn was up 10.3% YoY and ~8x QoQ on higher dividend income from Gujarat Gas.

### Valuation

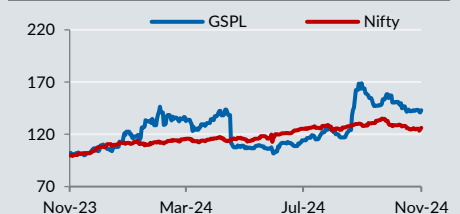
GSPL's FY24-27e EBITDA would decline at a CAGR of -4.1% despite a 7.1% volume growth due to a sharp fall in tariffs. At the CMP, the stock trades at 15.7x/14.4x FY26e/FY27e EV/EBITDA and 1.9x/1.8x P/BV (excl. investments, it trades at 7.3x/6.4x FY25e/FY26e EV/EBITDA and 1.0x/0.9x P/BV). We maintain a NEUTRAL rating on the stock, with a TP of Rs 434, valuing it on a sum-of-parts basis (core business at Rs229 at 7.5x EV/EBITDA, investment value in GUJGA at Rs183, Sabarmati Gas at Rs 4 and cross-country pipeline at Rs 18 (1x BV)).

Reco	: NEUTRAL
CMP	: Rs 390
Target Price	: Rs 434
Potential Return	: +11.3%

### Stock data (as on Nov 7, 2024)

Nifty	24,199
52 Week h/l (Rs)	470 / 260
Market cap (Rs/USD mn)	217532 / 2581
Outstanding Shares (mn)	564
6m Avg t/o (Rs mn):	1,133
Div yield (%):	1.2
Bloomberg code:	GUJS IN
NSE code:	GSPL

### Stock performance



	1M	3M	1Y
Absolute return	-4.8%	17.3%	39.8%

### Shareholding pattern (As of Sep '24 end)

Promoter	37.6%
FII+DII	41.4%
Others	20.9%

### Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	434	438

### Δ in estimates

(1-Yr)	FY25e	FY26e	FY27e
EPS (New)	17.2	19.1	20.1
EPS (Old)	18.4	19.9	20.8
% Change	(6.3)	(3.8)	(3.5)

### Financial Summary

(Rs bn)	FY25E	FY26E	FY27E
Revenue	15.7	17.3	18.1
YoY Growth	(22.5)	9.8	4.7
EBIDTA	11.2	12.6	13.3
OPM %	71.4	73.0	73.3
PAT	9.7	10.8	11.3
YoY Growth	(24.4)	11.1	4.9
ROE	9.2	9.5	9.3
EPS	17.2	19.1	20.1
P/E	22.6	20.4	19.4
BV	194.3	208.0	222.0
EV/EBITDA	18.2	15.7	14.4

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Lead Analyst

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## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	2,580	3,773	3,117	-31.63	-17.24	Weak volumes & tariffs impact core performance; dividend income drives reported earning
EBITDA	1,929	2,802	2,281	-31.13	-15.40	
EBITDA Margin (%)	74.80	74.26	73.16	54bps	163bps	
Adjusted PAT	3,893	3,388	2,754	14.90	41.36	

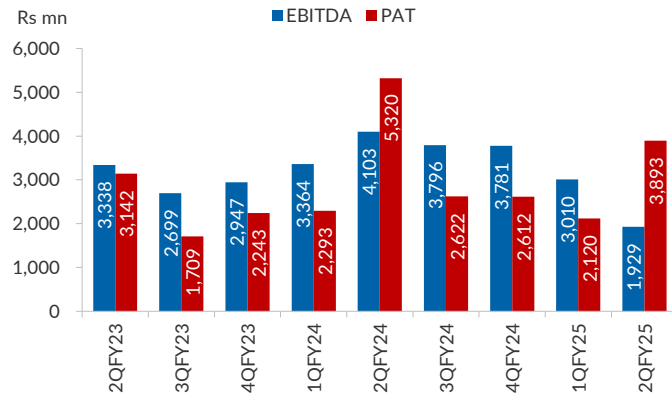
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	y/y (%)	q/q (%)	H1FY24	H1FY25	y/y (%)
Revenue	5,293	5,542	5,068	3,543	2,580	(51.3)	(27.2)	9,705	6,123	(36.9)
Expenditure	1,190	1,746	1,287	533	650	(45.4)	21.9	2,238	1,183	(47.1)
-Raw Material	-	165	(1)	-	-			-	-	(100.0)
-Staff Cost	169	206	267	177	188	11.3	6.0	330	365	10.5
- Other Expenses	1,022	1,375	1,022	356	462	(54.7)	29.8	1,908	819	(57.1)
Operating Profit	4,103	3,796	3,781	3,010	1,929	(53.0)	(35.9)	7,467	4,939	(33.8)
OPM(%)	77.5	68.5	74.6	84.9	74.8	-271 bps	-1015 bps	76.9	80.7	373 bps
Other Income	2,663	211	296	328	2,939	10.3	795.8	2,844	3,267	14.9
Depreciation	477	488	486	490	511	7.0	4.2	945	1,001	5.9
Interest	10	12	19	13	11	11.5	(11.5)	20	24	18.1
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	-	-	n.a.
PBT	6,278	3,506	3,572	2,835	4,346	(30.8)	53.3	9,345	7,181	(23.2)
Tax	958	884	960	715	453	(52.7)	(36.6)	1,732	1,168	(32.5)
PAT	5,320	2,622	2,612	2,120	3,893	(26.8)	83.6	7,613	6,013	(21.0)
Adj PAT	5,320	2,622	2,612	2,120	3,893	(26.8)	83.6	7,613	6,013	(21.0)

## Exhibit 3: Operating highlights

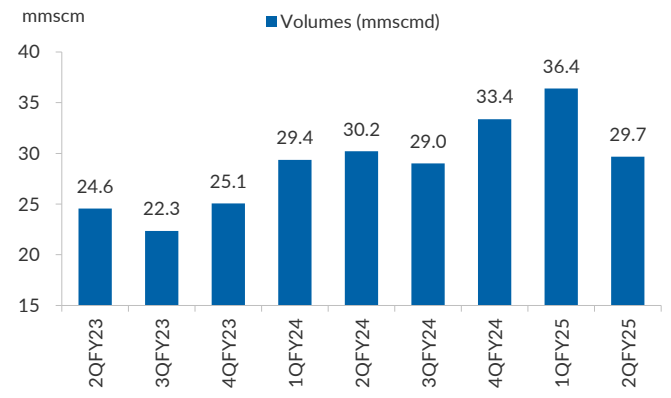
Particulars	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	y/y (%)	q/q (%)	H1FY24	H1FY25	y/y (%)
Industry wise consumption - mmscmd										
Power	4.1	2.5	2.9	6.4	3.2	(22.4)	(50.0)	4.1	4.8	17.4
Refinery	5.5	6.4	8.7	7.5	6.5	18.9	(13.3)	6.0	7.0	16.5
CGD	10.8	10.9	11.4	12.6	10.4	(3.9)	(17.4)	10.6	11.5	8.2
Fertilizers	4.6	4.7	4.6	4.5	4.2	(8.9)	(6.5)	4.0	4.3	7.8
Others	5.2	4.6	5.6	5.4	5.4	3.7	(0.9)	5.0	5.4	7.1
Total	30.2	29.0	33.4	36.4	29.7	(1.7)	(18.4)	29.8	33.0	10.9
Rs/mmscmd										
Tariff (Rs/scm)	1.6	1.6	1.5	1.0	0.8	(47.7)	(15.4)	1.5	0.9	(39.6)
Pipeline utilization %	71.9	69.1	79.5	86.6	70.7	(1.7)	(18.4)	70.9	78.7	10.9
Revenue										
Revenue	171.2	183.8	150.2	94.5	83.2	(51.4)	(12.0)	325.8	185.3	(43.1)
EBITDA	135.9	130.8	113.3	82.7	65.0	(52.1)	(21.4)	250.7	149.5	(40.4)
PBT	207.9	120.8	107.0	77.9	146.4	(29.6)	87.9	(4.9)	(32.5)	562.5
PAT	176.2	90.3	78.3	58.3	131.2	(25.5)	125.1	255.6	182.0	(28.8)

**Exhibit 4: EBITDA and PAT**



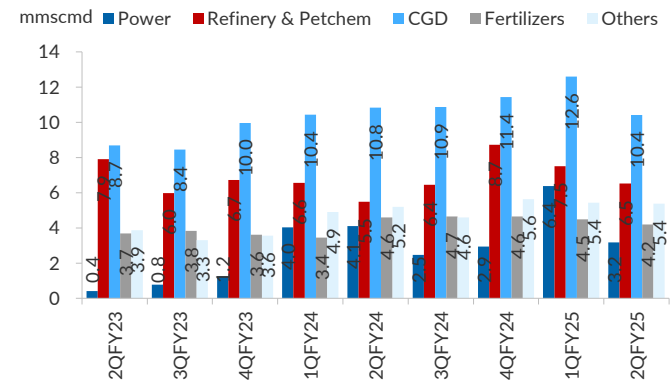
Source: Company, YES Sec

**Exhibit 5: Gas transmission volumes**



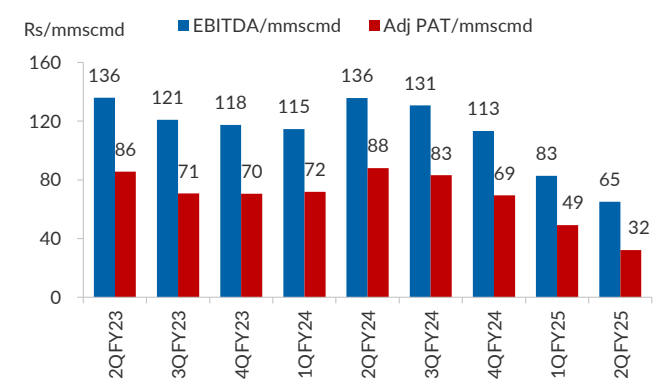
Source: Company, YES Sec

**Exhibit 6: Sector-wise gas transmission demand**



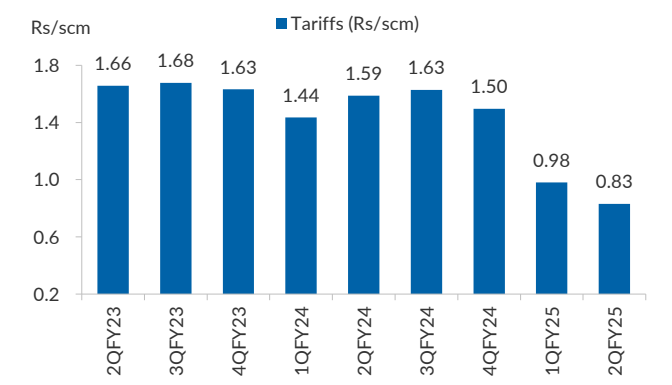
Source: Company, YES Sec

**Exhibit 7: Performance (Rs m/mmcmd)**



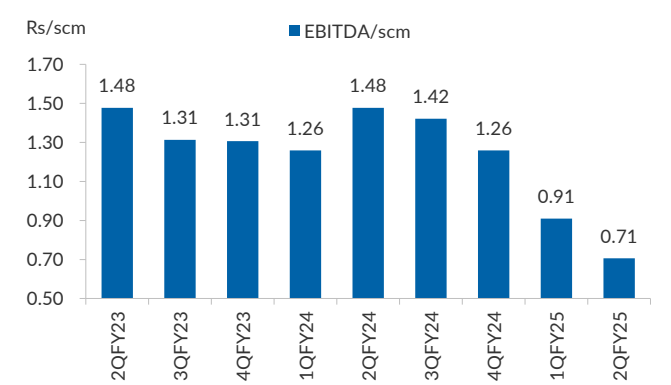
Source: Company, YES Sec

**Exhibit 8: Transmission tariffs**



Source: Company, YES Sec

**Exhibit 9: EBITDA/scm**



Source: Company, YES Sec

## VIEW & VALUATION

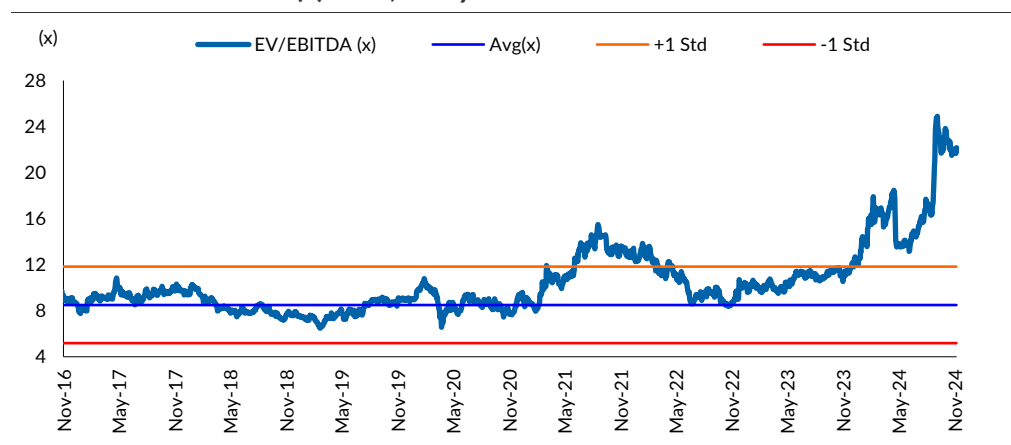
### NEUTRAL with a Target Price of Rs 434/sh

GSPL's FY24-27e EBITDA would decline at a CAGR of -4.1% despite a 7.1% volume growth due to a sharp fall in tariffs. At the CMP, the stock trades at 15.7x/14.4x FY26e/FY27e EV/EBITDA and 1.9x/1.8x P/BV (excl. investments, it trades at 7.3x/6.4x FY25e/FY26e EV/EBITDA and 1.0x/0.9x P/BV). We maintain a NEUTRAL rating on the stock, with a TP of Rs 434, valuing it on a sum-of-parts basis (core business at Rs229 at 7.5x EV/EBITDA, investment value in GUJGA at Rs183, Sabarmati Gas at Rs 4 and cross-country pipeline at Rs 18 (1x BV)).

### Exhibit 10: Valuation table

Valuation	FY27E
<b>Core value (Standalone)</b>	
EBITDA	13,253
Multiple	7.5
EV	99,398
Debt	0
Cash	29,592
Equity value	128,990
Core value (Rs/share)	229
<b>Gujarat Gas</b>	
Target Price	462
Target Market cap.	317,754
GSPL Stake @54.17%	172,127
Value to GSPL (at 60% Holdco discount)	103,276
Per share value to GSPL	183
<b>Sabarmati Gas</b>	
	4
<b>Cross Country Pipeline</b>	
Book Value	10,154
P/B	1.0
Value	10,154
Fair Value (Rs/share)	18
<b>Total Fair Value</b>	<b>434</b>

### Exhibit 11: EV/EBITDA (x) band, one-year-forward



## FINANCIALS

### Exhibit 12: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	17,618	20,315	15,735	17,276	18,087
Total Expense	5,031	5,275	4,501	4,669	4,834
<b>Operating Profit</b>	<b>12,587</b>	<b>15,041</b>	<b>11,234</b>	<b>12,607</b>	<b>13,253</b>
Other Income	1,684	3,351	3,700	3,832	3,969
Depreciation	1,939	1,920	1,948	2,014	2,092
EBIT	12,332	16,471	12,985	14,425	15,130
Interest	47	49	-	-	-
Extraordinary Item	-	-	-	-	-
<b>PBT</b>	<b>12,286</b>	<b>16,422</b>	<b>12,985</b>	<b>14,425</b>	<b>15,130</b>
Tax	2,836	3,576	3,268	3,631	3,808
<b>PAT</b>	<b>9,450</b>	<b>12,846</b>	<b>9,717</b>	<b>10,795</b>	<b>11,322</b>
Adj. PAT	9,450	12,846	9,717	10,795	11,322
Eps	16.8	22.8	17.2	19.1	20.1

### Exhibit 13: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	5,642	5,642	5,642	5,642	5,642
Reserves	87,090	97,059	103,956	111,648	119,574
<b>Net worth</b>	<b>92,732</b>	<b>102,701</b>	<b>109,598</b>	<b>117,290</b>	<b>125,216</b>
Debt	-	-	-	-	-
Deferred tax liab (net)	4,238	4,159	4,159	4,159	4,159
<b>Capital Employed</b>	<b>96,970</b>	<b>106,860</b>	<b>113,757</b>	<b>121,450</b>	<b>129,375</b>
Fixed assets	35,809	37,971	37,440	37,242	37,165
Investments	51,700	53,297	53,297	53,297	53,297
Net working capital	9,461	15,592	23,020	30,911	38,913
Inventories	2,121	2,108	1,633	1,793	1,877
Sundry debtors	1,440	1,412	1,094	1,201	1,257
Cash & Bank Balance	6,917	4,734	15,359	22,160	29,592
Other current assets	2,896	11,285	8,741	9,597	10,048
Sundry creditors	510	375	306	315	323
Other liabilities	3,403	3,573	3,501	3,525	3,538
<b>Application of Funds</b>	<b>96,970</b>	<b>106,860</b>	<b>113,757</b>	<b>121,450</b>	<b>129,375</b>

## Exhibit 14: Cash flow statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	12,286	16,422	12,985	14,425	15,130
Depreciation & amortization	1,939	1,920	1,948	2,014	2,092
Interest expense	46	49	-	-	-
(Inc)/Dec in working capital	(1,542)	(3,204)	-	-	-
Tax paid	(274)	109	3,196	(1,090)	(570)
Less: Interest/Dividend Income Received	(2,741)	(3,534)	(3,268)	(3,631)	(3,808)
Other operating Cash Flow	(50)	(37)	-	-	-
<b>Cash flow from operating activities</b>	<b>9,664</b>	<b>11,724</b>	<b>14,862</b>	<b>11,719</b>	<b>12,844</b>
Capital expenditure	(19,182)	(4,164)	(1,417)	(1,816)	(2,015)
Inc/(Dec) in investments	1,137	3,249	-	-	-
Add: Interest/Dividend Income Received	11,026	(9,241)	-	-	-
<b>Cash flow from investing activities</b>	<b>(7,019)</b>	<b>(10,156)</b>	<b>(1,417)</b>	<b>(1,816)</b>	<b>(2,015)</b>
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(891)	(17)	-	-	-
Interest Paid	(6)	(5)	-	-	-
Dividend Paid	(1,128)	(2,821)	(2,820)	(3,102)	(3,397)
Others	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>(2,026)</b>	<b>(2,843)</b>	<b>(2,820)</b>	<b>(3,102)</b>	<b>(3,397)</b>
<b>Net cash flow</b>	<b>619</b>	<b>(1,274)</b>	<b>10,624</b>	<b>6,801</b>	<b>7,432</b>

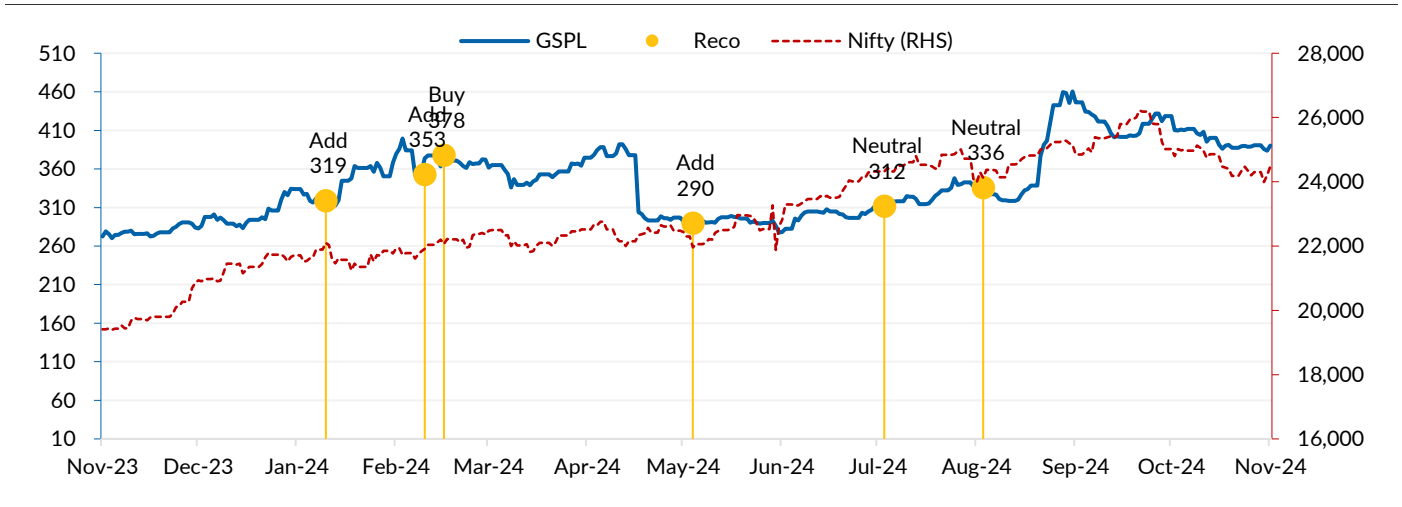
## Exhibit 15: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.8	0.8	0.7	0.7	0.7
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.7	0.8	0.8	0.8	0.8
Asset turnover (x)	0.2	0.2	0.1	0.1	0.1
Financial leverage (x)	1.1	1.1	1.1	1.1	1.1
RoE (%)	10.7	13.1	9.2	9.5	9.3

## Exhibit 16: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>					
Revenue growth	(12.8)	15.3	(22.5)	9.8	4.7
Op profit growth	(9.9)	19.5	(25.3)	12.2	5.1
EBIT growth	(5.6)	33.6	(21.2)	11.1	4.9
Net profit growth	(3.5)	35.9	(24.4)	11.1	4.9
<b>Profitability ratios (%)</b>					
OPM	71.4	74.0	71.4	73.0	73.3
EBIT margin	70.0	81.1	82.5	83.5	83.7
Net profit margin	53.6	63.2	61.8	62.5	62.6
RoCE	13.2	16.2	11.8	12.3	12.1
RoE	10.7	13.1	9.2	9.5	9.3
RoA	9.7	12.1	8.5	8.9	8.8
<b>Per share ratios</b>					
EPS	16.8	22.8	17.2	19.1	20.1
Dividend per share	5.0	5.0	5.0	5.5	6.0
Cash EPS	20.2	26.2	20.7	22.7	23.8
Book value per share	164.4	182.1	194.3	208.0	222.0
<b>Valuation ratios</b>					
P/E	23.3	17.1	22.6	20.4	19.4
P/CEPS	19.3	14.9	18.9	17.2	16.4
P/B	2.4	2.1	2.0	1.9	1.8
EV/EBIDTA	16.9	14.3	18.2	15.7	14.4
<b>Payout (%)</b>					
Dividend payout	29.8	22.0	29.0	28.7	30.0
Tax payout	23.1	21.8	25.2	25.2	25.2
<b>Liquidity ratios</b>					
Debtor days	29.8	25.4	25.4	25.4	25.4
Inventory days	145.5	146.3	151.7	133.9	138.6
Creditor days	42.2	30.6	27.6	24.3	24.1

## Recommendation Tracker





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