

Gujarat Gas

Estimate changes

TP change

Rating change



Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USD\$)	319.4 / 3.7
52-Week Range (INR)	690 / 360
1, 6, 12 Rel. Per (%)	0/-4/-27
12M Avg Val (INR M)	694

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	164.9	159.8	173.8
EBITDA	18.8	20.8	23.6
PAT	11.5	12.3	14.5
EPS (INR)	16.6	17.9	21.1
EPS Gr. (%)	4.0	7.6	17.7
BV/Sh.(INR)	122.8	134.6	148.5

Ratios

Net D:E	0.0	-0.1	-0.1
RoE (%)	14.2	13.9	14.9
RoCE (%)	19.6	18.9	20.2
Payout (%)	34.0	34.0	34.0

Valuations

P/E (x)	27.8	25.9	22.0
P/BV (x)	3.8	3.4	3.1
EV/EBITDA (x)	16.8	15.0	13.0
Div. Yield (%)	1.2	1.3	1.5
FCF Yield (%)	3.3	2.1	2.7

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	60.9	60.9	60.9
DII	21.8	21.2	22.1
FII	4.0	4.5	3.7
Others	13.3	13.4	13.3

FII Includes depository receipts

CMP: INR464

TP: INR535 (+15%)

Buy

Commentary cautious; focus on margin expansion

- Gujarat Gas (GUJGA)'s EBITDA margin stood above our est. at INR5.4/scm (our est. INR5/scm). Volumes came in line with our est. at 9.3mmscmd (our est. 9.25mmscmd). While GUJGA's realization increased ~INR1.3/scm QoQ, gas cost decreased INR0.4/scm QoQ and opex increased 0.8/scm QoQ, leading to ~INR1/scm QoQ increase in EBITDA/scm margin. Resultant EBITDA came in 8% above our est. at INR4.5b. Due to higher-than-estimated other income, PAT came in 24% above our est. at INR2.9b.
- About 35%/25% of GUJGA's gas sourced in 4Q is under long-term (fully Brent-linked)/spot contracts. Lower crude oil and spot LNG prices, coupled with INR appreciation QoQ, are expected to reduce gas costs going forward. While Morbi volumes are expected to remain soft in the near term, management expects robust 12% YoY growth in CNG volumes. Further, rising industrial volumes from Thane and rural Ahmedabad are also likely to support volume growth.
- GUJGA currently trades at 22x FY27E P/E. We reiterate our BUY rating on the stock with a TP of INR535, valuing it at 25x FY27E EPS.

EBITDA margin guidance maintained; 1Q Morbi volumes under pressure

- Amid lingering uncertainties around APM deallocation and lowering propane prices, management maintained its EBITDA margin guidance of INR4.5-INR5.5 per scm. However, with decreasing crude prices and spot LNG prices, we believe that management's guidance is conservative. We are building in EBITDA/scm of INR5.6/5.8 per scm for FY26/27.
- In 4Q, average Morbi volumes stood at 2.87mmscmd (3.35mmscmd in 3QFY25). The decline in Morbi volumes was due to customers shifting to alternate fuels. Non-Morbi volumes were slightly up QoQ at 2.16mmscmd (2.1mmscmd in 3Q). With the current propane to Natural Gas (NG) price delta at INR3.5/scm, current Morbi volumes remain soft at 2.6-2.7mmscmd. Management anticipates similar I/C PNG volumes QoQ in 1Q. Further, it expects robust 12% YoY growth in CNG volumes in FY26.

Other key takeaways from the conference call

- In 4QFY25, gas sourcing split for total volumes was 25%/35%/25%/15% of APM/Brent-linked LT/Spot LNG/other ST contracted gas.
- New LT contracts (both HH and Brent linked) at competitive pricing are expected to be signed shortly. Current APM/NW gas allocation stands at 2/0.6mmscmd.
- Management maintained its FY26 capex guidance of INR10b.
- GSPC clocked volumes of ~13mmscmd in 9MFY25.
- Under the F-DODO scheme, 70+ CNG stations are expected to come online in FY26.
- The Scheme of Amalgamation and Merger is expected to be completed by Sep'25/Oct'25. The scheme was filed with MCA for approval in Feb'25.

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Beat driven by higher-than-estimated EBITDA/scm margin

- Total volumes were in line with our estimate at 9.3mmscmd (our est.: 9.25mmscmd) (-4% YoY).
- While I/C-PNG volumes were marginally below estimates, D-PNG volumes came in 16% above estimates.
- EBITDA/scm came in 8% above our est. at INR5.4.
- Realization increased ~INR1.3/scm QoQ, gas cost decreased INR0.4/scm QoQ, and opex increased INR0.8/scm QoQ, leading to ~INR1/scm QoQ increase in EBITDA/scm margin.
- Resultant EBITDA stood 8% above our estimate at INR4.5b (-24% YoY).
- GUJGA's PAT came in 24% above our est. at INR2.9b (-9% YoY), driven by higher-than-estimated other income.
- In FY25, GUJGA's net sales/EBITDA/APAT were flat YoY at INR165b/18.8b/11.5b.
- The Board has recommended a final dividend of INR5.82/sh (FV: INR2/sh).

Valuation and view

- The company's long-term volume growth prospects remain robust, with the addition of new industrial units and expansion of existing units. It is aggressively investing in infrastructure to push industrial gas adoption in Thane rural, Ahmedabad rural, and newly acquired areas in Rajasthan.
- The stock is trading at a P/E of 22x FY27E and EV/EBITDA of 13x for FY27E. **We reiterate our BUY rating on the stock with a TP of INR535, valuing it at 25x FY27E EPS.**

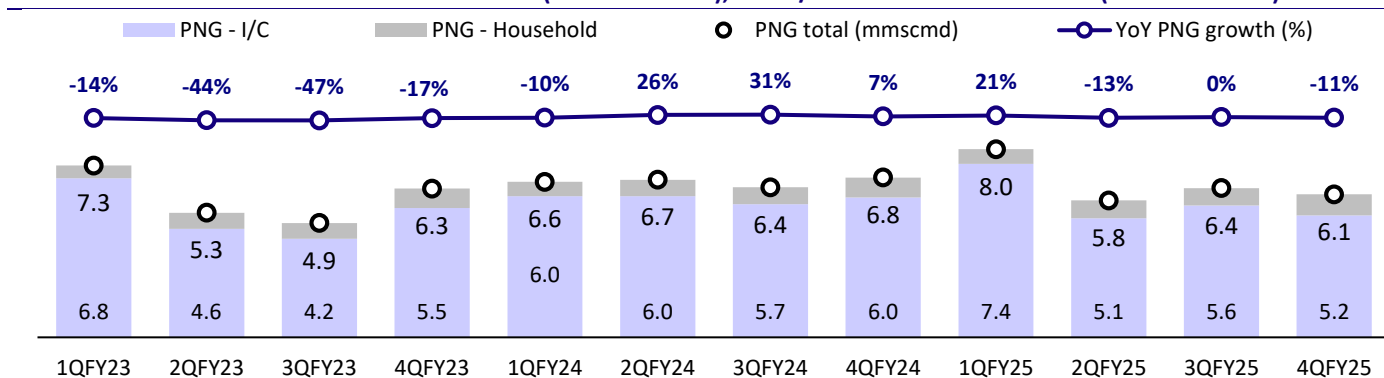
Standalone - Quarterly Earning Model

Y/E March	FY24				FY25				FY24	FY25	FY25	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	37,815	38,454	39,291	41,342	44,503	37,818	41,529	41,020	1,56,902	1,64,870	39,565	4%
YoY Change (%)	-26.9	-3.3	6.6	5.2	17.7	-1.7	5.7	-0.8	-6.4	5.1	-4.3	
EBITDA	3,880	4,966	4,007	5,911	5,356	5,142	3,805	4,495	18,764	18,798	4,152	8%
Margin (%)	10.3	12.9	10.2	14.3	12.0	13.6	9.2	11.0	12.0	11.4	10.5	
Depreciation	1,151	1,179	1,201	1,212	1,231	1,295	1,294	1,286	4,743	5,106	1,274	
Interest	74	78	72	69	78	80	93	74	293	325	82	
Other Income	239	298	230	311	386	386	585	744	1,078	2,100	331	
PBT before EO expense	2,894	4,007	2,964	4,940	4,433	4,152	3,002	3,878	14,805	15,466	3,127	24%
Extra-Ord expense	0	0	0	-557	0	0	0	0	-557	0	0	
PBT	2,894	4,007	2,964	5,497	4,433	4,152	3,002	3,878	15,362	15,466	3,127	24%
Tax	743	1,029	761	1,402	1,135	1,083	786	1,007	3,934	4,011	814	
Rate (%)	25.7	25.7	25.7	25.5	25.6	26.1	26.2	26.0	25.6	25.9	26.0	
Reported PAT	2,151	2,978	2,203	4,095	3,298	3,069	2,216	2,872	11,428	11,455	2,313	24%
Adj. PAT	2,151	2,978	2,203	3,681	3,298	3,069	2,216	2,872	11,013	11,455	2,313	24%
YoY Change (%)	-43.6	-26.3	-40.7	-0.3	53.3	3.1	0.6	-22.0	-27.8	4.0	-37.2	
Total volume (mmscmd)	9.2	9.3	9.2	9.7	11.0	8.8	9.5	9.3	9.3	9.6	9.2	1%
CNG	2.6	2.6	2.8	2.9	3.0	2.9	3.1	3.2	2.7	3.1	3.2	0%
PNG – Industrial/Commercial	6.0	6.0	5.7	6.0	7.4	5.1	5.6	5.2	5.9	5.8	5.3	-1%
PNG – Households	0.6	0.7	0.7	0.9	0.6	0.8	0.7	0.9	0.7	0.8	0.8	16%
EBITDA (INR/scm)	4.6	5.8	4.8	6.7	5.4	6.4	4.4	5.4	5.5	5.4	5.0	8%

Operational Highlights

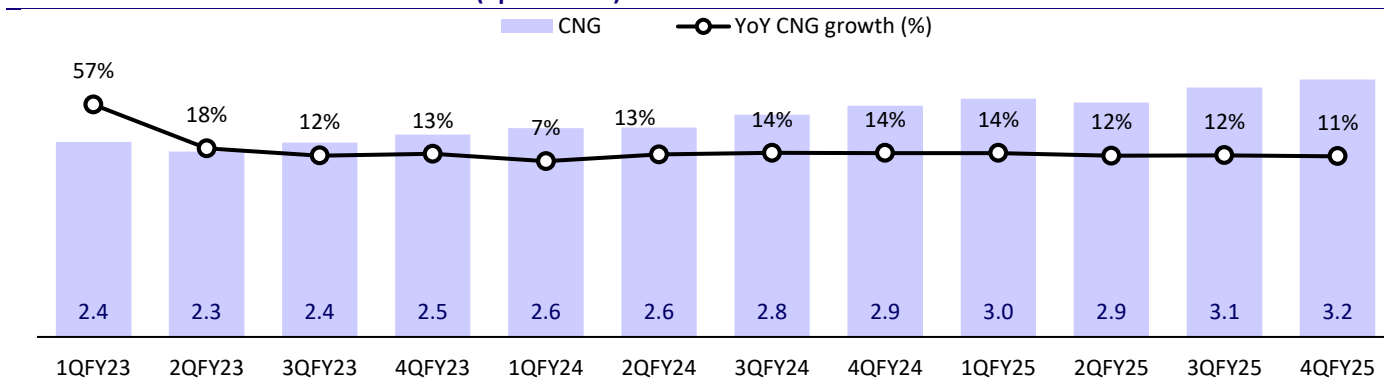
Particulars	FY23				FY24				FY25				4QFY25	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY (%)	QoQ (%)
Net sales (INR m)	51,701	39,765	36,843	39,286	37,815	38,454	39,291	41,342	44,503	37,818	41,529	41,020	-1%	-1%
Realization (INR/scm)	58.3	56.7	54.9	49.3	45.1	44.8	46.6	46.9	44.5	47.0	47.7	49.0	5%	3%
Total raw material (INR m)	43,015	30,654	28,313	30,781	30,931	30,546	32,248	31,829	35,902	29,473	34,295	32,529	2%	-5%
Gas cost (INR/scm)	48.5	43.7	42.2	38.6	36.9	35.6	38.3	36.1	35.9	36.6	39.4	38.9	8%	-1%
Gross margin (INR m)	8,686	9,111	8,530	8,505	6,884	7,908	7,043	9,513	8,601	8,344	7,234	8,491	-11%	17%
Gross margin (INR/scm)	9.8	13.0	12.7	10.7	8.2	9.2	8.4	10.8	8.6	10.4	8.3	10.1	-6%	22%
EBITDA (INR m)	6,066	6,427	5,823	5,603	3,880	4,966	4,007	5,911	5,356	5,142	3,805	4,495	-24%	18%
EBITDA (INR/scm)	6.8	9.2	8.7	7.0	4.6	5.8	4.8	6.7	5.4	6.4	4.4	5.4	-20%	23%
PAT (INR m)	3,811	4,039	3,713	3,692	2,151	2,978	2,203	4,095	3,298	3,069	2,216	2,872	-30%	30%
PAT (INR/scm)	4.3	5.8	5.5	4.6	2.6	3.5	2.6	4.6	3.3	3.8	2.5	3.4	-26%	35%
Volumes (mmscmd)														
CNG	2.4	2.3	2.4	2.5	2.6	2.6	2.8	2.9	3.0	2.9	3.1	3.2	11%	3%
PNG - Household	0.6	0.7	0.7	0.8	0.6	0.7	0.7	0.9	0.6	0.8	0.7	0.9	5%	20%
PNG - I/C	6.8	4.6	4.2	5.5	6.0	6.0	5.7	6.0	7.4	5.1	5.6	5.2	-13%	-7%
Total	9.8	7.6	7.3	8.9	9.2	9.3	9.2	9.7	11.0	8.8	9.5	9.3	-4%	-2%

Exhibit 1: Total PNG volumes were 6.1mmscmd (down 11% YoY), with I/C volumes at 5.2mmscmd (down 13% YoY)



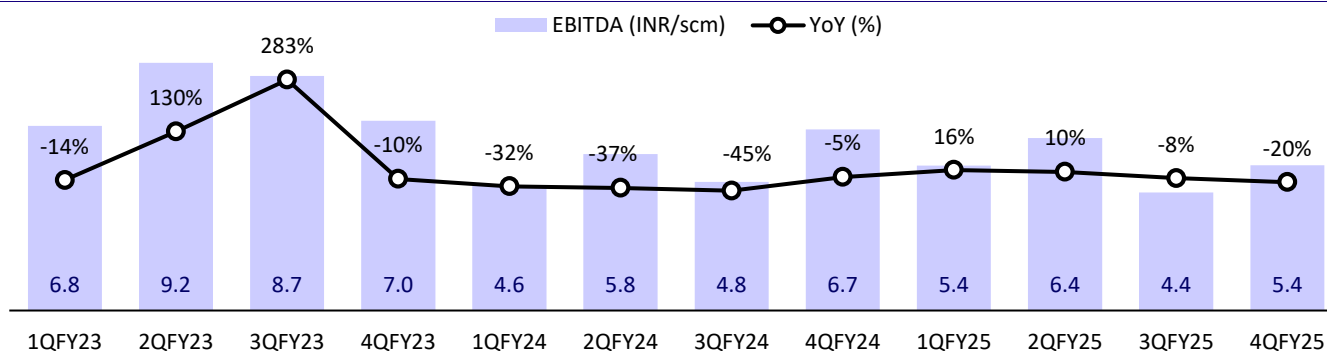
Source: Company, MOFSL

Exhibit 2: CNG volumes were 3.2mmscmd (up 11% YoY)



Source: Company, MOFSL

Exhibit 3: EBITDA/scm stood at INR5.4 (down 20% YoY)



Source: Company, MOFSL



Highlights from the management commentary

EBITDA margin guidance:

- EBITDA/scm is expected to be between INR4.5 and INR5.5 going forward (guidance maintained).

CNG volume growth guidance:

- CNG volume growth of 12% YoY is expected in FY26.
- In 4Q, CNG volumes grew 8%/28% YoY in Gujarat/others.

Industrial segment

- In 4Q, average Morbi volumes stood at 2.87mmcmd (3.35mmcmd in 3QFY25). Non-Morbi volumes stood at 2.16mmcmd (2.1mmcmd in 3Q).
- The company saw an uptick in industrial volumes in Ahmedabad, Thane, and DMH. Around nine new big units are coming up in Morbi.
- Current (1QFY26) volumes: 2.6-2.7mmcmd in Morbi. Volumes will remain similar QoQ in 1QFY26, as both Propane and NG prices have corrected.
- Current propane landed cost: INR43/scm vs current natural gas landed cost: INR46.5/scm. Propane prices typically stand at 14%/17% of oil in summers/winters. Hence, gas sourcing at a 12%-13% slope would be competitive with propane.

Gas sourcing mix in 4Q:

- 25% - APM gas (~2.3mmcmd).
- 35% - LT contracts (~3.31mmcmd).
- The company has no HH contracts currently. Slope of current Brent linked contracts: ~13.5%-14%. There are some fixed costs as well.
- 40% ST contracts (~3.77mmcmd from NW gas (similar QoQ in 1QFY26), IGX, HP-HT, and Spot LNG (~2.3mmcmd)).
- New LT contracts (HH and Brent linked) will be finalized shortly and are expected to be better than the current contracts. Current Brent-linked contracts are cheaper than HH.
- Current APM/NW gas allocation: 2/0.6mmcmd.

Scheme of Amalgamation and Merger:

- Completion of the scheme: Sep'25 or Oct'25.
- BSE/NSE approval was received and the scheme was filed with MCA for approval in Feb'25.

CNG stations

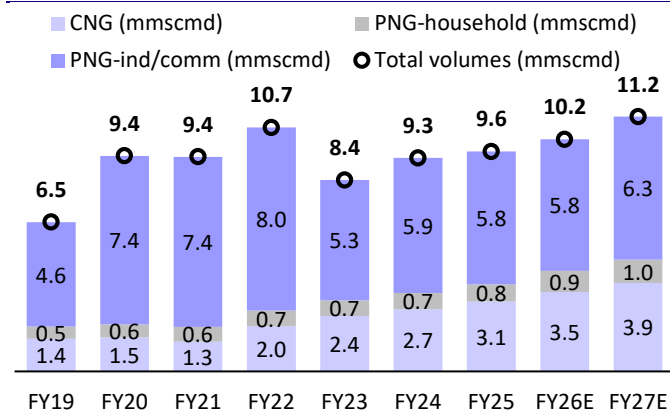
- The company added three outlets in 4Q. It is focused on upgrading existing stations (40+ in 4Q).
- Under F-DODO schemes, ~70 CNG stations will be added in FY26.
- **FY26 capex guidance:** INR10b (maintained).

Others:

- Sharp increase in other expenses in 4Q: INR60m in provisions for non-moving assets, some asset write-offs, security charges, and INR350m incurred toward CSR.
- CNG vehicle addition: 0.2m vehicles added in FY25 (1.5m total).
- D-PNG segment: 0.15m customers added in FY25.
- GSCP 9MFY25 volumes: 13mmcmd.
- LNG business outlook: GUJGA remains the sole supplier of LNG in the GAs allocated to the company.

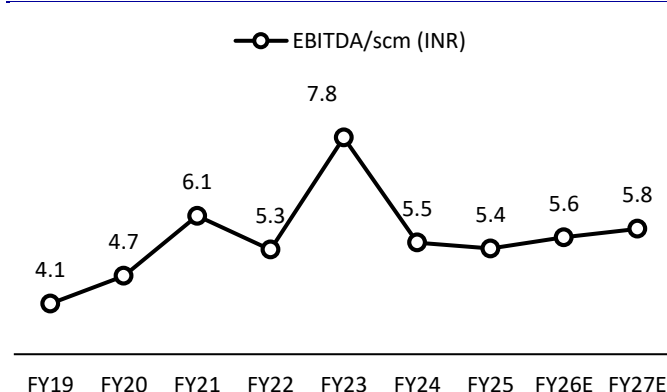
Story in charts

Exhibit 4: Volume snapshot for GUJGA



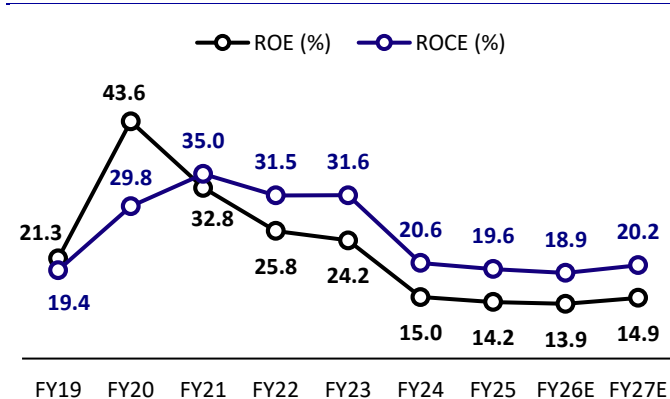
Source: Company, MOFSL

Exhibit 5: EBITDA/scm to be ~INR5.6/5.8 in FY26/27



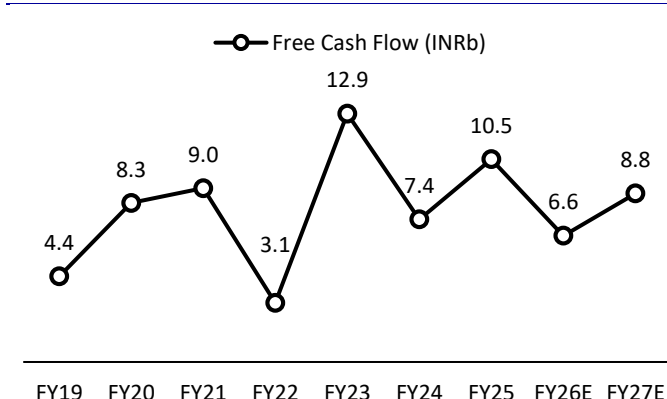
Source: Company, MOFSL

Exhibit 6: Return ratios



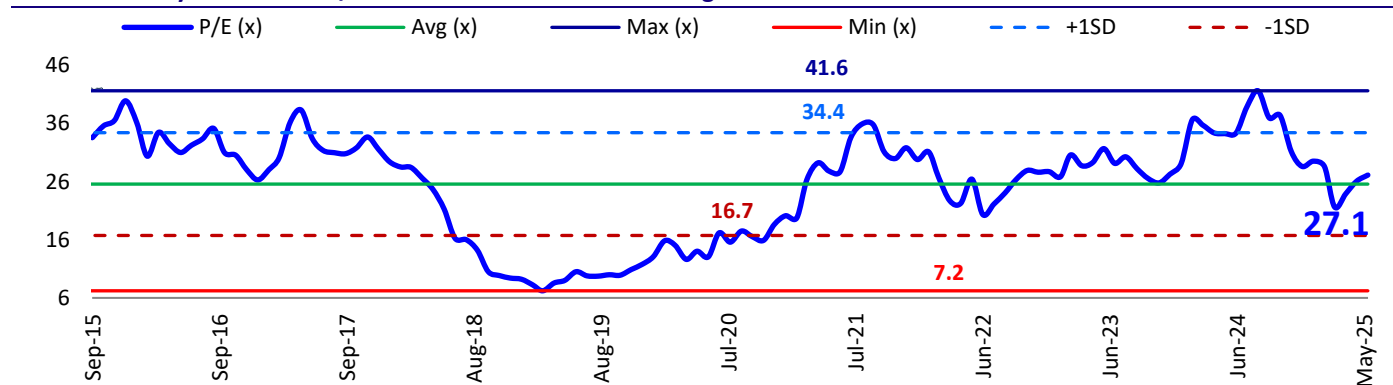
Source: Company, MOFSL

Exhibit 7: Free cash flow



Source: Company, MOFSL

Exhibit 8: One-year forward P/E trades at 27.1x vs. its LT average of 25.8x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	1,67,594	1,56,902	1,64,870	1,59,760	1,73,847
Change (%)	1.8	-6.4	5.1	-3.1	8.8
EBITDA	23,920	18,764	18,798	20,767	23,561
Margin (%)	14.3	12.0	11.4	13.0	13.6
Depreciation	4,283	4,743	5,106	5,348	5,533
EBIT	19,637	14,021	13,691	15,419	18,028
Int. and Finance Charges	404	293	325	305	312
Other Income	1,013	1,078	2,100	1,357	1,662
PBT bef. EO Exp.	20,247	14,805	15,466	16,471	19,378
EO Items	0	557	0	0	0
PBT after EO Exp.	20,247	15,362	15,466	16,471	19,378
Current Tax	4,992	3,934	4,011	4,146	4,878
Tax Rate (%)	24.7	25.6	25.9	25.2	25.2
Reported PAT	15,255	11,428	11,455	12,325	14,501
Adjusted PAT	15,255	11,013	11,455	12,325	14,501
Change (%)	17.8	-27.8	4.0	7.6	17.7
Margin (%)	9.1	7.0	6.9	7.7	8.3

Standalone - Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	1,377	1,377	1,377	1,377	1,377
Total Reserves	68,579	75,516	83,160	91,293	1,00,861
Net Worth	69,956	76,893	84,537	92,669	1,02,238
Deferred Tax Liabilities	8,461	9,108	9,589	9,589	9,589
Total Loans	0	0	0	0	0
Capital Employed	78,417	86,000	94,125	1,02,258	1,11,827
Gross Block	1,04,085	1,13,079	1,22,526	1,26,203	1,31,146
Less: Accum. Deprn.	30,721	35,464	40,571	45,918	51,451
Net Fixed Assets	73,364	77,615	81,955	80,285	79,694
Capital WIP	9,831	9,180	8,389	14,711	19,769
Total Investments	317	1,364	1,477	1,477	1,477
Curr. Assets, Loans, and Adv.	25,439	28,425	34,330	36,791	44,588
Inventory	612	587	619	589	636
Account Receivables	10,212	10,298	10,240	9,922	10,797
Cash and Bank Balance	6,810	9,261	3,594	7,018	12,194
Cash balance	6,747	9,160	3,269	6,692	11,869
Bank balance	63	101	325	325	325
Loans and Advances	7,806	8,279	19,878	19,262	20,960
Curr. Liability and Prov.	30,534	30,583	32,026	31,006	33,702
Account Payables	7,156	7,002	7,199	6,851	7,407
Other Current Liabilities	22,554	22,787	24,076	23,330	25,387
Provisions	824	794	750	825	908
Net Current Assets	-5,095	-2,158	2,305	5,785	10,886
Appl. of Funds	78,417	86,000	94,125	1,02,258	1,11,826

Financials and valuations

Ratios

Y/E March (INR)	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	22.2	16.0	16.6	17.9	21.1
Cash EPS	28.4	22.9	24.1	25.7	29.1
BV/Share	101.6	111.7	122.8	134.6	148.5
DPS	6.7	5.7	5.7	6.1	7.2
Payout (%)	30.0	34.1	34.0	34.0	34.0
Valuation (x)					
P/E	20.9	28.9	27.8	25.9	22.0
Cash P/E	16.3	20.2	19.2	18.0	15.9
P/BV	4.6	4.1	3.8	3.4	3.1
EV/Sales	1.9	2.0	1.9	2.0	1.8
EV/EBITDA	13.0	16.5	16.8	15.0	13.0
Dividend Yield (%)	1.4	1.2	1.2	1.3	1.5
FCF per share	18.8	10.8	15.3	9.5	12.7
Return Ratios (%)					
RoE	24.2	15.0	14.2	13.9	14.9
RoCE	31.6	20.6	19.6	18.9	20.2
Working Capital Ratios					
Asset Turnover (x)	2.1	1.8	1.8	1.6	1.6
Inventory (Days)	1	1	1	1	1
Debtor (Days)	22	24	23	23	23
Creditor (Days)	16	16	16	16	16
Working Cap. Turnover (Days)	-26	-27	-3	-3	-3
Leverage Ratio (x)					
Current Ratio	0.8	0.9	1.1	1.2	1.3
Debt/Equity ratio	-0.1	-0.1	0.0	-0.1	-0.1

Standalone - Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	20,247	15,362	15,466	16,471	19,378
Depreciation	4,283	4,743	5,106	5,348	5,533
Interest and Finance Charges	404	293	325	305	312
Direct Taxes Paid	-4,608	-3,227	-3,115	-4,146	-4,878
(Inc.)/Dec. in WC	4,052	-201	1,544	-57	75
Others	-597	-630	-1,267	-1,357	-1,662
CF from Operations	23,780	16,340	18,059	16,564	18,759
(Inc.)/Dec. in FA	-10,867	-8,371	-7,517	-10,000	-10,000
Free Cash Flow	12,912	7,412	10,541	6,564	8,759
Others	454	584	-11,695	1,357	1,662
CF from Investments	-10,413	-8,787	-19,213	-8,643	-8,338
Inc./(Dec.) in Debt	-4,779	0	0	0	0
Interest Paid	-381	-273	-299	-305	-312
Dividend Paid	-1,379	-4,575	-3,891	-4,192	-4,932
CF from Fin. Activity	-6,784	-5,141	-4,737	-4,497	-5,245
Inc./Dec. in Cash	6,583	2,413	-5,891	3,424	5,177
Opening Balance	164	6,747	9,159	3,268	6,692
Closing Balance	6,747	9,159	3,268	6,692	11,869

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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