

GSPL reported a 26% PAT beat in Q1FY25, led by lower opex on reversals in unaccounted gas costs and 11% higher-than-expected book tariff realization due to take or pay income. SA EBITDA/RPAT fell 20%/17% QoQ to Rs3.0bn/Rs2.1bn (down 11%/8% QoQ) due to levy of lower tariffs from May-24. Gas transmission volume rose 9% QoQ to 36.4mmscmd (up 24% YoY, in-line) with Power/CGD offtake up by 3.4/1.2mmscmd QoQ, while refinery-atchem fell by 1.2mmscmd. We raise FY25-26E SA EPS 11-12% each, factoring in the current tariff run-rate. The next APTEL hearing on the PNGRB tariff order is expected by Aug-24 end. We raise GSPL's Sep-25E TP by 10% to Rs370/sh on roll-over to Sep-26E in the core business and building Gujarat Gas's slightly revised Sep-25E TP of Rs500/sh (vs Rs475/sh earlier) in the SoTP; retain ADD.

Gujarat State Petronet: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	17,458	20,147	12,874	12,961	13,675
EBITDA	12,584	15,038	9,262	9,200	9,682
Adj. PAT	9,447	12,844	8,177	8,121	8,839
Adj. EPS (Rs)	16.7	22.8	14.5	14.4	0.0
EBITDA margin (%)	72.1	74.6	71.9	71.0	70.8
EBITDA growth (%)	(10.0)	19.5	(38.4)	(0.7)	5.2
Adj. EPS growth (%)	(10.1)	35.9	(36.4)	(0.7)	0.0
RoE (%)	10.7	13.1	7.7	7.3	7.5
RoIC (%)	23.6	26.9	12.4	10.9	10.2
P/E (x)	20.1	14.8	23.2	23.4	21.5
EV/EBITDA (x)	14.6	12.3	19.6	19.5	18.2
P/B (x)	2.0	1.8	1.8	1.7	1.6
FCFF yield (%)	4.2	4.1	1.3	0.7	0.0

Source: Company, Emkay Research

Result Highlights

GSPL's Q1FY25 SA revenue/EBITDA/PAT of Rs3.54/3.01/2.12bn fell 20%/11%/8% YoY and 30%/20%/19% QoQ. Average book tariff realization also fell, by 34% QoQ to Rs0.98/scm, but includes take or pay income. Other Expenses fell 59% YoY/67% QoQ to Rs167mn, while employee cost rose 10% YoY but fell 34% QoQ to Rs177mn. For Q1, GSPL's gas transmission expense fell 60% YoY and 64% QoQ to Rs189mn. Depreciation rose 1% QoQ to Rs490mn. Electricity income was up 2% YoY to Rs103mn. EBITDA/scm fell 27% QoQ (a 23% beat) to Rs0.91 (down 28% YoY). Other Income was higher than expected, at Rs328mn, up 82% YoY. Tax rate was in-line at 25.2%. The share of loss from associates/JVs expanded to Rs149mn from Rs78mn QoQ. PNGRB had revised down GSPL's HP gas grid's levelized tariff to Rs18.1/mmbtu from Rs34.0/mmbtu GCV wef 1-May-24.

Management KTAs

Other Expenditure was lower in Q1FY25 as line-pack and lost & unaccounted gas cost saw reversals, but such costs can increase going ahead. Employee cost was down QoQ as Q4 had year-end payouts. Gas transmission expense fell, as corresponding volumes dropped. Current volumes are >30mmscmd. The company saw increase of Rs20-30mn QoQ in the take or pay income in Q1FY25. Capex of Rs500-600mn in Q1 was not sizable, but the company plans to award projects and increase the capex run-rate, albeit H2FY25 onward at the earliest. The next hearing at APTEL, on the PNGRB tariff order, is likely by Aug-24 end.

Valuation and Outlook

We value GSPL on an SOTP basis, with TP of Rs370/sh, comprising of the core business (using the DCF method) at Rs108/sh (implied Sep-26E target SA P/E of ~8.5x), Gujarat Gas's stake at Rs231/sh, building in a 30% holdco discount to our FV/TP, and Rs31/sh derived from the stake in Sabarmati Gas and new pipelines. Key risks: Adverse oil-gas prices/demand, industrial slowdown, cost overruns, project delays, and regulations.

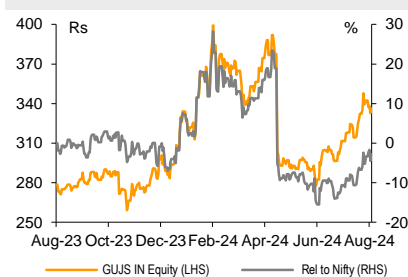
Target Price – 12M	Sep-25
Change in TP (%)	10.5
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	10.1
CMP (08-Aug-24) (Rs)	336.3

Stock Data	Ticker
52-week High (Rs)	407
52-week Low (Rs)	255
Shares outstanding (mn)	564.2
Market-cap (Rs bn)	190
Market-cap (USD mn)	2,260
Net-debt, FY25E (Rs mn)	-7,949
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	528.9
ADTV-3M (USD mn)	6.3
Free float (%)	51.0
Nifty-50	24,117
INR/USD	84.0
Shareholding, Jun-24	
Promoters (%)	37.6
FPIs/MFs (%)	15.9/23.6

Price Performance

(%)	1M	3M	12M
Absolute	7.8	14.5	18.4
Rel. to Nifty	8.7	5.9	(3.9)

1-Year share price trend (Rs)



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Exhibit 1: Actuals vs. Estimates (Q1FY25)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	3,543	3,622	3,944	-2%	-10%	
Adjusted EBITDA	3,010	2,452	3,013	23%	0%	Lower other expenses and net gas cost
EBITDA Margin	84.9%	67.7%	76.4%	1724bps	855bps	
Adjusted Net Profit	2,120	1,678	1,457	26%	46%	Higher other income

Source: Company, Emkay Research

Exhibit 2: Quarterly Summary (Standalone)

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY	QoQ	FY23	FY24	YoY
Reported Net Revenue	4,412	5,293	5,374	5,068	3,543	-20%	-30%	17,458	20,147	15%
Gas Transmission	4,311	5,171	5,333	5,011	3,441	-20%	-31%	17,144	19,826	16%
Sale of Electricity	101	122	41	57	103	2%	80%	314	321	2%
CGD Business/Adj.	-0	-0	-0	-	-0			-0	-0	
OPEX	1,048	1,190	1,583	1,288	533	-49%	-59%	4,873	5,109	5%
Employee Cost	161	169	206	267	177	10%	-34%	722	803	11%
Gas Transmission	475	760	987	521	189	-60%	-64%	2,344	2,744	17%
Others	411	261	389	501	167	-59%	-67%	1,808	1,563	-14%
EBITDA	3,364	4,103	3,792	3,780	3,010	-11%	-20%	12,584	15,038	19%
Depreciation	468	477	488	486	490	5%	1%	1,939	1,920	-1%
EBIT	2,896	3,626	3,303	3,294	2,520	-13%	-23%	10,646	13,118	23%
Interest Cost	10	10	11	19	13	30%	-32%	47	49	6%
Other Income	180	2,663	211	296	328	82%	11%	1,684	3,351	99%
PBT	3,066	6,278	3,504	3,571	2,835	-8%	-21%	12,283	16,419	34%
Exceptional Items	-	-	3	0	-			2	3	
PBT After Exceptionals	3,066	6,278	3,506	3,571	2,835	-8%	-21%	12,286	16,422	34%
Current Tax	785	972	892	964	713	-9%	-26%	2,823	3,612	28%
Deferred Tax	-11	-14	-7	-4	1			13	-37	
Total Tax	773	958	884	960	715	-8%	-25%	2,836	3,576	26%
Reported PAT	2,293	5,320	2,622	2,611	2,120	-8%	-19%	9,450	12,846	36%
Reported EPS (Rs)	4.1	9.4	4.6	4.6	3.8	-8%	-19%	16.7	22.8	36%
Adjusted PAT	2,293	5,320	2,619	2,611	2,120	-8%	-19%	9,447	12,844	36%
Adjusted EPS (Rs)	4.1	9.4	4.6	4.6	3.8	-8%	-19%	16.7	22.8	36%
Shares O/S (mn)	564	564	564	564	564	0%	0%	564	564	0%
EBITDA Margin	76%	78%	71%	75%	85%			72%	75%	
NPM	52%	101%	49%	52%	60%			54%	64%	
Effective Tax Rate	25%	15%	25%	27%	25%			23%	22%	
Gas Volumes (mmscmd)	29.4	30.2	29.0	33.4	36.4	24%	9%	25.4	30.5	20%
CGD Share	35%	36%	37%	34%	35%			37%	36%	
Refinery/Petchem Share	22%	18%	22%	26%	21%			29%	22%	
Fertilizer Share	12%	15%	16%	14%	12%			14%	14%	
Power Share	14%	14%	8%	9%	18%			4%	11%	
Other Segments Share	17%	17%	16%	17%	15%			15%	17%	
Adjusted Tariff (Rs/scm)	1.44	1.59	1.63	1.48	0.98	-32%	-34%	1.60	1.53	-4%
Adjusted OPEX/scm (Rs)	0.21	0.15	0.22	0.25	0.10	-51%	-59%	0.27	0.21	-22%
EBITDA/scm (Rs)	1.26	1.48	1.42	1.24	0.91	-28%	-27%	1.36	1.35	-1%

Source: Company, Emkay Research

Exhibit 3: Change in assumptions

	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Adj Tariff (Rs/mscm)	842	919	9%	792	873	10%	873
Growth	-45%	-40%	500bps	-6%	-5%	100bps	0%
Volumes (mmscmd)	34.0	34.0	0%	36.0	36.0	0%	38.0
Growth	12%	12%	0bps	6%	6%	0bps	6%

Source: Company, Emkay Research

Exhibit 4: Change in estimates

(Rs mn)	FY25E			FY26E			FY27E
	Previous	Revised	Variance	Previous	Revised	Variance	Introduced
Revenue	12,874	12,874	0%	12,828	12,961	1%	13,675
EBITDA	8,196	9,262	13%	8,015	9,200	15%	9,682
EBITDA Margins	63.7%	71.9%	828bps	62.5%	71.0%	851bps	70.8%
PAT	7,380	8,177	11%	7,234	8,121	12%	8,839
EPS (Rs)	13.1	14.5	11%	12.8	14.4	12%	15.6

Source: Company, Emkay Research

Exhibit 5: DCF-based valuation of the core business (Sep-25E)

DCF Assumptions		Rs mn
Risk Free Rate	7.0%	NPV Of FCF (Sep '26-Sep '37)
Risk Premium	5.3%	Terminal Value
Beta	0.9	PV Of TV
Cost Of Equity	11.8%	Total Value
Cost Of Debt	9.0%	Less: Net Debt (Sep-25E)
Post Tax Cost Of Debt	6.8%	Equity Value
Average Debt:Equity Ratio	0.0%	No. Of Shares O/S (mn)
WACC	11.8%	Core Business FV (Rs)
Terminal Growth Rate	0.0%	

Source: Company, Emkay Research

Exhibit 6: Value of Gujarat Gas's stake

Gujarat Gas at FV (Rs mn)	
FV (Rs/sh)	500
No. Of Shares O/S (mn)	689
FV of GGL	344,500
At 30% HoldCo Disc.	241,150
GSPL's Stake	54.2%
GSPL's Value	130,631
GSPL's Shares O/S (mn)	565
Value/sh For GSPL (Rs)	231

Source: Company, Emkay Research

Exhibit 7: SOTP-based valuation

Parts (Rs)	Method	Value
Core Gujarat Business	DCF Based	108
Gujarat Gas Stake	FV Based	231
3 New Pipelines	DCF Based	17
Sabarmati Gas	PE Based	13
Target Price (Rs/share)		370

Source: Company, Emkay Research

Gujarat State Petronet: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	17,458	20,147	12,874	12,961	13,675
Revenue growth (%)	(13.6)	15.4	(36.1)	0.7	5.5
EBITDA	12,584	15,038	9,262	9,200	9,682
EBITDA growth (%)	(10.0)	19.5	(38.4)	(0.7)	5.2
Depreciation & Amortization	1,939	1,920	2,068	2,329	2,608
EBIT	10,645	13,118	7,193	6,871	7,074
EBIT growth (%)	(11.4)	23.2	(45.2)	(4.5)	2.9
Other operating income	0	0	0	0	0
Other income	1,684	3,351	3,776	4,020	4,775
Financial expense	46	49	38	35	32
PBT	12,283	16,419	10,932	10,857	11,817
Extraordinary items	2	3	0	0	0
Taxes	2,836	3,576	2,755	2,736	2,978
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	9,452	12,849	8,177	8,121	8,839
PAT growth (%)	(10.1)	35.9	(36.4)	(0.7)	8.8
Adjusted PAT	9,447	12,844	8,177	8,121	8,839
Diluted EPS (Rs)	16.7	22.8	14.5	14.4	0.0
Diluted EPS growth (%)	(10.1)	35.9	(36.4)	(0.7)	0.0
DPS (Rs)	5.0	5.0	4.3	4.3	4.7
Dividend payout (%)	29.8	22.0	30.0	30.0	30.0
EBITDA margin (%)	72.1	74.6	71.9	71.0	70.8
EBIT margin (%)	61.0	65.1	55.9	53.0	51.7
Effective tax rate (%)	23.1	21.8	25.2	25.2	25.2
NOPLAT (pre-IndAS)	8,185	10,259	5,381	5,140	0
Shares outstanding (mn)	564.2	564.2	564.5	564.8	565.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	12,283	16,419	10,932	10,857	11,817
Others (non-cash items)	392	(1,272)	(1,670)	(1,656)	(2,135)
Taxes paid	(2,741)	(3,534)	(2,790)	(2,769)	(3,009)
Change in NWC	(274)	109	934	(238)	(348)
Operating cash flow	9,664	11,724	7,407	6,194	6,325
Capital expenditure	(1,892)	(4,157)	(5,000)	(5,000)	(5,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	1,137	3,249	3,776	4,020	0
Investing cash flow	(1,585)	(11,064)	(1,224)	(980)	(225)
Equity raised/(repaid)	0	0	3	3	3
Debt raised/(repaid)	(886)	(13)	(10)	(10)	(10)
Payment of lease liabilities	(9)	(9)	(9)	(9)	0
Interest paid	(12)	(9)	(38)	(35)	(32)
Dividend paid (incl tax)	(1,128)	(2,821)	(2,453)	(2,436)	(2,652)
Others	0	0	0	0	0
Financing cash flow	(2,026)	(2,843)	(2,498)	(2,478)	(2,691)
Net chg in Cash	6,053	(2,182)	3,685	2,736	3,410
OCF	9,664	11,724	7,407	6,194	0
Adj. OCF (w/o NWC chg.)	9,937	11,616	6,472	6,431	0
FCFF	7,772	7,567	2,407	1,194	1,325
FCFE	8,863	10,766	6,145	5,179	0
OCF/EBITDA (%)	76.8	78.0	80.0	67.3	0.0
FCFE/PAT (%)	93.8	83.8	75.1	63.8	0.0
FCFF/NOPLAT (%)	94.9	73.8	44.7	23.2	0.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	5,642	5,642	5,645	5,648	5,651
Reserves & Surplus	87,090	97,059	102,782	108,467	114,654
Net worth	92,732	102,701	108,427	114,115	120,305
Minority interests	0	0	0	0	0
Deferred tax liability (net)	4,238	4,159	4,125	4,092	4,060
Total debt	473	480	470	460	450
Total liabilities & equity	97,443	107,340	113,022	118,667	124,815
Net tangible fixed assets	29,826	28,626	33,081	36,971	0
Net intangible assets	1,434	1,434	1,434	1,434	0
Net ROU assets	292	292	292	292	0
Capital WIP	4,257	7,618	6,095	4,876	2,438
Goodwill	0	0	0	0	0
Investments [JV/Associates]	51,700	53,297	53,297	53,297	53,297
Cash & equivalents	6,917	4,734	8,419	11,155	0
Current assets (ex-cash)	6,457	14,806	13,804	14,095	14,504
Current Liab. & Prov.	3,440	3,468	3,400	3,454	3,515
NWC (ex-cash)	3,017	11,338	10,403	10,641	10,989
Total assets	97,443	107,340	113,022	118,667	124,815
Net debt	(6,444)	(4,254)	(7,949)	(10,694)	(14,114)
Capital employed	97,443	107,340	113,022	118,667	124,815
Invested capital	34,569	41,690	45,211	49,339	54,516
BVPS (Rs)	164.4	182.0	192.1	202.1	212.9
Net Debt/Equity (x)	(0.1)	0.0	(0.1)	(0.1)	(0.1)
Net Debt/EBITDA (x)	(0.5)	(0.3)	(0.9)	(1.2)	(1.5)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	13.2	16.1	10.0	9.4	9.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	20.1	14.8	23.2	23.4	21.5
P/CE(x)	16.7	12.9	18.5	18.2	16.6
P/B (x)	2.0	1.8	1.8	1.7	1.6
EV/Sales (x)	10.5	9.2	14.1	13.8	12.9
EV/EBITDA (x)	14.6	12.3	19.6	19.5	18.2
EV/EBIT(x)	17.2	14.1	25.3	26.1	24.9
EV/IC (x)	5.3	4.4	4.0	3.6	3.2
FCFF yield (%)	4.2	4.1	1.3	0.7	0.0
FCFE yield (%)	4.7	5.7	3.2	2.7	0.0
Dividend yield (%)	1.5	1.5	1.3	1.3	1.4
DuPont-RoE split					
Net profit margin (%)	54.1	63.7	63.5	62.7	64.6
Total asset turnover (x)	0.2	0.2	0.1	0.1	0.1
Assets/Equity (x)	1.1	1.0	1.0	1.0	1.0
RoE (%)	10.7	13.1	7.7	7.3	7.5
DuPont-RoIC					
NOPLAT margin (%)	46.9	50.9	41.8	39.7	38.7
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	23.6	26.9	12.4	10.9	10.2
Operating metrics					
Core NWC days	36.3	37.0	37.0	37.0	0.0
Total NWC days	36.3	37.0	37.0	37.0	37.0
Fixed asset turnover	0.4	0.4	0.3	0.2	0.2
Opex-to-revenue (%)	27.9	25.4	28.1	29.0	0.0

Source: Company, Emkay Research

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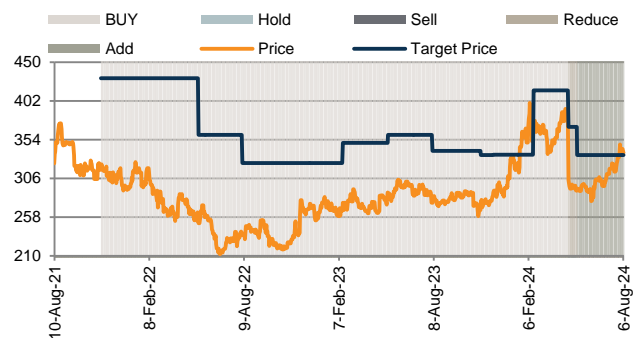
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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-May-24	291	335	Add	Sabri Hazarika
22-Apr-24	304	370	Reduce	Sabri Hazarika
15-Feb-24	374	415	Buy	Sabri Hazarika
03-Jan-24	326	335	Buy	Sabri Hazarika
30-Nov-23	289	335	Buy	Sabri Hazarika
06-Nov-23	273	335	Buy	Sabri Hazarika
05-Aug-23	276	340	Buy	Sabri Hazarika
13-Jul-23	292	360	Buy	Sabri Hazarika
12-May-23	287	360	Buy	Sabri Hazarika
14-Feb-23	276	350	Buy	Sabri Hazarika
22-Nov-22	238	325	Buy	Sabri Hazarika
11-Nov-22	233	325	Buy	Sabri Hazarika
05-Aug-22	236	325	Buy	Sabri Hazarika
13-May-22	250	360	Buy	Sabri Hazarika
11-Feb-22	298	430	Buy	Sabri Hazarika
23-Nov-21	309	430	Buy	Sabri Hazarika
07-Nov-21	316	430	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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