

# Gujarat Gas

## Estimate changes

### TP change

### Rating change



Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USD\$)	296.7 / 3.4
52-Week Range (INR)	690 / 360
1, 6, 12 Rel. Per (%)	-8/-12/-36
12M Avg Val (INR M)	548

## Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	164.9	155.1	174.4
EBITDA	18.8	19.6	21.9
PAT	11.5	11.6	13.3
EPS (INR)	16.6	16.8	19.3
EPS Gr. (%)	4.0	1.1	14.9
BV/Sh.(INR)	122.8	133.9	146.7

## Ratios

Net D:E	0.0	-0.1	-0.1
RoE (%)	14.2	13.1	13.8
RoCE (%)	19.6	17.9	18.7
Payout (%)	34.0	34.0	34.0

## Valuations

P/E (x)	25.8	25.6	22.3
P/BV (x)	3.5	3.2	2.9
EV/EBITDA (x)	15.6	14.8	13.0
Div. Yield (%)	1.3	1.3	1.5
FCF Yield (%)	3.6	1.9	2.5

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	60.9	60.9	60.9
DII	22.0	21.8	21.8
FII	3.9	4.0	4.3
Others	13.3	13.3	13.0

FII Includes depository receipts

**CMP: INR431**
**TP: INR500 (+16%)**
**Buy**

## Near-term pressure; volume uptick crucial

- GUJGA's volumes came in ~0.6mmscmd below our estimate at 8.9mmscmd in 1QFY26, as I&C-PNG volumes stood 7% below estimate. Morbi volumes declined by ~0.4mmscmd QoQ to 2.5mmscmd, primarily due to a shift by customers toward cheaper alternate fuel. EBITDA/scm margin improved by ~INR1.1 QoQ to INR6.4 (in line with estimates), largely supported by a reduction in raw material costs.
- Industrial volumes would remain under pressure in the near term, as Propane prices soften and spot LNG prices remain high. Hence, we cut our I&C-PNG volume assumption for FY26/27 by 0.6/0.9mmscmd to 4.9/5.4mmscmd. We maintain our EBITDA/scm margin assumption at INR5.9 for both FY26/27. Overall, we cut our EPS estimates by 8%/9% for FY26/27. While we have not factored in any earnings contribution from the newly announced initiative of selling propane in Morbi and other industrial areas, this remains a key upside risk to our current estimates.
- GUJGA currently trades at 22.8x 1yr fwd. P/E, below its LTA of 25.3x. The stock could be under pressure in the near term due to a clouded volume growth outlook. We value the stock at 26x FY27E EPS of INR19.3 to arrive at a TP of INR500/sh.

## Other key takeaways from the conference call

- 2Q volumes will be lower QoQ due to geopolitical tensions and Janmashtami festival (current volumes: 2.3-2.5mmscmd).
- GUJGA is targeting 1.2-1.3mmscmd of propane sales by FY26end, and then plans to scale this up in FY27.
- CNG volumes grew 10%/27% YoY in Gujarat/other areas.
- In 1QFY26, the gas sourcing split for total volumes was 38%/34%/28% of long-term/spot LNG/domestic gas. APM allocation to CNG stood at 41%.
- INR1.2b capex was incurred in 1QFY26. Management maintained its FY26 capex guidance of INR8-10b.
- GSPC clocked volumes of ~12.5mmscmd in FY25.
- The scheme of amalgamation and merger is expected to be completed in 3QFY26. The scheme was filed with MCA for approval in Feb'25.

## EBITDA miss attributed to soft volume performance

- Total volumes declined 19% YoY to 8.9mmscmd, below our est. of 9.5mmscmd.
- CNG volumes were in line with our estimate, whereas I&C-PNG volumes came in 7% below estimates.
- EBITDA/scm came in marginally below our est. at INR6.4.
- Realization fell INR1.1/scm QoQ, while gas cost/opex declined by INR1.7/INR0.5 per scm QoQ, leading to ~INR1.1/scm QoQ increase in EBITDA/scm margin.
- Resultant EBITDA stood 8% below our estimate at INR5.2b (flat YoY).
- PAT came in line with our est. at INR3.3b (flat YoY), driven by higher-than-estimated other income.

### GUJGA press release KTAs:

#### ■ GUJGA expands into propane/LPG sales:

- With a vision to become a comprehensive energy solutions provider and a strong focus on empowering communities, businesses, and industries, the board of GUJGA has approved the sourcing and sale of propane/LPG to industrial customers. This move reinforces the company's customer-centric approach and commitment to meeting diverse energy needs.

#### ■ Quarterly operational performance:

- CNG segment maintained strong growth momentum, with volumes rising 12% YoY to a record 3.33mmcmd in 1QFY26, supported by a network of 830 CNG stations.
- GUJGA is actively expanding through the FDODO model, having signed 69 agreements with various dealers to date, which is expected to further accelerate growth.
- In 1Q, the company added over 35,000 new D-PNG connections, taking the total number of households served to more than 2.3m.

### 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 22.3x FY27E and EV/EBITDA of 13x for FY27E. **We reiterate our BUY rating on the stock with a TP of INR500, valuing it at 26x FY27E EPS.**

### Standalone - Quarterly Earning Model

Y/E March	FY25				FY26E				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY25	FY26E	FY26	Var (%)
<b>Net Sales</b>	<b>44,503</b>	<b>37,818</b>	<b>41,529</b>	<b>41,020</b>	<b>38,709</b>	<b>37,636</b>	<b>38,700</b>	<b>40,044</b>	<b>164,870</b>	<b>155,089</b>	<b>41,963</b>	<b>-8%</b>
YoY Change (%)	17.7	-1.7	5.7	-0.8	-13.0	-0.5	-6.8	-2.4	5.1	-5.9	-5.7	
<b>EBITDA</b>	<b>5,356</b>	<b>5,142</b>	<b>3,805</b>	<b>4,495</b>	<b>5,199</b>	<b>4,641</b>	<b>4,808</b>	<b>4,912</b>	<b>18,798</b>	<b>19,560</b>	<b>5,628</b>	<b>-8%</b>
Margin (%)	12.0	13.6	9.2	11.0	13.4	12.3	12.4	12.3	11.4	12.6	13.4	
Depreciation	1,231	1,295	1,294	1,286	1,314	1,357	1,355	1,321	5,106	5,348	1,289	
Interest	78	80	93	74	79	75	87	64	325	305	73	
Other Income	386	386	585	744	594	288	438	251	2,100	1,571	254	
<b>PBT</b>	<b>4,433</b>	<b>4,152</b>	<b>3,002</b>	<b>3,878</b>	<b>4,399</b>	<b>3,498</b>	<b>3,803</b>	<b>3,778</b>	<b>15,466</b>	<b>15,478</b>	<b>4,520</b>	<b>-3%</b>
Rate (%)	25.6	26.1	26.2	26.0	25.7	25.2	25.2	24.5	25.9	25.2	25.2	
<b>Adj. PAT</b>	<b>3,298</b>	<b>3,069</b>	<b>2,216</b>	<b>2,872</b>	<b>3,268</b>	<b>2,617</b>	<b>2,845</b>	<b>2,853</b>	<b>11,455</b>	<b>11,582</b>	<b>3,381</b>	<b>-3%</b>
YoY Change (%)	53.3	3.1	0.6	-22.0	-0.9	-14.7	28.4	-0.6	4.0	1.1	2.5	
<b>Total volume (mmcmd)</b>	<b>11.0</b>	<b>8.8</b>	<b>9.5</b>	<b>9.3</b>	<b>8.9</b>	<b>8.8</b>	<b>9.1</b>	<b>9.6</b>	<b>9.6</b>	<b>9.1</b>	<b>9.5</b>	<b>-7%</b>
CNG	3.0	2.9	3.1	3.2	3.3	3.4	3.5	3.6	3.1	3.2	3.4	-3%
PNG — Industrial/Commercial	7.4	5.1	5.6	5.2	4.9	4.7	4.9	5.2	5.8	5.2	5.2	-7%
PNG — Households	0.6	0.8	0.7	0.9	0.7	0.7	0.7	0.8	0.8	0.8	0.9	-25%
<b>EBITDA (INR/scm)</b>	<b>5.4</b>	<b>6.4</b>	<b>4.4</b>	<b>5.4</b>	<b>6.4</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.4</b>	<b>5.6</b>	<b>6.6</b>	<b>-2%</b>