

August 08, 2024

**RESULT REPORT Q1 FY25** | Sector: Energy

# Gujarat State Petronet Ltd

## Weaker than expected volumes; a decline in tariff impacts the earning

### Our View

GSPL's Q1FY25 performance presents a weak picture, EBITDA and PAT witnessed YoY de-growth of 10.5%/7.5% and 20.4%/18.8% QoQ despite an increase in volumes due to a sharp decline in tariffs. Volumes at 36.4mmscmd was lower than our expectations of 39.8mmscmd, on lower-than-expected power and refinery sector demand. However, the tariffs at (Rs 0.982/scm) were close to our expectations of (Rs 0.972/scm). There was strong power sector volumes in May'24 which started to decline from Jun'24 as summer peak demand came down. In Q2FY25, GUJGA highlighted of a 30-40% decline in Morbi volumes which will further reduce volumes for GSPL. While managing cost pressures remains crucial, we maintain a NEUTRAL rating on GSPL with a revised target price of Rs 353 (earlier Rs 329).

### Result Highlights

- EBITDA/PAT at Rs 3.0/2.1bn, down 10.5%/7.5% YoY on a sharp decline in tariffs despite better volumes; and 20.4%/18.8% QoQ again on lower tariffs despite an increase in volumes. The EBITDA performance is lower than our estimates on lower-than-expected volumes while tariffs estimates stood closer to ours. The other expenses declined sharply (as gas transmission expenses in Q1FY25 declined to Rs 189mn vs Rs 521mn in Q4FY24 and Q1FY24 of Rs 475mn).
- Transmission revenues stood at Rs 3,250mn adjusted for gas transmission expense (Rs 189mn) was down by 60.2% YoY and 63.7% QoQ.
- The overall volumes for the quarter at 36.39mmscmd, were up 23.9%YoY and 9.1% QoQ (Q4FY24 – 33.37mmscmd and Q1FY24 – 29.37mmscmd), was weaker than our est. of 39.8mmscmd on lower-than-expected power and refinery sector demand. The volumes sequentially increased by 3mmscmd mainly driven by power sector which was up by 3.4mmscmd and CGD by 1.2. Overall, the YoY increase was 7mmscmd, driven by all sectors – power/CGD which was up 2.3/2.2mmscmd; fertilizer/refinery 1.0/0.9; others 0.5.
- EBITDA/PAT Rs/mmscmd at 83/58 was down 27.8/25.4% YoY and 27%/25.6% QoQ on a sharp decline in tariffs.
- The gas transmission expense of Rs 189mn, which is a pass-through, adjusted for the same which has resulted in a tariff of Rs 0.982/scm (our expected at 0.972), which is lower 31.6% YoY and 34.3% QoQ.
- PNGRB had issued a tariff order on 19<sup>th</sup> April'24 where the levelized tariff of GSPL's HP gas was revised from Rs 34/MMBTU to Rs 18.10/MMBTU. The revised tariff was applicable from 1<sup>st</sup> May'24.
- The other income at Rs 328mn was up 81.8% YoY and 10.7% QoQ.

### Valuation

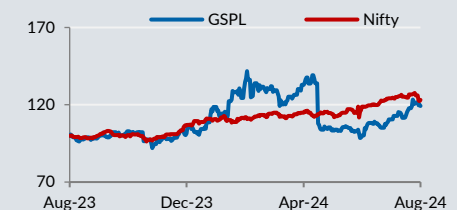
GSPL's FY24-26e EBITDA would decline at a CAGR of -5.5% despite a 10.2% volume growth due to a sharp fall in tariffs. At the CMP, the stock trades at 14.3x/12.5x FY25e/FY26e EV/ EBITDA and 1.7x/1.6x P/BV (excl. investments, it trades at 6.4x/5.3x FY25e/FY26e EV/EBITDA and 0.8x/0.8x P/BV). We maintain a NEUTRAL rating on the stock, at a revised TP of Rs353 (329 earlier), valuing it on a sum-of-parts basis (core business at Rs182 at 6.0x EV/EBITDA, investment value in GUJGA at Rs171).

Reco	: <b>NEUTRAL</b>
CMP	: Rs 336
Target Price	: Rs 353
Potential Return	: +4.9%

### Stock data (as on Aug 8, 2024)

Nifty	24,117
52 Week h/l (Rs)	407 / 255
Market cap (Rs/USD mn)	187713 / 2236
Outstanding Shares (mn)	564
6m Avg t/o (Rs mn):	652
Div yield (%):	1.7
Bloomberg code:	GUJS IN
NSE code:	GSPL

### Stock performance



	1M	3M	1Y
Absolute return	7.8%	14.5%	18.4%

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

Promoter	37.6%
FII+DII	42.4%
Others	20.0%

### Δ in stance

(1-Yr)	New	Old
Rating	NEUTRAL	NEUTRAL
Target Price	353	329

### Δ in estimates

(1-Yr)	FY25e	FY26e
EPS (New)	18.2	19.7
EPS (Old)	18.2	19.7
% Change	-	-

### Financial Summary

(Rs bn)	FY24	FY25E	FY26E
Revenue	20.3	18.3	19.9
YoY Growth	15.3	(10.0)	8.7
EBIDTA	15.0	12.3	13.4
OPM %	74.0	67.0	67.7
PAT	12.8	10.3	11.1
YoY Growth	35.9	(20.0)	8.3
ROE	13.1	9.7	9.7
EPS	22.8	18.2	19.7
P/E	14.8	18.4	17.0
BV	182.1	195.3	210.1
EV/EBITDA	12.3	14.3	12.5

### HARSHRAJ AGGARWAL

Lead Analyst

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## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	3,543	4,340	4,074	-18.35	-13.03	Weaker than expected volumes; a decline in tariff impacts the earning
EBITDA	3,010	3,198	2,999	-5.87	0.38	
EBITDA Margin (%)	84.95	73.69	73.60	1126bps	1135bps	
Adjusted PAT	2,120	2,116	1,791	0.20	18.35	

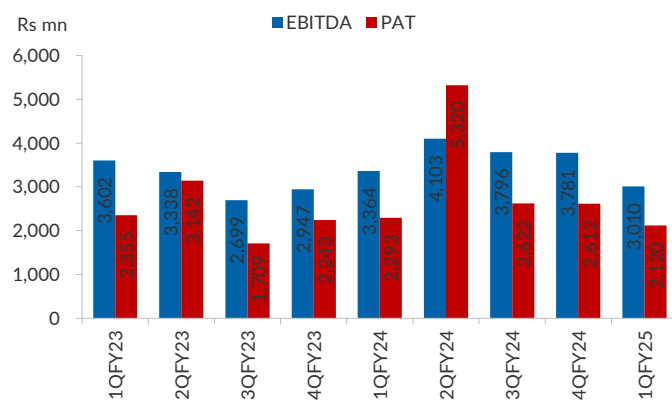
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Revenue	4,412	5,293	5,542	5,068	3,543	(19.7)	(30.1)	17,618	20,315	15.3
Expenditure	1,047	1,190	1,746	1,287	533	(49.1)	(58.6)	5,031	5,272	4.8
-Raw Material	-	-	165	(1)	-			158	164	(15,011.6)
-Staff Cost	161	169	206	267	177	9.8	(33.6)	722	803	11.1
- Other Expenses	886	1,022	1,375	1,022	356	(59.8)	(65.1)	4,151	4,305	3.7
Operating Profit	3,364	4,103	3,796	3,781	3,010	(10.5)	(20.4)	12,587	15,044	19.5
OPM(%)	76.3	77.5	68.5	74.6	84.9	869 bps	1035 bps	71.4	74.1	261 bps
Other Income	180	2,663	211	296	328	81.8	10.7	1,684	3,351	99.0
Depreciation	468	477	488	486	490	4.7	0.8	1,939	1,920	(1.0)
Interest	10	10	12	19	13	24.7	(32.3)	47	51	9.4
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	-	-	n.a.
PBT	3,066	6,278	3,506	3,572	2,835	(7.5)	(20.6)	12,286	16,423	33.7
Tax	773	958	884	960	715	(7.5)	(25.5)	2,836	3,576	26.1
PAT	2,293	5,320	2,622	2,612	2,120	(7.5)	(18.8)	9,450	12,847	36.0
Adj PAT	2,293	5,320	2,622	2,612	2,120	(7.5)	(18.8)	9,450	12,847	36.0

## Exhibit 3: Operating highlights

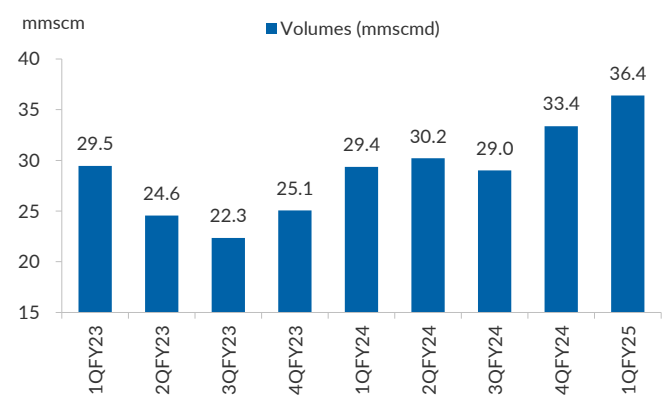
Particulars	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Industry wise consumption - mmscmd										
Power	4.0	4.1	2.5	2.9	6.4	57.9	116.6	1.0	3.4	224.1
Refinery	6.6	5.5	6.4	8.7	7.5	14.5	(13.9)	7.4	6.8	(8.3)
CGD	10.4	10.8	10.9	11.4	12.6	20.8	10.2	9.5	10.9	14.7
Fertilizers	3.4	4.6	4.7	4.6	4.5	30.0	(3.4)	3.6	4.3	20.1
Others	4.9	5.2	4.6	5.6	5.4	10.8	(3.7)	3.8	5.1	33.9
Total	29.4	30.2	29.0	33.4	36.4	23.9	9.1	25.4	30.5	20.2
Rs/mmscmd										
Tariff (Rs/scm)	1.4	1.6	1.6	1.5	1.0	(31.6)	(34.3)	1.6	1.5	(5.0)
Pipeline utilization %	69.9	71.9	69.1	79.5	86.6	23.9	9.1	60.4	72.6	20.2
Revenue										
Revenue	146.8	171.2	183.8	150.2	94.5	(35.6)	(37.0)	694.7	666.3	(4.1)
EBITDA	114.5	135.9	130.8	113.3	82.7	(27.8)	(27.0)	496.3	493.4	(0.6)
PBT	104.4	207.9	120.8	107.0	77.9	(25.4)	(27.2)	123.7	72.0	(41.8)
PAT	78.1	176.2	90.3	78.3	58.3	(25.4)	(25.6)	372.6	421.4	13.1

**Exhibit 4: EBITDA and PAT**



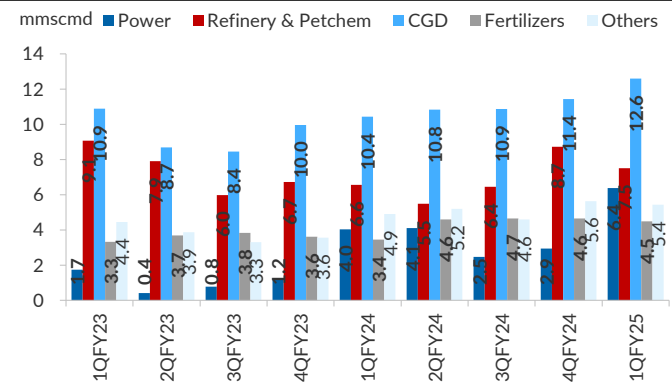
Source: Company, YES Sec

**Exhibit 5: Gas transmission volumes**



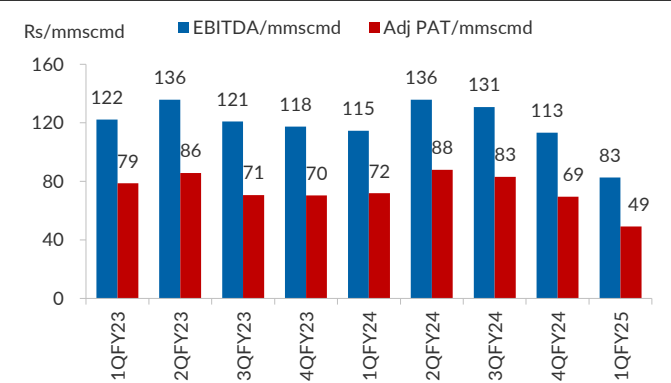
Source: Company, YES Sec

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



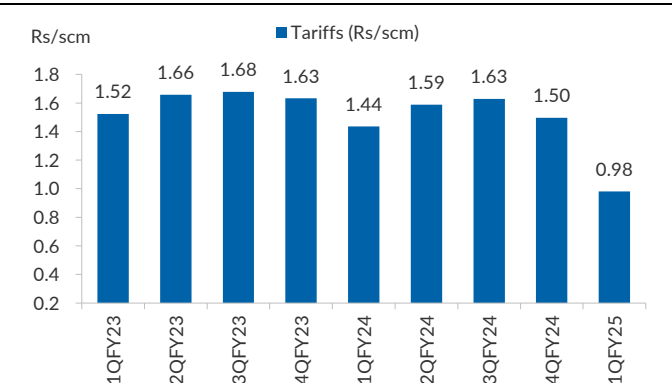
Source: Company, YES Sec

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



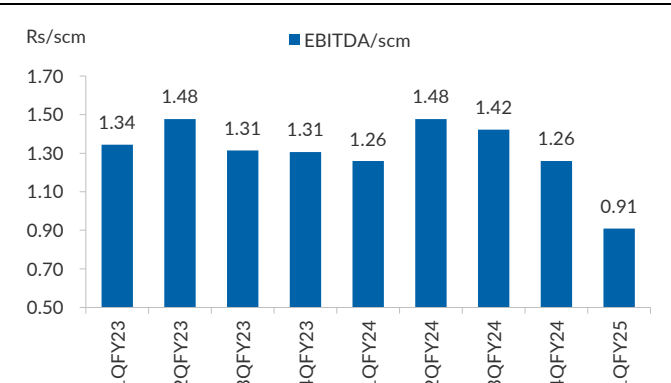
Source: Company, YES Sec

**Exhibit 8: Transmission tariffs**



Source: Company, YES Sec

**Exhibit 9: EBITDA/scm**



Source: Company, YES Sec

## VIEW & VALUATION

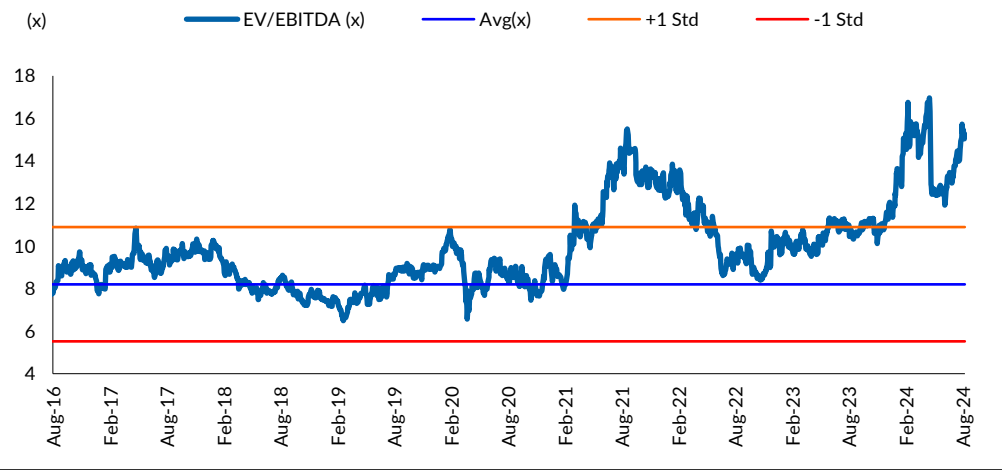
### NEUTRAL with a Target Price of Rs 353/sh

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#### Exhibit 10: Valuation table

Valuation	FY26E
<b>Core value ( Standalone)</b>	
EBITDA	13,445
Multiple	6.0
EV	80,670
Debt	0
Cash	21,704
Equity value	102,374
Core value (Rs/share)	182
<b>Gujarat Gas</b>	
Target Mcap	600
Target Mcap	412,899
GSPL Stake @54.17%	223,667
Value to GSPL (at 60% Holdco discount)	89,467
Per share value to GSPL	159
<b>Sabarmati Gas</b>	
Profits	347
Multiple (x)	20.0
Value	6,930
GSPL stake/share (30% discount)	3
<b>Cross Country Pipeline</b>	
Book Value	10,154
P/B	0.5
Value	5,077
Fair Value (Rs/share)	9
<b>Total Fair Value</b>	<b>353</b>

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



## FINANCIALS

### Exhibit 12: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	20,200	17,618	20,315	18,279	19,870
Total Expense	6,224	5,031	5,275	6,025	6,425
Operating Profit	13,976	12,587	15,041	12,254	13,445
Other Income	1,045	1,684	3,351	3,512	3,524
Depreciation	1,960	1,939	1,920	1,977	2,043
EBIT	13,061	12,332	16,471	13,789	14,926
Interest	313	47	49	49	49
Extraordinary Item	-	-	-	-	-
PBT	12,748	12,286	16,422	13,739	14,876
Tax	2,958	2,836	3,576	3,458	3,744
PAT	9,791	9,450	12,846	10,281	11,132
Adj. PAT	9,791	9,450	12,846	10,281	11,132
Eps	17.4	16.8	22.8	18.2	19.7

### Exhibit 13: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	5,642	5,642	5,642	5,642	5,642
Reserves	78,787	87,090	97,059	104,520	112,832
Net worth	84,429	92,732	102,701	110,162	118,474
Debt	877	-	-	-	-
Deferred tax liab (net)	4,250	4,238	4,159	4,159	4,159
Capital Employed	89,557	96,970	106,860	114,321	122,633
Fixed assets	35,785	35,809	37,971	37,407	37,175
Investments	51,737	51,700	53,297	53,297	53,297
Net working capital	2,034	9,461	15,592	23,617	32,161
Inventories	1,890	2,121	2,108	1,897	2,062
Sundry debtors	1,295	1,440	1,412	1,271	1,381
Cash & Bank Balance	864	6,917	4,734	14,268	21,704
Other current assets	1,828	2,896	11,285	10,154	11,038
Sundry creditors	654	510	375	432	458
Other liabilities	3,189	3,403	3,573	3,541	3,566
Application of Funds	89,557	96,970	106,860	114,321	122,633

## Exhibit 14: Cash flow statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	13,165	12,286	16,422	13,739	14,876
Depreciation & amortization	1,960	1,939	1,920	1,977	2,043
Interest expense	313	46	49	49	49
(Inc)/Dec in working capital	(912)	(1,542)	(3,204)	-	-
Tax paid	(202)	(274)	109	1,508	(1,108)
Less: Interest/Dividend Income Received	(3,062)	(2,741)	(3,534)	(3,458)	(3,744)
Other operating Cash Flow	(510)	(50)	(37)	-	-
<b>Cash flow from operating activities</b>	<b>10,752</b>	<b>9,664</b>	<b>11,724</b>	<b>13,816</b>	<b>12,116</b>
Capital expenditure	(804)	(19,182)	(4,164)	(1,413)	(1,812)
Inc/(Dec) in investments	912	1,137	3,249	-	-
Add: Interest/Dividend Income Received	(144)	11,026	(9,241)	-	-
<b>Cash flow from investing activities</b>	<b>(36)</b>	<b>(7,019)</b>	<b>(10,156)</b>	<b>(1,413)</b>	<b>(1,812)</b>
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(9,358)	(891)	8	-	-
Interest Paid	(337)	(6)	(5)	(49)	(49)
Dividend Paid	(1,128)	(1,128)	(2,821)	(2,820)	(2,820)
Others	-	-	(25)	-	-
<b>Cash flow from financing activities</b>	<b>(10,823)</b>	<b>(2,026)</b>	<b>(2,843)</b>	<b>(2,869)</b>	<b>(2,869)</b>
<b>Net cash flow</b>	<b>(107)</b>	<b>619</b>	<b>(1,274)</b>	<b>9,534</b>	<b>7,436</b>

## Exhibit 15: Du-pont analysis

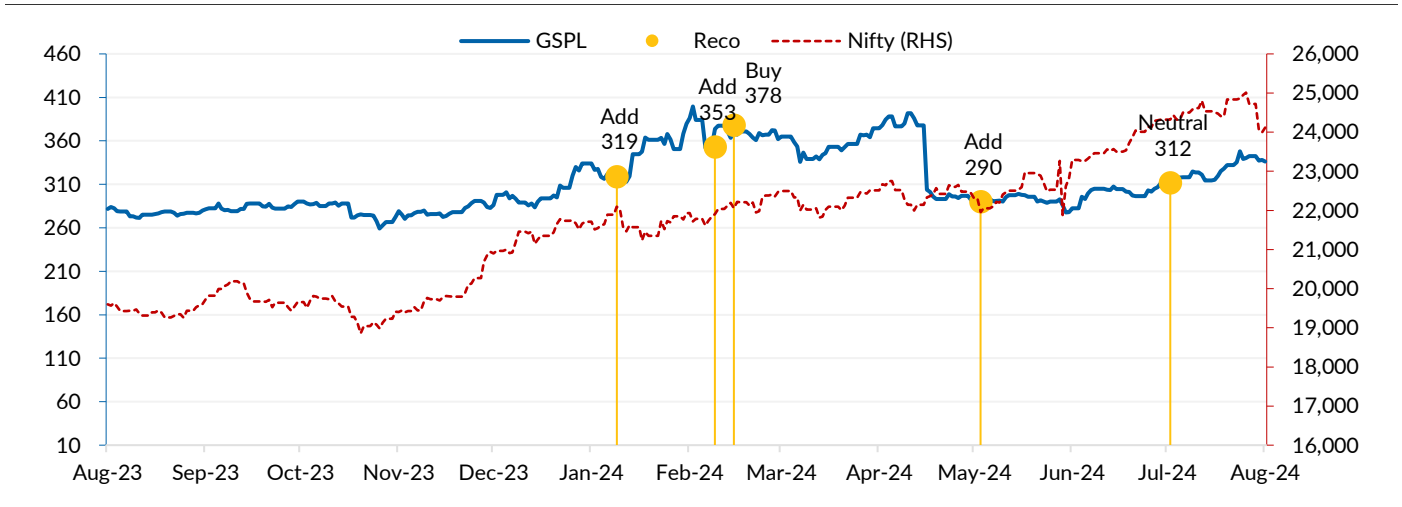
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.8	0.8	0.8	0.7	0.7
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.6	0.7	0.8	0.8	0.8
Asset turnover (x)	0.2	0.2	0.2	0.2	0.2
Financial leverage (x)	1.2	1.1	1.1	1.1	1.1
RoE (%)	12.2	10.7	13.1	9.7	9.7

## Exhibit 16: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	(2.9)	(12.8)	15.3	(10.0)	8.7
Op profit growth	(5.1)	(9.9)	19.5	(18.5)	9.7
EBIT growth	(2.5)	(5.6)	33.6	(16.3)	8.2
Net profit growth	5.2	(3.5)	35.9	(20.0)	8.3
<b>Profitability ratios (%)</b>					
OPM	69.2	71.4	74.0	67.0	67.7
EBIT margin	64.7	70.0	81.1	75.4	75.1
Net profit margin	48.5	53.6	63.2	56.2	56.0
RoCE	14.6	13.2	16.2	12.5	12.6
RoE	12.2	10.7	13.1	9.7	9.7
RoA	10.5	9.7	12.1	9.0	9.1
<b>Per share ratios</b>					
EPS	17.4	16.8	22.8	18.2	19.7
Dividend per share	2.0	5.0	5.0	5.0	5.0
Cash EPS	20.8	20.2	26.2	21.7	23.4
Book value per share	149.7	164.4	182.1	195.3	210.1
<b>Valuation ratios</b>					
P/E	19.4	20.1	14.8	18.4	17.0
P/CEPS	16.1	16.6	12.8	15.5	14.4
P/B	2.2	2.0	1.8	1.7	1.6
EV/EBIDTA	13.6	14.5	12.3	14.3	12.5
<b>Payout (%)</b>					
Dividend payout	11.5	29.8	22.0	27.4	25.3
Tax payout	23.2	23.1	21.8	25.2	25.2
<b>Liquidity ratios</b>					
Debtor days	23.4	29.8	25.4	25.4	25.4
Inventory days	93.4	145.5	146.3	121.3	112.5
Creditor days	37.4	42.2	30.6	24.4	25.3



## Recommendation Tracker



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