Gujarat Gas (GUJGA IN)

Rating: HOLD | CMP: Rs408 | TP: Rs415

November 12, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	415		442	
Sales (Rs.bn)	152	164	150	161
% Chng.	*1.6*	*1.7*		
EBITDA (Rs bn)	18	19	20	21
% Chng.	*-8.5*	*-5.9*		
EPS (Rs.)	14.9	15.8	16.7	17.2
% Chng.	*-11.1*	*-8.0*		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	165	152	164	179
EBITDA (Rs. bn)	19	18	19	22
Margin (%)	*11.4*	*11.9*	*11.8*	*12.5*
PAT (Rs. bn)	11	10	11	13
EPS (Rs.)	16.6	14.9	15.8	18.8
Gr. (%)	*4.0*	*(10.7)*	*6.2*	*19.2*
DPS (Rs.)	5.8	5.1	5.4	6.4
Yield (%)	*1.4*	*1.2*	*1.3*	*1.6*
RoE (%)	*14.2*	*11.6*	*11.5*	*12.6*
RoCE (%)	*17.0*	*15.1*	*14.9*	*16.3*
EV/Sales (x)	1.7	1.8	1.7	1.5
EV/EBITDA (x)	14.8	15.3	14.2	12.1
PE (x)	24.5	27.5	25.8	21.7
P/BV (x)	3.3	3.1	2.9	2.6

Key Data	**GGAS.BO | GUJGA IN**
52-W High / Low	Rs.524 / Rs.360
Sensex / Nifty	84,467 / 25,876
Market Cap	Rs.281bn/ $ 3,169m
Shares Outstanding	688m
3M Avg. Daily Value	Rs.139.72m

Shareholding Pattern (%)

Promoter's	60.89
Foreign	3.34
Domestic Institution	13.99
Public & Others	21.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.0)	(12.0)	(18.9)
Relative	(7.2)	(14.2)	(24.4)

Swarnendu Bhushan
swarnendubhushan@plindia.com | 91-22-66322260

Indrakumar Gupta
indrakumargupta@plindia.com |

Morbi vol declines; non-Morbi vol remains steady

Quick Pointers:

- Morbi volumes at 2.1mmscmd, down from 2.5mmscmd in Q1FY26.
- Gas remains Rs4-6/scm expensive compared with propane.

Gujarat Gas (GUJGA) total volumes were in line with our estimates, flat YoY and 2.4% lower QoQ, at 8.7mmscmd in Q2FY26 (Ple: 8.5mmscmd). Increase in gas costs and other expenses led to a decline in EBITDA/scm to Rs5.6 in Q2FY26 vs Rs6.4/scm in Q2FY25 and Q1FY26 each, missing our estimate of Rs6.0/scm. EBITDA stood at Rs4.5bn (-13.0% YoY, -14.0% QoQ, Ple Rs4.7bn, BBGe Rs4.9bn), while PAT was Rs2.8bn (Ple Rs2.6bn, BBGe Rs2.9bn, -8.4% YoY, -14.0% QoQ). Management expects Morbi volumes to be lower in FY26 as customers shift to propane due to price differentials. Due to this, we have built in volumes of 8.9mmscmd for FY26E, in line with mgmt. guidance of sub 9mmscmd. For FY27E/FY28E, we build in volumes of 9.6/10.2mmscmd, driven by an expected improvement in non-Morbi volumes. The company expects EBITDA/scm at Rs5.5/scm in FY26; we have therefore lowered our FY26E assumption from Rs5.8/scm in line with the guidance. As a result, we maintain the rating at 'Hold' with a TP of Rs415 (earlier Rs442) based on 24x FY27/FY28E EPS.

- **Total volume decline YoY/QoQ**: Total sales volume stood at 8.7mmscmd (-1.0% YoY, -2.4% QoQ, PLe 8.5mmscmd). Overall decline was led by PNG-industrial/commercial, which declined by -10.9% YoY and 7.0% QoQ. This was partly offset by robust growth of 9.2% YoY and 2.3% QoQ in PNG-domestic segment, while CNG segment grew by impressive 13.3% YoY, while it remained flat QoQ. PNG-household/CNG segment have has been growing steadily, concerns remain on industrial/commercial segment due to demand of end user industry as well as cost economics vis-a-vis alternate fuel. We build-in volume of 10.2mmscmd in FY28E compared with 9.6mmscmd in FY25.

- **Margin declines:** Sequentially gross realization declined slightly (-1.0%) from Rs48.0/scm to Rs47.4/scm, while gas costs increased slightly (+0.6%) from Rs37.2/scm to Rs37.4/scm. This led to a 6.9% QoQ decline in gross margin to Rs10.0/scm vs Rs10.4/scm in Q1FY26. Although, gross realization improved 1.0% YoY, gas costs increased 2.3% YoY, leading to a -3.4% YoY impact on gross margin. Opex/scm increased 2.0%/10.5% QoQ/YoY. As a result, EBITDA/scm declined from Rs6.4/scm in Q1FY26 and Q2FY25 each to Rs5.6/scm in the quarter.

- **Concall Highlights**: **1)** Amalgamation scheme has been approved by shareholders and is waiting for MCA approval, expected by December 2025. Relisting of new entity will take further 2-3 months. **2) PNG Domestic segment -** Customer base - >28Lakh, added 0.27 lakh and registered 0.34 lakh customers in Q2FY26 despite monsoon season, added ~42,400 new domestic PNG connections. **3) Morbi Volumes –** 2.13mmscmd in Q2FY26, vs 2.51mmscd in Q1FY26 due to Janmashtami festival**. Co. expects volumes to be lower this year at 2mmscmd.** Current runrate/baseline volumes at 1.7-

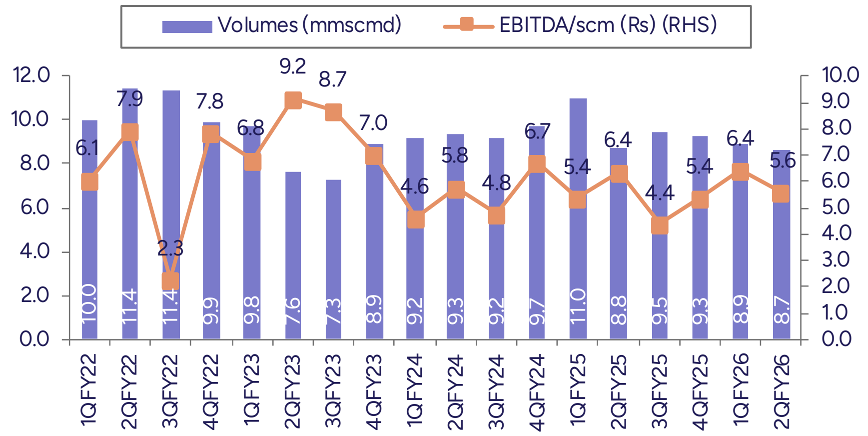
1.8mmscmd, with no further decline expected. Over 200 customers rely solely on natural gas (~1.5–1.6 mmscmd), as high-quality manufacturers prefer gas over propane for its superior heat quality. **4)** Propane to gas differential of Rs4-6/scm – propane being at discount against gas for Q2FY26. Prices of propane (12% of brent) vs LNG (17-18% of Brent) **5) Non-Morbi Volumes –** 2.22mmscmd in Q2FY26 vs 2.20mmscnd QoQ and 2.05mmscmd YoY. Expect non-Morbi volumes to improve driven by growth in Ahmedabad rural, D&H and Thane. Expect good industrial volume increase in these GA's. Co aims to add ~0.5mmscmd across both Non-Morbi and new GA in next year. Demand of 2-3 lakh scmd in next 18 months. **6) CNG segment -** up 13% YoY, with 11% growth in Gujarat and 26% YoY outside Gujarat. Base customer vehicles – 16.22L vs 14.12L YOY. Commercialized 4 new CNG stations this qtr. **7) Volume allocations (mmscmd) QoQ growth - APM** – 2.03 vs 2.06**, NWG -** 0.44 vs 0.54**, Long term** – 3.44 vs 3.39, **short term -** 2.85 (includes spot from IGX) vs 3.04**. 8)** Expect Capex of Rs800cr in FY26, H1FY26 capex at Rs282cr, for investments on gas infrastructure**. 9) Capex in FY27 –** similar lines of FY26 only for PNG, CNG. After merger there will be certain addition of capex. **10) Guidance for EBITDA/scm in FY26 - Rs4.5-5.5/scm. 10)** In Q2FY26, company received 100% allocation for domestic sector. But had 64% CNG shortfall, leading to total shortfall of 51% in priority segment. **11**) Secured 1mmtpa LNG deal with Qatar Energy (2026–2043) and 0.4mmtpa Henry Hub–linked supply from 2026–27, enhancing pricing competitiveness and margins

Exhibit 1: Gujarat Gas' Quarterly and Yearly Financials

(Rs bn)	Q2FY26	Q1FY26	QoQ gr.	Q2FY26E	% Var	Q2FY25	YoY gr.	H1FY26	H1FY25	YoY gr.
Net Sales	**37.8**	**38.7**	**-2.3%**	**35.9**	**5.4%**	**37.8**	**0.0%**	**76.5**	**82.3**	**-7.1%**
YoY Change (%)	*0.0*	*-13.0*		*-5.1*		*-1.7*		*-7.0*	*5.1*	
RM Cost	29.8	30.0	-0.7%	28.7	3.7%	29.5	1.2%	59.9	65.4	-8.4%
Employee Expenses	0.5	0.5	-3.0%	0.5	1.2%	0.5	-4.1%	1.0	1.0	-1.4%
Other Expenses	3.0	3.0	1.3%	2.0	55.1%	2.7	11.9%	6.0	5.5	9.8%
Total Expenditure	33.3	33.5	-0.5%	31.2	6.9%	32.7	2.0%	66.8	71.8	-6.9%
EBITDA	**4.5**	**5.2**	**-14.0%**	**4.7**	**-5.1%**	**5.1**	**-13.0%**	**9.7**	**10.5**	**-7.9%**
Margins (%)	*11.8*	*13.4*		*13.1*		*13.6*		*12.6*	*12.6*	
Depreciation	1.3	1.3	2.2%	1.2	15.8%	1.3	3.7%	2.7	2.5	5.2%
Interest	0.1	0.1	2.6%	0.1	1.6%	0.1	2.4%	0.2	0.2	2.0%
Other Income	0.7	0.6	23.1%	0.1	NA	0.4	89.6%	1.3	0.8	71.8%
Extra-Ord expense/ (Income)	0.0	0.0		0.0		0.0		0.0	0.0	
PBT	**3.8**	**4.4**	**-14.1%**	**3.5**	**6.8%**	**4.2**	**-9.0%**	**8.2**	**8.6**	**-4.7%**
Tax	1.0	1.1	-14.3%	0.9	8.8%	1.1	-10.5%	2.1	2.2	-5.3%
Rate (%)	*25.6*	*25.7*		*25.2*		*26.1*		*25.7*	*25.8*	
Reported PAT	**2.8**	**3.3**	**-14.0%**	**2.6**	**6.1%**	**3.1**	**-8.4%**	**6.1**	**6.4**	**-4.5%**
Adj. PAT	**2.8**	**3.3**	**-14.0%**	**2.6**	**6.1%**	**3.1**	**-8.4%**	**6.1**	**6.4**	**-4.5%**
Margins (%)	*7.4*	*8.4*		*7.4*		*8.1*		*7.9*	*7.7*	
Total volume (mmscmd)	**8.66**	**8.87**	**-2.4%**	**8.48**	**2.1%**	**8.75**	**-1.0%**	**8.77**	**9.86**	**-11.1%**
CNG	3.32	3.33	-0.3%	3.43	-3.2%	2.93	13.3%	3.33	2.95	12.5%
I/C PNG	4.51	4.85	-7.0%	4.35	3.7%	5.06	-10.9%	4.68	6.21	-24.7%
D-PNG	0.83	0.69	20.3%	0.70	18.2%	0.76	9.2%	0.76	0.69	10.0%
EBITDA (Rs/scm)	**5.61**	**6.44**	**-12.8%**	**6.04**	**-7.0%**	**6.39**	**-12.1%**	**6.03**	**5.82**	**3.7%**

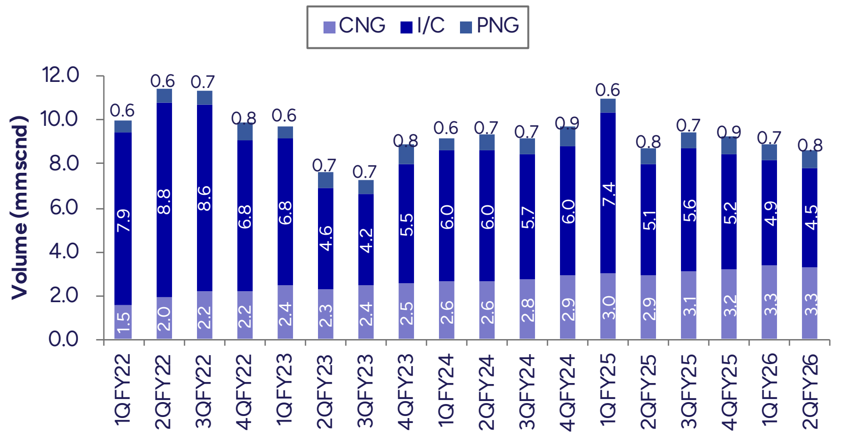
Source: Company, PL

Exhibit 2: Total volume declined to 8.7mmscmd



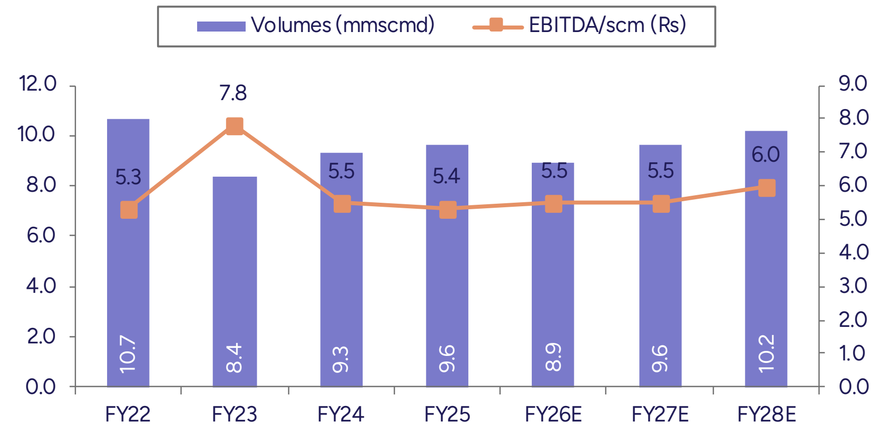
Source: Company, PL

Exhibit 3: Industrial/commercial volume declined 11% YoY



Source: Company, PL

Exhibit 4: EBITDA/scm estimated at ~Rs5.8/6.0 in FY27/28E



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**165**	**152**	**164**	**179**
YoY gr. (%)	*5.1*	*(7.8)*	*7.9*	*9.1*
Cost of Goods Sold	132	122	134	145
Gross Profit	33	30	30	33
Margin (%)	*19.0*	*19.3*	*18.2*	*18.7*
Employee Cost	2	2	2	2
Other Expenses	12	10	9	9
EBITDA	**19**	**18**	**19**	**22**
YoY gr. (%)	*0.2*	*(4.1)*	*7.1*	*15.6*
Margin (%)	*11.4*	*11.9*	*11.8*	*12.5*
Depreciation and Amortization	5	5	5	6
EBIT	**14**	**13**	**14**	**17**
Margin (%)	*8.3*	*8.7*	*8.6*	*9.4*
Net Interest	0	0	0	0
Other Income	2	1	1	1
Profit Before Tax	**15**	**14**	**15**	**17**
Margin (%)	*9.4*	*9.0*	*8.9*	*9.7*
Total Tax	4	3	4	4
Effective tax rate (%)	*25.9*	*25.2*	*25.2*	*25.2*
Profit after tax	**11**	**10**	**11**	**13**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**11**	**10**	**11**	**13**
YoY gr. (%)	*4.0*	*(10.7)*	*6.2*	*19.2*
Margin (%)	*6.9*	*6.7*	*6.6*	*7.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**11**	**10**	**11**	**13**
YoY gr. (%)	*0.2*	*(10.7)*	*6.2*	*19.2*
Margin (%)	*6.9*	*6.7*	*6.6*	*7.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11	10	11	13
Equity Shares O/s (bn)	**1**	**1**	**1**	**1**
EPS (Rs)	**16.6**	**14.9**	**15.8**	**18.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**119**	**128**	**138**	**148**
Tangibles	119	128	138	148
Intangibles	-	-	-	-
Acc: Dep / Amortization	**41**	**45**	**51**	**56**
Tangibles	41	45	51	56
Intangibles	-	-	-	-
Net fixed assets	**78**	**83**	**88**	**92**
Tangibles	78	83	88	92
Intangibles	-	-	-	-
Capital Work In Progress	9	9	9	9
Goodwill	-	-	-	-
Non-Current Investments	5	5	5	5
Net Deferred tax assets	(10)	(10)	(10)	(10)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1	1	1	1
Trade receivables	10	9	10	11
Cash & Bank Balance	4	5	8	12
Other Current Assets	-	-	-	-
Total Assets	**126**	**130**	**140**	**151**
Equity				
Equity Share Capital	1	1	1	1
Other Equity	83	90	97	106
Total Networth	**85**	**91**	**98**	**107**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7	7	7	8
Other current liabilities	25	23	25	27
Total Equity & Liabilities	**126**	**130**	**140**	**151**

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	15	14	15	17
Add. Depreciation	5	5	5	6
Add. Interest	0	0	0	0
Less Financial Other Income	2	1	1	1
Add. Other	(1)	(1)	(1)	(1)
Op. profit before WC changes	20	18	19	22
Net Changes-WC	2	-	0	0
Direct tax	(3)	(3)	(4)	(4)
Net cash from Op. activities	**18**	**15**	**16**	**18**
Capital expenditures	(8)	(10)	(10)	(10)
Interest / Dividend Income	1	-	-	-
Others	(13)	1	1	1
Net Cash from Invt. activities	**(19)**	**(9)**	**(9)**	**(9)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(4)	(3)	(4)	(4)
Interest paid	0	0	0	0
Others	(1)	-	-	-
Net cash from Fin. activities	**(5)**	**(4)**	**(4)**	**(5)**
Net change in cash	**(6)**	**2**	**2**	**4**
Free Cash Flow	11	5	6	8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	16.6	14.9	15.8	18.8
CEPS	24.1	21.8	23.3	26.9
BVPS	122.8	132.6	143.0	155.4
FCF	15.3	6.7	8.4	11.7
DPS	5.8	5.1	5.4	6.4
Return Ratio(%)				
RoCE	17.0	15.1	14.9	16.3
ROIC	11.2	10.6	10.7	12.0
RoE	14.2	11.6	11.5	12.6
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	(45)	(45)	(45)	(45)
Valuation(x)				
PER	24.5	27.5	25.8	21.7
P/B	3.3	3.1	2.9	2.6
P/CEPS	17.0	18.7	17.5	15.2
EV/EBITDA	14.8	15.3	14.2	12.1
EV/Sales	1.7	1.8	1.7	1.5
Dividend Yield (%)	1.4	1.2	1.3	1.6

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	**42**	**41**	**39**	**38**
YoY gr. (%)	*5.7*	*(0.8)*	*(13.0)*	-
Raw Material Expenses	34	33	30	30
Gross Profit	7	8	9	8
Margin (%)	*17.5*	*20.7*	*22.4*	*21.1*
EBITDA	**4**	**4**	**5**	**4**
YoY gr. (%)	*(5.0)*	*(24.0)*	*(2.9)*	*(13.0)*
Margin (%)	*9.2*	*11.0*	*13.4*	*11.8*
Depreciation / Depletion	1	1	1	1
EBIT	**3**	**3**	**4**	**3**
Margin (%)	*6.0*	*7.8*	*10.0*	*8.3*
Net Interest	-	-	-	-
Other Income	1	1	1	1
Profit before Tax	**3**	**4**	**4**	**4**
Margin (%)	*7.2*	*9.5*	*11.4*	*10.0*
Total Tax	1	1	1	1
Effective tax rate (%)	*26.2*	*26.0*	*25.7*	*25.6*
Profit after Tax	**2**	**3**	**3**	**3**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**2**	**3**	**3**	**3**
YoY gr. (%)	*0.6*	*(22.0)*	*(0.9)*	*(8.4)*
Margin (%)	*5.3*	*7.0*	*8.4*	*7.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2**	**3**	**3**	**3**
YoY gr. (%)	*0.6*	*(29.9)*	*(0.9)*	*(8.4)*
Margin (%)	*5.3*	*7.0*	*8.4*	*7.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2**	**3**	**3**	**3**
Avg. Shares O/s (bn)	1	1	1	1
EPS (Rs)	**3.2**	**4.2**	**4.7**	**4.1**

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Volume (mmscmd)	9.6	8.9	9.6	9.7
EBITDA (Rs/scm)	5.4	5.5	5.5	5.5

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	03-Oct-25	Hold	442	436
2	06-Aug-25	Hold	432	431
3	03-Jul-25	Sell	404	499
4	21-May-25	Sell	372	464
5	08-Apr-25	Hold	395	393
6	07-Feb-25	Sell	395	461
7	08-Jan-25	Sell	362	508
8	18-Nov-24	Sell	389	486

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	403	392
2	Bharat Petroleum Corporation	Hold	361	357
3	Bharti Airtel	Accumulate	2,259	2,113
4	Clean Science and Technology	Hold	1,002	981
5	Deepak Nitrite	Hold	1,924	1,844
6	Fine Organic Industries	BUY	5,386	4,346
7	GAIL (India)	BUY	211	180
8	Gujarat Fluorochemicals	Hold	3,637	3,480
9	Gujarat Gas	Hold	442	436
10	Gujarat State Petronet	Hold	311	301
11	Hindustan Petroleum Corporation	Hold	476	476
12	Indian Oil Corporation	Accumulate	166	155
13	Indraprastha Gas	Reduce	192	209
14	Jubilant Ingrevia	Hold	695	677
15	Laxmi Organic Industries	Reduce	192	198
16	Mahanagar Gas	BUY	1,531	1,271
17	Mangalore Refinery & Petrochemicals	Accumulate	159	142
18	Navin Fluorine International	Accumulate	5,601	5,009
19	NOCIL	Hold	185	181
20	Oil & Natural Gas Corporation	BUY	292	249
21	Oil India	BUY	525	415
22	Petronet LNG	Hold	290	278
23	Reliance Industries	BUY	1,668	1,417
24	SRF	Hold	3,123	3,028
25	Vinati Organics	BUY	1,915	1,662

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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Prabhudas Lilladher Pvt. Ltd.
3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209
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