

Gujarat Gas | BUY

Volume continues to be weak; earnings beat on higher margin

Gujarat Gas' (GGas) 1QFY26 standalone EBITDA, at INR 5.2bn, was higher than JMFe/consensus of INR 4.5bn/INR 4.6bn led by lower gas cost but partly offset by lower overall volume (2% below JMFe). Gross margin was higher at INR 10.8/scm in 1QFY26 vs. JMFe at INR 9.7/scm led by lower gas cost; hence, EBITDA margin was also higher at INR 6.4/scm vs. JMFe of INR 5.5/scm. However, overall volume was 2% below JMFe at 8.9mmcmd due to lower industrial and domestic PNG volume though partly offset by slightly better CNG volume. Further, the management shared that Morbi volume will decline further QoQ in 2QFY26 on account of festival-related shutdown of customer facilities, and also as gas continues to be uncompetitive vs. propane due to high spot LNG price. We maintain BUY (revised TP of INR 550) as we expect industrial segment volume growth to be robust in the medium to long term driven by likely strengthening of competitiveness of gas vs. propane on account of moderation in spot LNG prices in the medium to long term.

- Overall volume was 2% below JMFe at 8.9mmcmd due to lower industrial volume though partly offset by slightly better CNG volume; management guides for weak industrial volume in 2QFY26: Overall volume was 2% below JMFe at 8.9mmcmd in 1QFY26 (down 4.6% QoQ and down 19.2% YoY). Industrial volume was 4.4% lower than JMFe at 4.7mmcmd (down 6.4% QoQ and down 35.0% YoY) – the management said that Morbi volume declined to 2.51mmcmd (vs. 2.87mmcmd in 4QFY25) due to relatively high spot LNG prices while non-Morbi volume continued to grow to 2.2mmcmd in 1QFY26 (vs. 2.16mmcmd in 4QFY25). Further, it guided for a further decline in Morbi volume in 2QFY26 on account of festival-related shutdown of customer facilities, and also as gas continues to be uncompetitive vs. propane due to high spot LNG price (current propane price is INR 40/scm vs. gas price of INR 44/scm after the recent reduction in gas price by INR 3.25-3.5/scm. Separately, domestic PNG volume was also lower at 63mmcmd (down 21.6% QoQ but up 11.3% YoY) while commercial segment volume was largely in line at 13mmcmd (down 11.5% QoQ but up 7.7% YoY). However, CNG volume was 1.5% higher than JMFe at 3.3mmcmd (up 3.4% QoQ and up 11.7% YoY; the management guides for CNG volume growth to be strong at ~12% in FY26 driven by Thane/Amritsar/ Dadra & Nagar Haveli.

- Gross margin higher at INR 10.8/scm in 1QFY26 vs. JMFe at INR 9.7/scm led by lower gas cost; hence, EBITDA margin was also higher at INR 6.4/scm vs. JMFe of INR 5.5/scm: Average realisation was slightly higher at INR 48/scm vs. JMFe of INR 47.7/scm (vs. INR 49.0/scm in 4QFY25); further, average cost of gas was also lower at INR 37.2/scm or USD 12.1/mmbtu vs. JMFe of INR 38/scm (and vs. INR 38.9/scm or USD 12.5/mmbtu in 4QFY25). Hence, gross margin was higher at INR 10.8/scm in 1QFY26 vs. JMFe at INR 9.7/scm (vs. INR 10.1/scm in 4QFY25). However, opex normalised at INR 4.3/scm in 1QFY26 (after having jumped to INR 4.8/scm in 4QFY25). Hence, EBITDA margin was also higher at INR 6.4/scm in 1QFY26 vs. JMFe of INR 5.5/scm (and vs. INR 5.4/scm in 4QFY25). But the management reiterated its medium-term EBITDA margin guidance of INR 4.5-5.5/scm due to seasonal decline in 2QFY26 volume and risk of jump in spot LNG

Financial Summary (Standalone)					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,56,902	1,64,870	1,54,325	1,82,234	2,06,141
Sales Growth (%)	-6.4	5.1	-6.4	18.1	13.1
EBITDA	19,697	19,759	21,178	24,188	27,445
EBITDA Margin (%)	12.5	11.9	13.6	13.2	13.2
Adjusted Net Profit	11,437	11,483	13,234	15,295	17,539
Diluted EPS (INR)	16.6	16.7	19.2	22.2	25.5
Diluted EPS Growth (%)	-25.2	0.4	15.2	15.6	14.7
ROIC (%)	16.7	14.7	15.4	18.9	21.2
ROE (%)	15.5	14.2	14.8	15.5	16.1
P/E (x)	25.9	25.8	22.4	19.4	16.9
P/B (x)	3.8	3.5	3.2	2.9	2.6
EV/EBITDA (x)	14.6	14.9	13.0	11.0	9.4
Dividend Yield (%)	1.5	1.3	1.4	1.6	1.8

Source: Company data, JM Financial. Note: Valuations as of 06/Aug/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	550
Upside/(Downside)	27.6%
Previous Price Target	580
Change	-5.2%

Key Data – GUJGA IN

Current Market Price	INR431
Market cap (bn)	INR296.7/US\$3.4
Free Float	19%
Shares in issue (mn)	688.4
Diluted share (mn)	688.4
3-mon avg daily val (mn)	INR213.4/US\$2.4
52-week range	690/360
Sensex/Nifty	80,544/24,574
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	-11.9	-8.4	-33.1
Relative*	-8.7	-11.4	-34.0

* To the BSE Sensex

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price during winter, apart from APM allocation cuts.

- **Management targeting 25% market share in propane distribution business, banking on GSPC's LNG sourcing strength:** On its recent board-approved initiative to undertake sourcing and sale of propane / LPG to Industrial customers, the management shared that company aims to get 25% market share in the propane segment in Morbi; it also clarified that this business won't be just limited to Morbi. Given GSPC's strength in LNG sourcing, GGas will directly import propane on DES basis and on spot basis and expressed its confidence that existing customers will take propane from GGas as it can provide working capital support to customers. Further, it said that there will be minimal capex requirement given its trading business, except for the need to book some terminal capacity; however, it hasn't commented on margin profile as of now. GGas has got credit rating from the agency, which is required for regulatory approvals.
- **Maintain BUY as we expect GGas' competitiveness to improve due to likely moderation in spot LNG price over medium to long term on significant jump in global LNG supply:** We have cut our FY26-FY28 PAT estimates by 6-10%, building in lower industrial volume and slightly lower average gas cost based on 1QFY26 actuals and management's weak 2QFY26 guidance on industrial volume in Morbi. Hence, our TP is cut to INR 550 (from INR 580). However, we maintain BUY as we expect volume growth momentum to sustain in the medium to long term led by: **a)** rise in gas use in the industrial segment driven by likely improvement in competitiveness of gas vs. propane (on account of moderation in spot LNG price supply over the medium to long term due to significant jump in global LNG from 2026-27 onwards), and also due to regulatory push; and **b)** expansion of CNG in new GAs and limited threat from electric vehicles. At CMP, GGas is trading at 19.4x FY27 P/E and 2.9 x FY27 P/B. **Key risks:** **a)** sustained high spot LNG prices and fall in propane price could pose a competitive threat from propane; **b)** further sharp APM gas allocation cuts could pose a risk to margin/volume in the CNG business.

1 QFY26 concall takeaways

1) In regards to GSPC group arrangement, received no objection from NSE/BSE and filed with MCA in Feb'25 - **expect all approvals to be completed by Nov'25 and listing of new shares by Dec'25** (from guidance of Sep-Oct'25 as per 4QFY25 concall).

2) During 1QFY26, Morbi volume was 2.51mmcmd (vs 2.87mmcmd in 4QFY25, 3.35mmcmd in 3QFY25, 2.86mmcmd in 2QFY25 and 5.2mmcmd in 1QFY25) due to relatively high spot LNG price. However, non-Morbi volume continued to grow to 2.2mmcmd in 1QFY26 (vs 2.16mmcmd in 4QFY25 and 2.01 in 3QFY25).

Guided for decline in Morbi volume in 2QFY26 due to festival-related shutdown of customer facilities, and also as **current propane price is INR 40/scm vs. gas price of INR 44/scm** (after recent reduction in gas price by INR 3.25-3.5/scm to align with reduction in propane price); hence, gas continues to be uncompetitive vs. propane due to high spot LNG price.

3) If LNG prices becomes favourable (which it expects once global LNG liquefaction capacity is added) then Morbi volume could jump to 6mmcmd and non-Morbi volume may rise to 2.5mmcmd. Further, **expects to cover 2/3rd of Morbi market via long-term LNG contracts.**

4) On the recent board-approved initiative to undertake sourcing and sale of propane / LPG to industrial customers, the company said it aims to get **25% market share in propane segment in Morbi** (out of current market size of Morbi of 7-7.5mmcmd, 2/3rd is propane and 1/3 is gas currently); also clarified that this business won't be just limited to Morbi.

Given GSPC's strength in LNG sourcing, GGas will **directly import propane on DES basis and on spot basis** (for which it is in talks with some international suppliers) and expressed its confidence that **existing customers** (planning to switch to propane) **will take propane from GGas** as it can provide working capital support to customers (they won't have to deposit or additional advance which they would have to deposit if they choose to take propane for any other player). Also, there will be **minimal capex requirement** given the company's trading business, except the need to book some terminal capacity; however, **hasn't commented on margin profile as of now**. GGas has got credit rating from the agency, which is required for regulatory approvals.

5) APM gas allocation was 2.05mmcmd in 1QFY26 (vs. 2.34mmcmd in 4QFY25), meeting **41% of CNG volume** and 100% of DPNG volume. The **shortfall was met by New well Gas, HPHT (~0.7mmcmd) and spot volume.**

38% of the overall gas volume was met by long-term LNG contracts, and 34% through short-term LNG contracts with the balance being domestic gas (including APM, HPHT and NWG).

6) The 2.34mmcmd long-term LNG contract with BG Group/Shell has been extended till **Mar'26**; will look to renew the contract.

7) CNG volume growth was 11.7% YoY in 1QFY26 with 10% YoY growth in Gujarat and 27% YoY growth in outside Gujarat. Added that CNG growth outlook is strong as CNG is 45% cheaper vs. petrol and 23% cheaper vs. diesel. In the 4QFY25 concall, the management had shared that it **expected 12% CNG volume growth in FY26**, driven by Thane/Amritsar/DNH (Dadra & Nagar Haveli) while Industrial volume growth could be driven by Ahmedabad Rural/Thane/DNH.

8) **Reiterated medium-term EBITDA margin guidance of INR 4.5-5.5/scm** due to seasonal decline in 2QFY26 volume and risk of jump in spot LNG price during winter, apart from APM allocation cuts.

9) The **current dealer margin** (part of operational cost) is **INR 3-4/kg** in case of OMCs-owned and franchise model CNG stations. However, in case of CNG stations under FDODO scheme, dealer margin could be higher at **INR 8/kg** for online stations and **INR 10/kg** for daughter booster stations.

10) **Signed agreements for 69 CNG stations under FDODO scheme, most of which are under process** (either under construction or taking permission). **Expects to add double-digit CNG stations by Dec'25** under this scheme.

11) Capex guidance of around INR 8bn-10bn for FY26 (vs. INR 7.4bn in FY25).

1QFY26 Result Review

Exhibit 1. GGas quarterly snapshot

INR Mn	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	% QoQ	% YoY
Net Sales	44,503	37,818	41,529	41,020	38,709	-5.6%	-13.0%
Operating expenditure	(39,147)	(32,676)	(37,724)	(36,525)	(33,510)	-8.3%	-14.4%
EBITDA	5,356	5,142	3,805	4,495	5,199	15.7%	-2.9%
EBITDA Margin	12.0%	9.2%	9.2%	11.0%	13.4%	247bps	139bps
Depreciation	(1,231)	(1,295)	(1,294)	(1,286)	(1,314)	2.2%	6.8%
Interest	(78)	(80)	(93)	(74)	(79)		
Other Income	386	386	585	744	594		
PBT	4,433	4,152	3,002	3,878	4,399		
Tax	(1,135)	(1,083)	(786)	(1,007)	(1,131)		
PAT	3,298	3,069	2,216	2,872	3,268	13.8%	-0.9%
EPS (INR)	4.8	4.5	3.2	4.2	4.7		
Tax rate	-26%	-26%	-26%	-26%	-26%		

Source: Company, JM Financial

Exhibit 2. Volume and realisation break-up

	1QFY25	3QFY25	3QFY25	4QFY25	1QFY26	% QoQ	% YoY
Gas volume							
Industrial (mmscm)	660	452	502	453	429	-5.3%	-35.0%
CNG (mmscm)	271	270	287	290	303	4.6%	11.7%
PNG Domestic (mmscm)	56	70	68	80	63	-21.6%	11.3%
Commercial (mmscm)	12	14	14	14	13	-11.5%	7.7%
Total (mmscm)	999	805	871	837	807	-3.6%	-19.2%
Industrial (mmscmd)	7.3	4.9	5.5	5.0	4.7	-6.4%	-35.0%
-Morbi (mmscmd)	5.2	2.9	3.4	2.8	2.5		
-Non Morbi (mmscmd)	2.1	2.1	2.1	2.3	2.2		
CNG (mmscmd)	3.0	2.9	3.1	3.2	3.3	3.4%	11.7%
Total (mmscmd)	11.0	8.8	9.5	9.3	8.9	-4.6%	-19.2%
Morbi Gas price (INR/scm)	42.0	44.0	44.5	47.0	44.0		
Morbi Propane price (INR/scm)	41.0	41.0	43.0	43.0	40.0		
Morbi Gas price premium vs Propane (Rs/scm)	1.0	3.0	1.5	4.0	4.0		
Gas volume growth (% QoQ)							
Industrial	25.0%	-31.5%	11.2%	-9.9%	-5.3%		
CNG	3.1%	-0.6%	6.5%	1.0%	4.6%		
PNG Domestic	-27.1%	23.9%	-2.6%	17.7%	-21.6%		
Commercial	-13.3%	16.7%	0.0%	4.3%	-11.5%		
Total	13.3%	-19.4%	8.2%	-3.9%	-3.6%		
Gas volume growth (% YoY)							
Industrial	23.3%	-16.2%	-1.3%	-14.2%	-35.0%		
CNG	14.2%	11.8%	12.2%	10.2%	11.7%		
PNG Domestic	3.3%	8.6%	4.2%	3.6%	11.3%		
Commercial	0.0%	7.1%	7.1%	5.5%	7.7%		
Total	19.1%	-6.1%	3.4%	-5.1%	-19.2%		
Per unit break-up (INR/scm)							
Avg. realisation (INR/scm)	44.5	47.0	47.7	49.0	48.0	-2.1%	7.7%
Avg. cost of gas(INR/scm)	35.9	36.6	39.4	38.9	37.2	-4.3%	3.5%
Blended gross spread (INR/scm)	8.6	10.4	8.3	10.1	10.8	6.1%	25.0%
Other expense (INR/scm)	3.3	4.0	4.0	4.8	4.3	-9.5%	32.2%
EBITDA (INR/scm)	5.4	6.4	4.4	5.4	6.4	19.9%	20.1%
Avg cost of gas(USD/mmbtu)	12.0	12.1	12.9	12.5	12.1	-3.1%	0.9%

Source: Company, JM Financial

Assumption and Estimates

Exhibit 3. Key assumptions

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	Comments
GAS VOLUME BREAK-UP (mmscm)								
Industrial segment	2,887	1,870	2,111	2,066	1,860	2,139	2,353	
CNG	726	887	997	1,118	1,274	1,452	1,627	
PNG Domestic	248	250	262	275	288	303	318	
Commercial	44	50	51	54	58	63	68	
Total gas sold (mmcm)	3,906	3,057	3,421	3,512	3,480	3,957	4,365	
Internal consumption and line loss	59	46	51	53	52	59	65	At ~1.5% of sales based on historical trend
Total gas purchased (mmscm)	3,964	3,102	3,472	3,565	3,532	4,016	4,430	
GAS VOLUME BREAK-UP (mmcmd)								
Industrial segment	7.9	5.1	5.8	5.7	5.1	5.9	6.4	
CNG	2.0	2.4	2.7	3.1	3.5	4.0	4.5	
PNG Domestic	0.7	0.7	0.7	0.8	0.8	0.8	0.9	
Commercial	0.1	0.1	0.1	0.1	0.2	0.2	0.2	
Total gas sold (mmcmd)	10.7	8.4	9.4	9.6	9.5	10.8	12.0	
Total gas purchased (mmcmd)	10.9	8.5	9.5	9.8	9.7	11.0	12.1	
Gas sales volume change Y-o-Y								
Industrial segment	7.4%	-35.2%	12.9%	-2.1%	-10.0%	15.0%	10.0%	
CNG	52.9%	22.1%	12.4%	12.1%	14.0%	14.0%	12.0%	
PNG Domestic	5.2%	0.7%	4.7%	4.9%	5.0%	5.0%	5.0%	
Commercial	56.4%	14.6%	2.1%	5.1%	8.0%	8.0%	8.0%	
Overall	14.0%	-21.7%	11.9%	2.7%	-0.9%	13.7%	10.3%	
Gas sales volume composition:								
Industrial segment	74%	61%	62%	59%	53%	54%	54%	Industrial segment to continue to dominate gas mix with ~55% share
CNG	19%	29%	29%	32%	37%	37%	37%	CNG segment share to be ~35%
PNG Domestic	6%	8%	8%	8%	8%	8%	7%	Domestic PNG segment share to be ~7%
Commercial	1%	2%	1%	2%	2%	2%	2%	
GAS SOURCING & COST BREAK-UP (mmcmd)								
Gas sourcing mix (mmcmd)								
APM/GAIL uniform price gas	2.7	2.7	2.7	2.3	1.8	1.7	1.7	As per gas allocation policy
RIL/Vedanta/Cairn HPHT gas	2.5	2.3	2.3	2.3	2.4	2.6	2.7	
Long term LNG- BG contract (valid till 2025)	2.3	1.8	2.5	2.5	2.5	2.5	2.5	Long-term contract till CY25 for 2.5mmcmd volumes at ~14% linkage to the Brent crude price
Long term LNG- Rasgas contract (valid till 2028)	0.9	0.8	0.9	1.0	1.2	1.4	1.7	Long-term contract till CY28 for 1mmcmd volume at 12.67% linkage to the JCC crude price
Spot LNG	2.5	0.9	1.2	1.7	1.7	2.8	3.6	LNG from spot market (and some volume from KG D6) to meet balance demand
Total gas purchased (mmcmd)	10.9	8.5	9.5	9.8	9.7	11.0	12.1	
Gas cost (USD/mm btu)								
APM/GAIL uniform price gas	4.1	8.0	7.5	7.5	7.8	8.0	8.0	Based on domestic gas price formula
RIL/Vedanta/Cairn HPHT gas	5.7	11.2	9.8	9.8	10.1	10.4	10.4	
Long term LNG- BG contract (valid till 2025)	12.8	17.9	15.4	12.1	12.1	12.1	12.1	
Long term LNG- Rasgas contract (valid till 2028)	11.6	16.2	14.0	11.0	11.0	11.0	11.0	
Spot LNG	29.5	38.0	12.1	13.0	13.0	13.0	13.0	
Weighted average gas cost	12.8	15.0	11.3	10.5	10.8	11.1	11.3	
OVERALL MARGINS (INR/scm)								
Realisation	40.8	54.8	45.9	46.9	44.5	46.2	47.4	
Average cost of gas	34.4	43.4	36.7	37.6	34.3	36.2	37.3	
Blended gross spread	6.4	11.4	9.2	9.3	10.1	10.0	10.0	
Net other expense/ (income)	2.2	3.3	3.4	3.7	3.9	3.8	3.6	
EBITDA	4.2	8.1	5.8	5.6	6.2	6.3	6.4	Expect EBITDA at ~INR6-6.5/scm from FY26 onwards
Depreciation	1.0	1.4	1.4	1.5	1.5	1.4	1.4	
Interest exp net of other income	-0.1	-0.2	-0.4	-0.5	-0.6	-0.5	-0.5	
PBT	3.3	6.9	4.8	4.7	5.3	5.4	5.6	
Tax	1.1	1.6	1.2	1.1	1.3	1.3	1.4	
PAT	2.2	5.3	3.6	3.5	3.9	4.0	4.2	Hence, expect PAT/scm at ~INR 4/scm from FY26 onwards

Source: JM Financial, Company

Exhibit 4. Change in estimates

	New	Old	Divergence
TP (INR)	550	580	-5.1%
Rating	BUY	BUY	
Revenue (INR Mn)			
FY26	155,316	174,374	-10.9%
FY27	183,256	198,184	-7.5%
FY28	207,197	223,712	-7.4%
EBITDA (INR Mn)			
FY26	21,178	23,134	-8.5%
FY27	24,188	25,772	-6.1%
FY28	27,445	29,852	-8.1%
PAT (INR Mn)			
FY26	13,234	14,659	-9.7%
FY27	15,295	16,417	-6.8%
FY28	17,539	19,244	-8.9%
EPS (INR)			
FY26	19.2	21.3	-9.7%
FY27	22.2	23.8	-6.8%
FY28	25	28.0	-8.9%

Source: JM Financial

Valuation**Exhibit 5. Valuation**

Terminal FCF (INR Mn)	32,982
Terminal Growth Rate	5.0%
WACC	10.6%
Terminal Value (INR Mn)	622,383
PV of Terminal Value (INR Mn)	252,071
PV of Cash Flow (INR Mn)	106,660
Enterprise Value (INR Mn)	358,731
Less: Net Debt (INR Mn)	(19,752)
Equity Value (INR Mn)	378,483
No of shares (Mn)	688
Total equity value (INR/share)	550

Source: JM Financial

If FY26 EBITDA margin changes by +/- INR 0.2/scm our FY26 EPS will change by +/-3.9%. Similarly, if FY26 industrial segment volume growth changes by +/- 2%, our FY26 EPS will change by +/- 3.9%.

Exhibit 6. FY26 EPS sensitivity to volume growth and margin

		FY26 volume growth						
		-6.9%	-4.9%	-2.9%	-0.9%	1.1%	3.1%	5.1%
FY26 EBITDA margin (INR/scm)	5.6	14.9	15.6	16.3	17.0	17.7	18.4	19.1
	5.8	15.6	16.3	17.0	17.7	18.5	19.2	19.9
	6.0	16.3	17.0	17.7	18.5	19.2	20.0	20.7
	6.2	17.0	17.7	18.5	19.2	20.0	20.7	21.5
	6.4	17.7	18.4	19.2	20.0	20.7	21.5	22.3
	6.6	18.4	19.1	19.9	20.7	21.5	22.3	23.1
	6.8	19.1	19.9	20.7	21.5	22.3	23.1	23.9

Source: Company, JM Financial

If FY26 EBITDA changes by +/- INR 0.2/scm our valuation will change by +/- INR 20/share (or +/-3.7%). Similarly, if FY26 industrial segment volume growth changes by +/- 2%, our valuation will change by +/- INR 20/share (or +/- 3.7%).

Exhibit 7. Valuation sensitivity to FY26 volume growth and margin

		FY26 volume growth						
		-6.9%	-4.9%	-2.9%	-0.9%	1.1%	3.1%	5.1%
FY26 EBITDA margin (INR/scm)	5.6	433	452	471	489	508	527	545
	5.8	452	471	490	509	528	548	567
	6.0	471	491	510	530	549	569	588
	6.2	490	510	530	550	570	590	609
	6.4	509	529	550	570	590	611	631
	6.6	528	549	570	590	611	632	652
	6.8	547	568	589	610	631	653	674

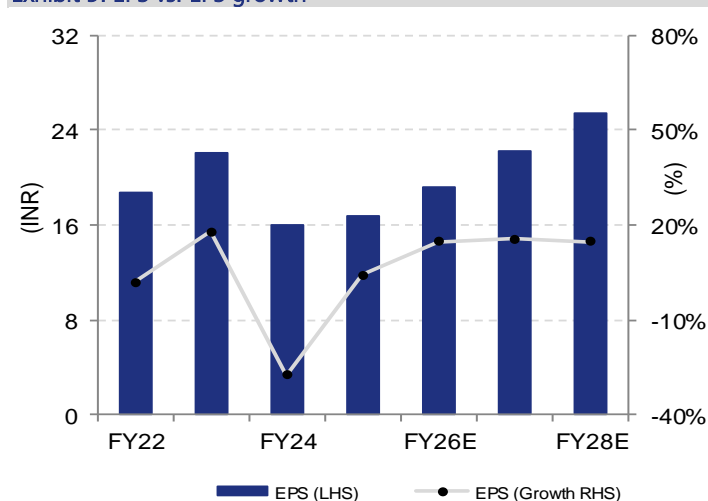
Source: Company, JM Financial

Exhibit 8. GGas 1-year forward PE band



Source: Company, JM Financial

Exhibit 9. EPS vs. EPS growth



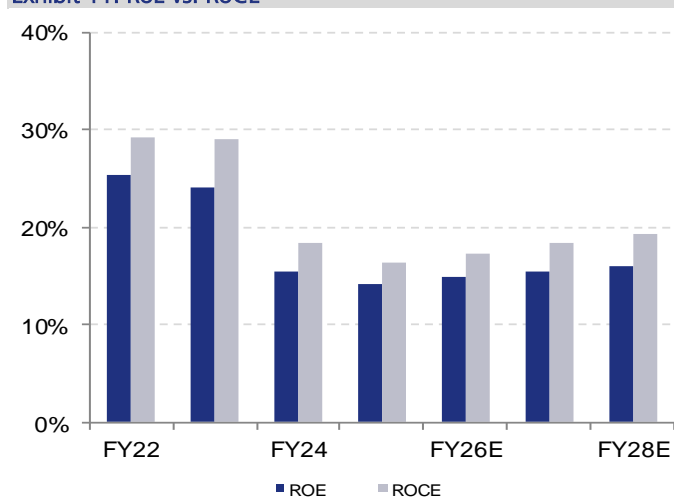
Source: Company, JM Financial

Exhibit 10. GGas 1-year forward PB band



Source: Company, JM Financial

Exhibit 11. RoE vs. RoCE



Source: Company, JM Financial

Exhibit 12. Global gas companies valuation snapshot

Company	EV/EBITDA (x)			P/E (x)			P/B (x)			EBITDA Margins (%)			ROE (%)		
	FY25/CY24	FY26/CY25	FY27/CY26	FY25/CY24	FY26/CY25	FY27/CY26	FY25/CY24	FY26/CY25	FY27/CY26	FY25/CY24	FY26/CY25	FY27/CY26	FY25/CY24	FY26/CY25	FY27/CY26
US Peers															
Sempra Energy	16.0	15.8	14.7	17.4	18.3	16.5	1.6	1.5	1.4	38.8	41.4	42.4	9.7	8.9	9.5
Nisource	14.6	12.7	11.5	24.7	22.8	21.3	2.3	2.0	1.9	42.6	47.7	50.0	8.6	9.1	9.3
Atmos Energy	14.1	12.4	10.9	21.5	20.1	18.7	1.9	1.7	1.6	49.7	51.5	54.7	9.0	8.7	8.7
US peers average	14.9	13.6	12.4	21.2	20.4	18.8	1.9	1.7	1.6	43.7	46.9	49.0	9.1	8.9	9.2
European Peers															
Enagas	8.1	8.9	9.6	27.0	12.8	14.8	1.3	1.4	1.5	82.8	78.0	77.7	0.8	11.2	9.9
European peers average	8.1	8.9	9.6	27.0	12.8	14.8	1.3	1.4	1.5	82.8	78.0	77.7	0.8	11.2	9.9
Asian peers															
BN Energy	6.8	6.6	6.2	9.9	9.4	8.7	1.4	1.4	1.3	10.7	11.3	11.5	15.1	14.9	14.9
Tow ngas China	9.6	9.0	8.4	9.1	8.4	7.9	0.6	0.6	0.5	15.8	15.9	16.4	6.4	6.9	7.1
Hong Kong & China Gas	15.5	15.0	14.4	20.9	20.9	19.9	2.2	2.3	2.2	21.3	22.1	22.3	10.3	10.9	11.4
China Resources Gas	6.1	7.4	6.9	8.2	10.5	9.7	1.0	1.1	1.0	13.2	11.1	11.3	12.1	10.1	10.3
China Gas Holdings	10.4	10.8	10.4	11.6	12.6	12.1	0.8	0.8	0.8	12.2	12.0	12.2	6.9	6.3	6.5
Beijing Enterprises	8.3	7.8	8.1	7.2	7.3	7.0	0.4	0.5	0.4	14.6	15.4	14.6	6.3	6.2	6.2
Korea Gas	9.3	9.3	9.3	4.0	4.5	4.1	0.4	0.3	0.3	11.2	11.8	12.0	9.5	7.8	8.0
Petronas Gas BHD	10.1	10.1	9.8	18.9	19.0	18.3	2.6	2.5	2.4	55.0	54.0	54.5	13.6	13.2	13.3
IGL	13.0	11.1	10.1	17.1	16.4	15.9	3.0	2.7	2.5	13.2	14.0	13.8	16.2	17.1	16.6
MGL	7.7	7.1	6.7	12.4	11.7	11.1	2.2	1.9	1.7	22.0	20.6	20.1	18.6	17.4	16.3
Gujarat Gas	15.4	14.1	12.4	25.5	23.1	19.5	3.5	3.2	2.9	11.6	11.9	12.2	14.1	14.2	15.2
Petronet LNG	6.3	6.0	5.3	10.7	10.4	9.3	2.2	1.9	1.7	10.2	11.1	11.6	20.7	19.6	19.2
CAIL	8.9	9.1	7.9	11.4	12.1	10.8	1.6	1.5	1.4	10.9	10.2	11.0	14.9	12.6	13.0
GSPL	18.4	18.8	17.2	21.2	23.0	21.5	1.6	1.6	1.5	72.8	71.4	73.4	7.7	6.9	7.0
Asian peers average	10.4	10.1	9.5	13.4	13.5	12.6	1.7	1.6	1.5	21.0	20.9	21.2	12.3	11.7	11.8
Global peers average	11.0	10.7	10.0	15.5	14.6	13.7	1.7	1.6	1.5	28.3	28.4	29.0	11.1	11.2	11.3
Global peers median	9.8	9.7	9.7	14.7	12.7	13.4	1.6	1.5	1.5	15.2	15.7	15.5	10.0	10.5	10.1

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,56,902	1,64,870	1,54,325	1,82,234	2,06,141
Sales Growth	-6.4%	5.1%	-6.4%	18.1%	13.1%
Other Operating Income	933	961	991	1,023	1,056
Total Revenue	1,57,835	1,65,831	1,55,316	1,83,256	2,07,197
Cost of Goods Sold/Op. Exp	1,25,557	1,32,160	1,19,531	1,43,099	1,62,984
Personnel Cost	1,989	1,893	1,988	2,087	2,191
Other Expenses	10,593	12,019	12,620	13,882	14,576
EBITDA	19,697	19,759	21,178	24,188	27,445
EBITDA Margin	12.5%	11.9%	13.6%	13.2%	13.2%
EBITDA Growth	-20.8%	0.3%	7.2%	14.2%	13.5%
Depn. & Amort.	4,743	5,106	5,306	5,670	6,037
EBIT	14,954	14,653	15,872	18,518	21,408
Other Income	1,061	2,083	2,187	2,296	2,411
Finance Cost	293	235	221	199	179
PBT before Excep. & Forex	15,722	16,501	17,838	20,616	23,640
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	15,722	16,501	17,838	20,616	23,640
Taxes	3,934	4,011	4,604	5,321	6,102
Extraordinary Inc./Loss(-)	557	0	0	0	0
Assoc. Profit/Min. Int.(-)	26	-45	0	0	0
Reported Net Profit	12,319	12,535	13,234	15,295	17,539
Adjusted Net Profit	11,437	11,483	13,234	15,295	17,539
Net Margin	7.2%	6.9%	8.5%	8.3%	8.5%
Diluted Share Cap. (mn)	688.4	688.4	688.4	688.4	688.4
Diluted EPS (INR)	16.6	16.7	19.2	22.2	25.5
Diluted EPS Growth	-25.2%	0.4%	15.2%	15.6%	14.7%
Total Dividend + Tax	4,578	3,896	4,006	4,599	5,315
Dividend Per Share (INR)	6.7	5.7	5.8	6.7	7.7

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	15,722	16,501	17,838	20,616	23,640
Depn. & Amort.	4,743	5,106	5,306	5,670	6,037
Net Interest Exp. / Inc. (-)	-340	-1,192	-1,966	-2,098	-2,232
Inc (-) / Dec in WCap.	-201	1,544	212	-620	-531
Others	19	176	0	0	0
Taxes Paid	-3,227	-3,115	-4,604	-5,321	-6,102
Operating Cash Flow	16,717	19,020	16,785	18,247	20,812
Capex	-8,371	-7,517	-9,041	-9,137	-9,233
Free Cash Flow	8,345	11,503	7,744	9,110	11,579
Inc (-) / Dec in Investments	-1,038	-12,841	12,633	-71	-170
Others	623	1,145	2,187	2,296	2,411
Investing Cash Flow	-8,787	-19,213	5,778	-6,911	-6,992
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-5,224	-5,152	-4,820	-5,514	-6,274
Inc / Dec (-) in Loans	-293	-548	884	964	1,044
Others	0	0	0	0	0
Financing Cash Flow	-5,517	-5,699	-3,936	-4,550	-5,230
Inc / Dec (-) in Cash	2,413	-5,892	18,628	6,786	8,590
Opening Cash Balance	6,747	9,160	3,268	21,896	28,682
Closing Cash Balance	9,160	3,268	21,896	28,682	37,272

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	77,225	84,896	93,531	1,03,510	1,14,954
Share Capital	1,377	1,377	1,377	1,377	1,377
Reserves & Surplus	75,848	83,520	92,154	1,02,134	1,13,577
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	2,434	2,383	2,144	1,930	1,737
Def. Tax Liab. / Assets (-)	9,108	9,589	9,589	9,589	9,589
Total - Equity & Liab.	88,766	96,868	1,05,264	1,15,029	1,26,279
Net Fixed Assets	86,808	90,465	94,200	97,667	1,00,863
Gross Fixed Assets	1,11,066	1,20,620	1,29,409	1,38,287	1,47,253
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	33,438	38,544	43,850	49,520	55,557
Capital WIP	9,180	8,389	8,641	8,900	9,167
Investments	1,784	2,042	2,385	2,797	3,291
Current Assets	28,324	34,005	39,028	47,312	57,155
Inventories	587	619	583	688	777
Sundry Debtors	10,298	10,240	9,646	11,382	12,869
Cash & Bank Balances	9,160	3,269	21,896	28,682	37,272
Loans & Advances	52	36	37	39	41
Other Current Assets	8,227	19,842	6,865	6,521	6,195
Current Liab. & Prov.	28,149	29,643	30,348	32,747	35,029
Current Liabilities	7,002	7,199	6,782	8,002	9,048
Provisions & Others	21,147	22,444	23,566	24,744	25,982
Net Current Assets	174	4,362	8,679	14,565	22,125
Total - Assets	88,766	96,868	1,05,264	1,15,029	1,26,279

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.2%	6.9%	8.5%	8.3%	8.5%
Asset Turnover (x)	1.9	1.8	1.5	1.7	1.7
Leverage Factor (x)	1.2	1.1	1.1	1.1	1.1
RoE	15.5%	14.2%	14.8%	15.5%	16.1%

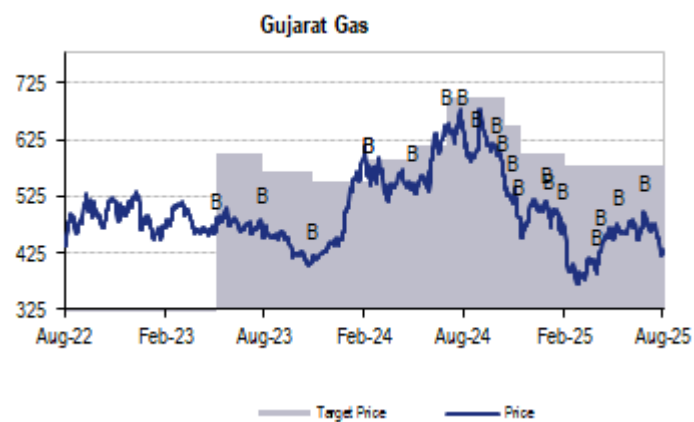
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	112.2	123.3	135.9	150.4	167.0
ROIC	16.7%	14.7%	15.4%	18.9%	21.2%
ROE	15.5%	14.2%	14.8%	15.5%	16.1%
Net Debt/Equity (x)	-0.1	0.0	-0.2	-0.3	-0.3
P/E (x)	25.9	25.8	22.4	19.4	16.9
P/B (x)	3.8	3.5	3.2	2.9	2.6
EV/EBITDA (x)	14.6	14.9	13.0	11.0	9.4
EV/Sales (x)	1.8	1.8	1.8	1.5	1.2
Debtor days	24	23	23	23	23
Inventory days	1	1	1	1	1
Creditor days	19	18	18	18	18

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
10-May-23	Buy	600	
2-Aug-23	Buy	570	-5.0
2-Nov-23	Buy	550	-3.4
13-Feb-24	Buy	590	7.2
14-Feb-24	Buy	590	0.0
6-May-24	Buy	615	4.2
7-Jul-24	Buy	700	13.7
6-Aug-24	Buy	700	0.1
1-Sep-24	Buy	700	0.0
7-Oct-24	Buy	700	-0.1
18-Oct-24	Buy	650	-7.1
6-Nov-24	Buy	650	0.0
17-Nov-24	Buy	600	-7.6
7-Jan-25	Buy	600	0.0
9-Jan-25	Buy	600	0.0
5-Feb-25	Buy	580	-3.4
8-Apr-25	Buy	580	0.1
15-Apr-25	Buy	580	0.0
19-May-25	Buy	580	-0.1
3-Jul-25	Buy	580	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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