

Gujarat Gas

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USD\$)	280.9 / 3.2
52-Week Range (INR)	524 / 360
1, 6, 12 Rel. Per (%)	-7/-16/-27
12M Avg Val (INR M)	248

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	151.6	162.0	182.2
EBITDA	19.2	20.7	22.8
PAT	11.8	12.6	14.7
EPS (INR)	17.2	18.3	21.3
EPS Gr. (%)	3.2	6.8	16.1
BV/Sh.(INR)	134.1	146.2	160.3

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	13.4	13.1	13.9
RoCE (%)	18.3	17.8	18.9
Payout (%)	34.0	34.0	34.0

Valuations

P/E (x)	23.8	22.2	19.2
P/BV (x)	3.0	2.8	2.5
EV/EBITDA (x)	14.1	13.0	11.5
Div. Yield (%)	1.4	1.5	1.8
FCF Yield (%)	2.5	2.3	2.9

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	60.9	60.9	60.9
DII	22.0	22.0	21.4
FII	3.7	3.9	4.5
Others	13.4	13.3	13.2

FII Includes depository receipts

CMP: INR408

TP: INR500 (+23%)

Buy

Morbi's volume pickup crucial

- Gujarat Gas' (GUJGA) volumes came in line with our estimate at 8.7mmscmd in 2QFY26, as both CNG/I&C-PNG volumes were in line with our estimate. Morbi volumes declined ~0.4mmscmd QoQ to ~2.1mmscmd, primarily due to customers shifting toward cheaper alternate fuels. EBITDA/scm margin contracted ~INR0.8 QoQ to INR5.6 (in line with estimates), largely due to a decrease in realization.
- Industrial volumes are expected to remain under pressure in the near term as propane prices soften and spot LNG prices remain high. Even after an INR3.25/scm I&C-PNG price cut taken by GUJGA in Aug'25, propane continues to remain INR4-6/scm cheaper vs piped natural gas in Morbi. As the current volume run rate in Morbi is even lower at ~1.7-1.8mmscmd (2.1mmscmd in 2Q), we cut our I&C-PNG volume assumption for FY26/27/28 by 0.3/0.5/0.5mmscmd to 4.6/4.9/5.3mmscmd. This results in a 4%/3% cut on our FY27/28 EBITDA estimates. While we have not factored in any earnings contribution from the recently announced initiative to sell propane in Morbi and other industrial areas, this remains a key upside risk to our current volume estimates.
- CNG and D-PNG volumes contributed to ~48% of GUJGA's total volumes in 2Q and have consistently grown by 10-12% YoY over the past six quarters. We build in CNG and D-PNG volumes to contribute 48-50% of GUJGA's volumes over FY26-28, with CNG/D-PNG volumes expected to clock 11%/13.5% CAGR over FY25-28. Overall, we estimate total volumes for GUJGA to clock 9% CAGR over FY26-28, reaching 10.6mmscmd in FY28.
- GUJGA is currently trading at 22.9x 1-year forward P/E, below its long-term average of 25.4x. While near-term performance may remain subdued given the uncertain volume growth outlook, the merger of GUJGA, GUJS, and GSPC remains a key near-term catalyst for the stock. Shareholder approval has been obtained, and filings have been submitted to the MCA. Final approval is expected by end-Dec'25.
- We maintain our EBITDA/scm assumption of INR5.9 over 1HFY26-FY28. However, we revise our P/E multiple downward to 24x (from 26x earlier) to reflect the softer volume growth prospects and now value the stock on Dec'27E EPS of INR20.6 (vs. FY27E EPS earlier), arriving at a TP of INR500 per share.

Other key takeaways from the conference call

- CNG volumes grew 11%/26% YoY in Gujarat/other areas.
- APM allocation was 36%/100% for CNG/D-PNG (49% in total for the priority segment sale).
- INR2.8b capex was incurred in 1HFY26. FY26 capex is expected to be INR8b. FY27 capex is expected to be INR8-10b.
- Shareholder approval has been received for the merger scheme. Filings have been made with MCA post-approval. **Approval is expected by end-Dec'25.** No objection has been received from NSE, BSE, and PNBGRB.

EBITDA in line; other income drives beat on PAT

- Total volumes came in line with our estimate at 8.7mmscmd (down 12% YoY).

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- CNG/I&C-PNG volumes were in line with our estimate, whereas D-PNG volumes came in 15% above estimates.
- EBITDA/scm came in line with our est. at INR5.6.
- Realization decreased ~INR0.6/scm QoQ, while gas cost/opex increased INR0.2/INR0.1 per scm QoQ, leading to ~INR0.8/scm QoQ decrease in EBITDA/scm margin.
- Resultant EBITDA stood in line with our estimate at INR4.5b (down 13% YoY).
- However, PAT came in 15% above our est. at INR2.8b (down 8% YoY), driven by higher-than-estimated other income.
- **Press release KTAs:**
- GUJGA continues to expand its CNG network, **adding four new stations in 2QFY26**; CNG volumes rose **13% YoY**, supported by **834 operational stations**.
- The company is undertaking an aggressive rollout of the FDODO model, having signed **74 agreements so far. The first FDODO station has become operational** in Jamnagar, and several more are expected to commence in the near term.
- Shareholders have approved the Composite Scheme of Amalgamation and Arrangement with an overwhelming majority on 17 Oct'25. **Filings have been submitted to MCA.**
- The company has added over **42,400 new domestic customers** during the quarter, taking total connections to over 2.3m households.
- The pipeline network has expanded to 43,900 inch-km cumulatively.

Valuation and view

- The company's long-term volume growth prospects remain robust, with the addition of new industrial units and the 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 22.2x FY27E and EV/EBITDA of 13x for FY27E. **We reiterate our BUY rating on the stock with a TP of INR500, valuing it at 24x Dec'27E EPS.**

Standalone - Quarterly Earning

Standalone - Quarterly Earning												(INR m)
Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	44,503	37,818	41,529	41,020	38,709	37,804	37,183	37,870	1,64,870	1,51,566	37,413	1%
YoY Change (%)	17.7	-1.7	5.7	-0.8	-13.0	0.0	-10.5	-7.7	5.1	-8.1	-1.1	
EBITDA	5,356	5,142	3,805	4,495	5,199	4,473	4,751	4,817	18,798	19,239	4,412	1%
Margin (%)	12.0	13.6	9.2	11.0	13.4	11.8	12.8	12.7	11.4	12.7	11.8	
Depreciation	1,231	1,295	1,294	1,286	1,314	1,343	1,353	1,329	5,106	5,339	1,357	
Interest	78	80	93	74	79	81	84	83	325	327	75	
Other Income	386	386	585	744	594	731	486	473	2,100	2,284	284	
PBT	4,433	4,152	3,002	3,878	4,399	3,779	3,801	3,878	15,466	15,856	3,265	16%
Rate (%)	25.6	26.1	26.2	26.0	25.7	25.6	25.2	25.2	25.9	25.5	25.2	
Adj. PAT	3,298	3,069	2,216	2,872	3,268	2,810	2,843	2,900	11,455	11,821	2,442	15%
YoY Change (%)	53.3	3.1	0.6	-22.0	-0.9	-8.4	28.3	1.0	4.0	3.2	-20.4	
Total volume (mmscmd)	11.0	8.8	9.5	9.3	8.9	8.7	8.7	9.0	9.6	9.1	8.6	0%
CNG	3.0	2.9	3.1	3.2	3.3	3.3	3.4	3.5	3.1	3.2	3.3	1%
PNG – Industrial/Commercial	7.4	5.1	5.6	5.2	4.9	4.5	4.4	4.6	5.8	5.2	4.7	-3%
PNG – Households	0.6	0.8	0.7	0.9	0.7	0.8	0.9	0.9	0.8	0.8	0.7	15%
EBITDA (INR/scm)	5.4	6.4	4.4	5.4	6.4	5.6	5.9	5.9	5.4	5.6	5.5	1%

Operational Highlights

Particulars	FY23				FY24				FY25				FY26		2QFY26	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY (%)	QoQ (%)
Net sales (INR m)	51,701	39,765	36,843	39,286	37,815	38,454	39,291	41,342	44,503	37,818	41,529	41,020	38,709	37,804	0%	-2%
Realization (INR/scm)	58.3	56.7	54.9	49.3	45.1	44.8	46.6	46.9	44.5	47.0	47.7	49.0	48.0	47.4	1%	-1%
Total raw material (INR m)	43,015	30,654	28,313	30,781	30,931	30,546	32,248	31,829	35,902	29,473	34,295	32,529	30,022	29,828	1%	-1%
Gas cost (INR/scm)	48.5	43.7	42.2	38.6	36.9	35.6	38.3	36.1	35.9	36.6	39.4	38.9	37.2	37.4	2%	1%
Gross margin (INR m)	8,686	9,111	8,530	8,505	6,884	7,908	7,043	9,513	8,601	8,344	7,234	8,491	8,687	7,976	-4%	-8%
Gross margin (INR/scm)	9.8	13.0	12.7	10.7	8.2	9.2	8.4	10.8	8.6	10.4	8.3	10.1	10.8	10.0	-3%	-7%
EBITDA (INR m)	6,066	6,427	5,823	5,603	3,880	4,966	4,007	5,911	5,356	5,142	3,805	4,495	5,199	4,473	-13%	-14%
EBITDA (INR/scm)	6.8	9.2	8.7	7.0	4.6	5.8	4.8	6.7	5.4	6.4	4.4	5.4	6.4	5.6	-12%	-13%
PAT	3,811	4,039	3,713	3,692	2,151	2,978	2,203	4,095	3,298	3,069	2,216	2,872	3,268	2,810	-8%	-14%
PAT (INR/scm)	4.3	5.8	5.5	4.6	2.6	3.5	2.6	4.6	3.3	3.8	2.5	3.4	4.0	3.5	-7%	-13%
Volumes (mmscmd)																
CNG	2.4	2.3	2.4	2.5	2.6	2.6	2.8	2.9	3.0	2.9	3.1	3.2	3.3	3.3	13%	0%
PNG - Household	0.6	0.7	0.7	0.8	0.6	0.7	0.7	0.9	0.6	0.8	0.7	0.9	0.7	0.8	9%	20%
PNG - I/C	6.8	4.6	4.2	5.5	6.0	6.0	5.7	6.0	7.4	5.1	5.6	5.2	4.9	4.5	-11%	-7%
Total	9.8	7.6	7.3	8.9	9.2	9.3	9.2	9.7	11.0	8.8	9.5	9.3	8.9	8.7	-1%	-2%

Exhibit 1: Total PNG volumes were 5.3mmscmd (down 8% YoY), with I/C volumes at 4.5mmscmd (down 11% YoY)

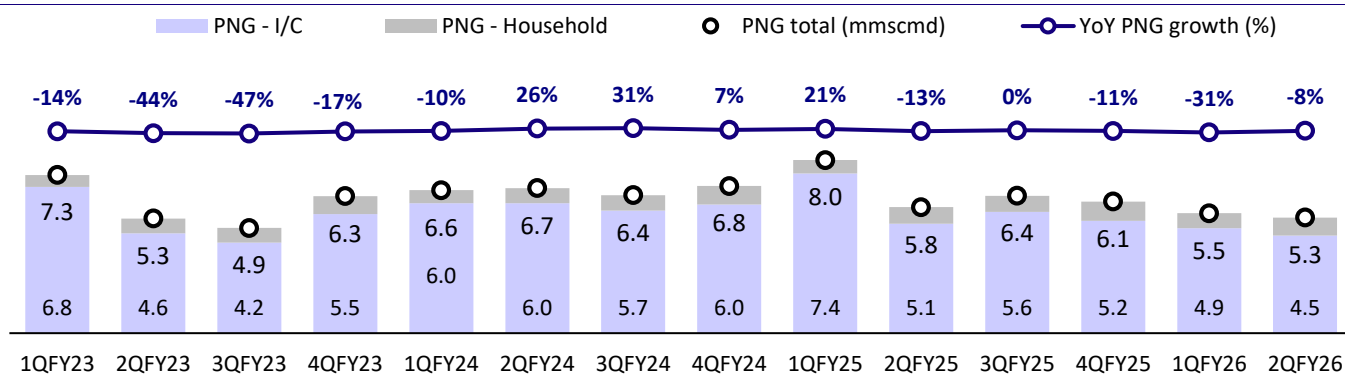


Exhibit 2: CNG volumes were 3.3mmscmd (up 13% YoY)

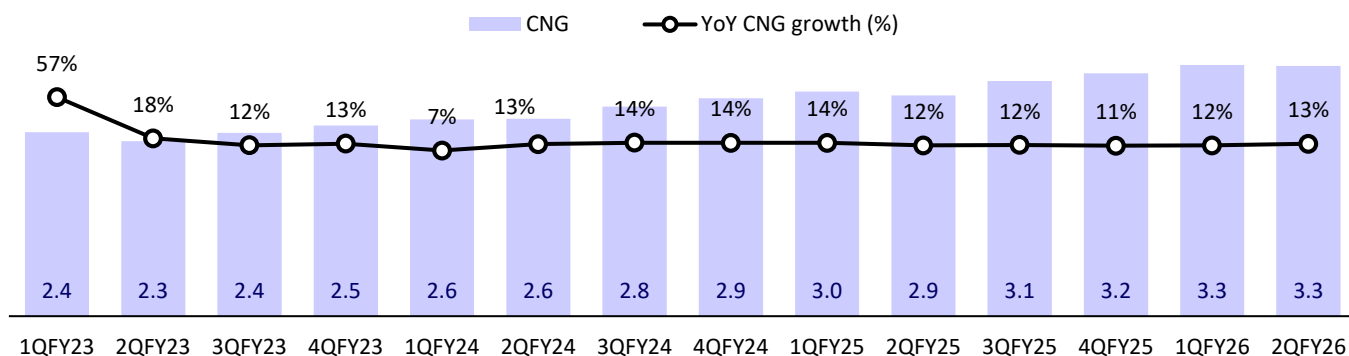
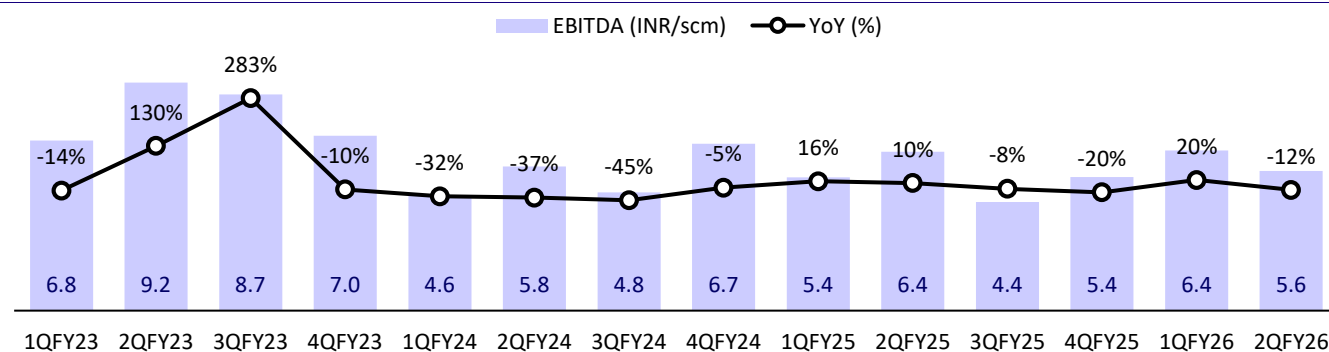


Exhibit 3: EBITDA/scm stood at INR5.6 (down 12% YoY)



Source: Company, MOFSL



Highlights from the management commentary

Update on the merger scheme:

- Shareholder approval has been received. Filings have been made with MCA post-approval. **Approval is expected by end-Dec'25.** No objection has been received from NSE, BSE and PNGRB.

Margin guidance:

- Margin guidance is maintained at INR4.5-5.5/scm.

Update on propane/LPG business segment:

- The company has been actively pursuing this initiative and is in advanced discussions with capacity providers at both Pipavav and Kandla ports. In parallel, it is engaging with service providers and fleet operators to arrange last-mile logistics, as well as with international suppliers to finalize terms that best meet its requirements. Meaningful progress is expected in the coming months.

Industrial segment:

- Total volumes of I&C-PNG stood at 4.34mmscmd in 2Q (4.71mmscmd in 1Q).
- Morbi volumes: **2.13mmscmd** (2.51mmscmd in 1Q).
- ✓ **Current Morbi volumes are around 1.7-1.8mmscmd.** Morbi volumes are expected to remain low in the short term.
- Non-Morbi 2Q volumes: 2.22mmscmd (2.2mmscmd in previous quarter, up 8% YoY)
- ✓ Ahmedabad and Thane are expected to drive growth in I&C volumes. Incremental 0.2-0.3mmscmd is expected in the next 18 months.
- Owing to lower spot LNG and crude prices QoQ, GUJGA reduced its I&C-PNG price by INR3.25/scm on 1st Aug'25 (current price: INR44/scm ex VAT).
- NG price differential vs propane is ~INR4-6/scm (after price cut).
- Management expects Propane prices to increase during winters, leading to a decrease in price differential.

CNG segment:

- The company expects robust 13% YoY CNG volume growth in the quarter, supported by **834 operational stations.**
- Volumes grew 11%/26% YoY in Gujarat/other areas.
- CNG vehicle base in GUJGA Gas: 1.6m (up 15% YoY)
- GUJGA continues to expand its CNG network, adding four new stations in 2QFY26.
- CNG remains 45%/23% cheaper than MS/HSD.

Domestic segment:

- 42.4k new D-PNG connections were made in 2Q.
- GUJGA signed an agreement with Bhatinda Military Center (11,300 residential quarters) in 1Q.

Capex:

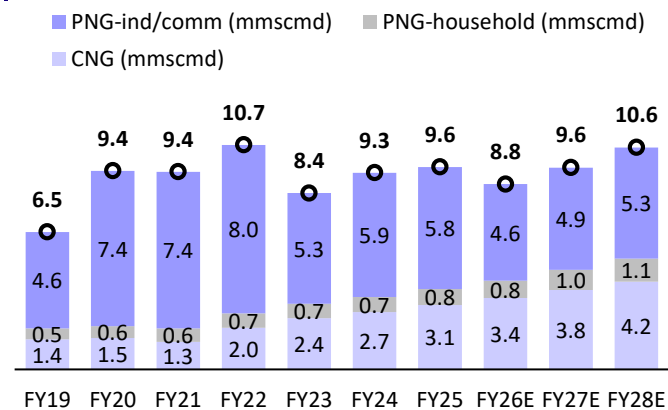
- INR2.8b capex was incurred in 1HFY26. FY26 capex is expected to be INR8b. FY27 capex for GUJGA is expected to be INR8-10b.

Gas sourcing mix during the quarter:

- APM allocation: 36%/100% for CNG/D-PNG (49% in total for the priority segment sale).
- NW gas: 0.44mmscmd in 2Q (down from 0.54mmscmd in 1Q).
- 2QFY26 volume split:
 - APM: 2.03mmscmd (2.06mmscmd in 1Q).
 - NW gas: 0.44mmscmd (0.54mmscmd in 1Q).
 - Long-term contracts: 3.44mmscmd (3.39mmscmd in 1Q).
 - Short-term contracts (incl Spot): 2.85mmscmd (3.04mmscmd in 1Q).

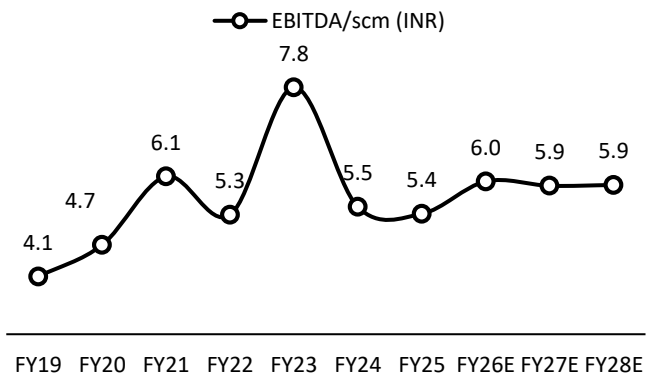
Story in charts

Exhibit 4: Volume snapshot for GUJGA



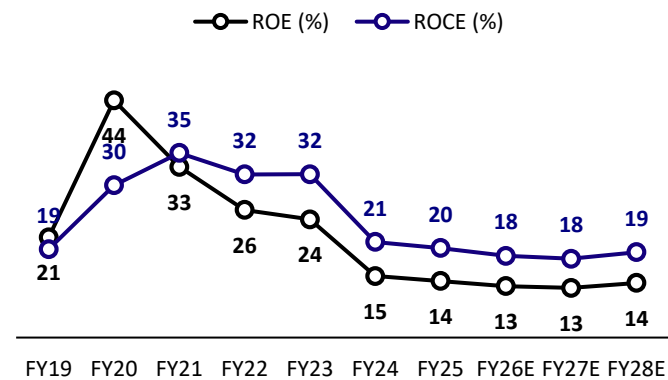
Source: Company, MOFSL

Exhibit 5: EBITDA/scm to be ~INR5.9 in FY27/28



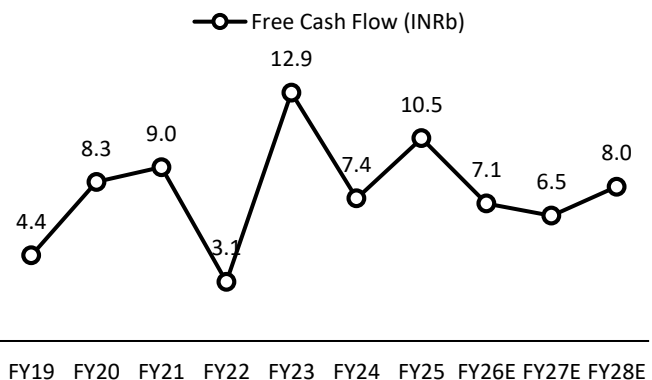
Source: Company, MOFSL

Exhibit 6: Return ratios



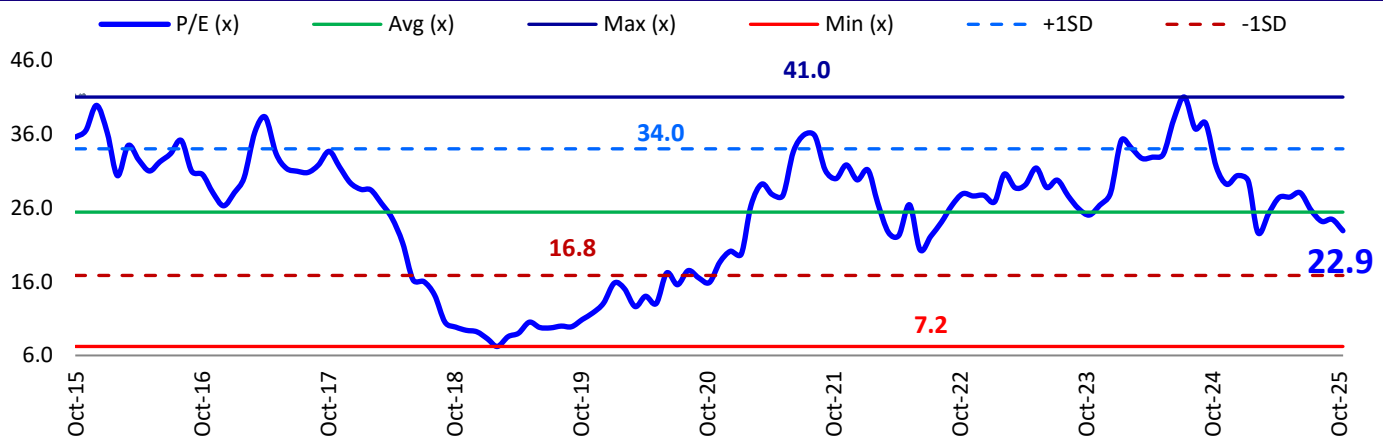
Source: Company, MOFSL

Exhibit 7: Free cash flow



Source: Company, MOFSL

Exhibit 8: One-year forward P/E trades at 22.9x vs. its LT average of 25.4x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	1,67,594	1,56,902	1,64,870	1,51,566	1,61,956	1,82,216
Change (%)	1.8	-6.4	5.1	-8.1	6.9	12.5
EBITDA	23,920	18,764	18,798	19,239	20,659	22,785
Margin (%)	14.3	12.0	11.4	12.7	12.8	12.5
Depreciation	4,283	4,743	5,106	5,339	5,509	5,731
EBIT	19,637	14,021	13,691	13,900	15,150	17,054
Int. and Finance Charges	404	293	325	327	335	335
Other Income	1,013	1,078	2,100	2,284	2,062	2,870
PBT bef. EO Exp.	20,247	14,805	15,466	15,856	16,876	19,589
EO Items	0	557	0	0	0	0
PBT after EO Exp.	20,247	15,362	15,466	15,856	16,876	19,589
Current Tax	4,992	3,934	4,011	4,035	4,248	4,931
Tax Rate (%)	24.7	25.6	25.9	25.5	25.2	25.2
Reported PAT	15,255	11,428	11,455	11,821	12,629	14,659
Adjusted PAT	15,255	11,013	11,455	11,821	12,629	14,659
Change (%)	17.8	-27.8	4.0	3.2	6.8	16.1
Margin (%)	9.1	7.0	6.9	7.8	7.8	8.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	1,377	1,377	1,377	1,377	1,377	1,377
Total Reserves	68,579	75,516	83,160	90,960	99,293	1,08,966
Net Worth	69,956	76,893	84,537	92,337	1,00,670	1,10,342
Deferred Tax Liabilities	8,461	9,108	9,589	9,589	9,589	9,589
Total Loans	0	0	0	0	0	0
Capital Employed	78,417	86,000	94,125	1,01,925	1,10,258	1,19,931
Gross Block	1,04,085	1,13,079	1,22,526	1,25,803	1,30,426	1,36,123
Less: Accum. Deprn.	30,721	35,464	40,571	45,910	51,419	57,150
Net Fixed Assets	73,364	77,615	81,955	79,894	79,007	78,974
Capital WIP	9,831	9,180	8,389	13,111	18,489	22,791
Total Investments	317	1,364	1,477	1,477	1,477	1,477
Curr. Assets, Loans, and Adv.	25,439	28,425	34,330	36,924	42,808	52,155
Inventory	612	587	619	560	598	675
Account Receivables	10,212	10,298	10,240	9,413	10,059	11,317
Cash and Bank Balance	6,810	9,261	3,594	8,676	12,624	18,193
Cash balance	6,747	9,160	3,269	8,351	12,299	17,867
Bank balance	63	101	325	325	325	325
Loans and Advances	7,806	8,279	19,878	18,274	19,527	21,970
Curr. Liability and Prov.	30,534	30,583	32,026	29,481	31,523	35,466
Account Payables	7,156	7,002	7,199	6,522	6,964	7,858
Other Current Liabilities	22,554	22,787	24,076	22,133	23,651	26,609
Provisions	824	794	750	825	908	999
Net Current Assets	-5,095	-2,158	2,305	7,443	11,285	16,689
Appl. of Funds	78,417	86,000	94,125	1,01,925	1,10,258	1,19,931

Financials and valuations

Ratios

Y/E March (INR)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	22.2	16.0	16.6	17.2	18.3	21.3
Cash EPS	28.4	22.9	24.1	24.9	26.3	29.6
BV/Share	101.6	111.7	122.8	134.1	146.2	160.3
DPS	6.7	5.7	5.7	5.8	6.2	7.2
Payout (%)	30.0	34.1	34.0	34.0	34.0	34.0
Valuation (x)						
P/E	18.4	25.5	24.5	23.8	22.2	19.2
Cash P/E	14.4	17.8	17.0	16.4	15.5	13.8
P/BV	4.0	3.7	3.3	3.0	2.8	2.5
EV/Sales	1.6	1.7	1.7	1.8	1.7	1.4
EV/EBITDA	11.5	14.5	14.8	14.1	13.0	11.5
Dividend Yield (%)	1.6	1.4	1.4	1.4	1.5	1.8
FCF per share	18.8	10.8	15.3	10.4	9.5	11.6
Return Ratios (%)						
RoE	24.2	15.0	14.2	13.4	13.1	13.9
RoCE	31.6	20.6	19.6	18.3	17.8	18.9
Working Capital Ratios						
Asset Turnover (x)	2.1	1.8	1.8	1.5	1.5	1.5
Inventory (Days)	1	1	1	1	1	1
Debtor (Days)	22	24	23	23	23	23
Creditor (Days)	16	16	16	16	16	16
Working Cap. Turnover (Days)	-26	-27	-3	-3	-3	-3
Leverage Ratio (x)						
Current Ratio	0.8	0.9	1.1	1.3	1.4	1.5
Debt/Equity ratio	-0.1	-0.1	0.0	-0.1	-0.1	-0.2

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	20,247	15,362	15,466	15,856	16,876	19,589
Depreciation	4,283	4,743	5,106	5,339	5,509	5,731
Interest and Finance Charges	404	293	325	327	335	335
Direct Taxes Paid	-4,608	-3,227	-3,115	-4,035	-4,248	-4,931
(Inc.)/Dec. in WC	4,052	-201	1,544	-57	106	165
Others	-597	-630	-1,267	-2,284	-2,062	-2,870
CF from Operations	23,780	16,340	18,059	15,147	16,517	18,019
(Inc.)/Dec. in FA	-10,867	-8,371	-7,517	-8,000	-10,000	-10,000
Free Cash Flow	12,912	7,412	10,541	7,147	6,517	8,019
Others	454	584	-11,695	2,284	2,062	2,870
CF from Investments	-10,413	-8,787	-19,213	-5,716	-7,938	-7,130
Inc./(Dec.) in Debt	-4,779	0	0	0	0	0
Interest Paid	-381	-273	-299	-327	-335	-335
Dividend Paid	-1,379	-4,575	-3,891	-4,021	-4,295	-4,986
CF from Fin. Activity	-6,784	-5,141	-4,737	-4,348	-4,631	-5,321
Inc./Dec. in Cash	6,583	2,413	-5,891	5,082	3,948	5,569
Opening Balance	164	6,747	9,159	3,268	8,351	12,299
Closing Balance	6,747	9,159	3,268	8,351	12,299	17,867

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