

Gujarat State Petronet

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR291 **TP: INR350 (+20%)** **Buy**

Bloomberg	GUJS IN
Equity Shares (m)	564
M.Cap.(INRb)/(USDb)	164.1 / 2
52-Week Range (INR)	407 / 255
1, 6, 12 Rel. Per (%)	-21/-6/-14
12M Avg Val (INR M)	491

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	17.6	12.8	13.5
EBITDA	15.0	9.8	10.3
PAT	12.8	6.6	6.8
EPS (INR)	22.8	11.6	12.1
EPS Gr. (%)	35.9	-48.9	4.1
BV/Sh.(INR)	182.1	190.3	198.7

Ratios

Net D:E	0.0	-0.1	-0.1
RoE (%)	13.1	6.3	6.2
RoCE (%)	13.2	6.3	6.3
Payout (%)	21.9	30.0	30.0

Valuations

P/E (x)	12.8	25.0	24.0
P/BV (x)	1.6	1.5	1.5
EV/EBITDA (x)	10.6	16.0	15.4
Div. Yield (%)	1.7	1.2	1.2
FCF Yield (%)	4.6	1.7	0.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	37.6	37.6	37.6
DII	26.8	26.8	26.9
FII	15.7	16.0	16.7
Others	20.0	19.6	18.8

FII Includes depository receipts

In-line EBITDA led by strong volumes

- Gujarat State Petronet's (GUJS) 4QFY24 EBITDA was in line with our est. at INR3.8b, led by higher transmission volume of 33.4mmscmd. EBITDAM was 50bp higher than our estimate at 83.1%. Realization was lower than our estimate at INR1,495/mmscm.
- Spot LNG price currently stands at ~USD10.5/mmBtu, down from ~USD12.6/mmBtu in 2HFY24, which bodes well for GUJS volumes.
- We see minimal downside for GUJS from current levels given a robust volume trend. Assuming a 25% holding company discount, its Gujarat Gas stake is worth INR264, while we value the core business at INR83.
- We keep our estimates unchanged as the 4Q performance was largely in line with our estimates. The stock is trading at a P/E of ~24x FY26E EPS of INR12.1 and EV/EBITDA of ~15.4x. Maintain BUY with a TP of INR350.

In-line performance; robust growth in volumes YoY

- **Total volumes were in-line with our est. at 33.4mmscmd (+33% YoY)**
 - CGD volumes increased to 11.4mmscmd (+18% YoY)
 - Fertilizer volumes were at 4.6mmscmd (+58% YoY)
 - Power/ref-petchem volumes at 2.9/8.7mmscmd (+3x/+24% YoY)
 - Other volumes stood at 5.6mmscmd (+27% YoY)
- EBITDA was INR3.8b (our est. INR3.8b, +28% YoY). PAT was INR2.6b (our est. INR2.7b, +16% YoY) as the implied tariff was INR1,495/mscm (our est. INR1,550/mscm, -4%YoY). The tax was higher than our estimate.
- **For FY24**, revenue was INR17.6b (+15% YoY), EBITDA stood at INR15b (+20% YoY), and PAT came in at INR12.8b (+36% YoY). Volumes stood at 30.5mmscmd (+20% YoY). Implied tariff was INR1,536/mscm (-4% YoY).
- The company has declared a final dividend of INR5/share (50% of FV).

Valuation and view

- The available LNG capacity in Gujarat is expected to grow 55% to 42.5mtpa over the next two years. Most of this volume is likely to flow through GUJS's network. We believe the company could post a 12% CAGR in transmission volumes over FY24-26.
- We expect GUJS's volumes to jump to ~38.5mmscmd in FY26 as it is a beneficiary of: a) the upcoming LNG terminals in Gujarat, b) improved demand owing to the focus on reducing industrial pollution – Gujarat has five geographical areas identified as severely/ critically polluted, and c) the commissioning of Phase-II of the Mehsana-Bhatinda pipeline.
- Investments in GUJGA and Sabarmati Gas at a 25% holding discount provide a valuation of INR266. Valuing the core at 8x adj. FY26E EPS of INR10.4 and adding the value of investments, we arrive at our TP of INR350. We maintain our BUY rating on the stock with a potential upside of 20%.

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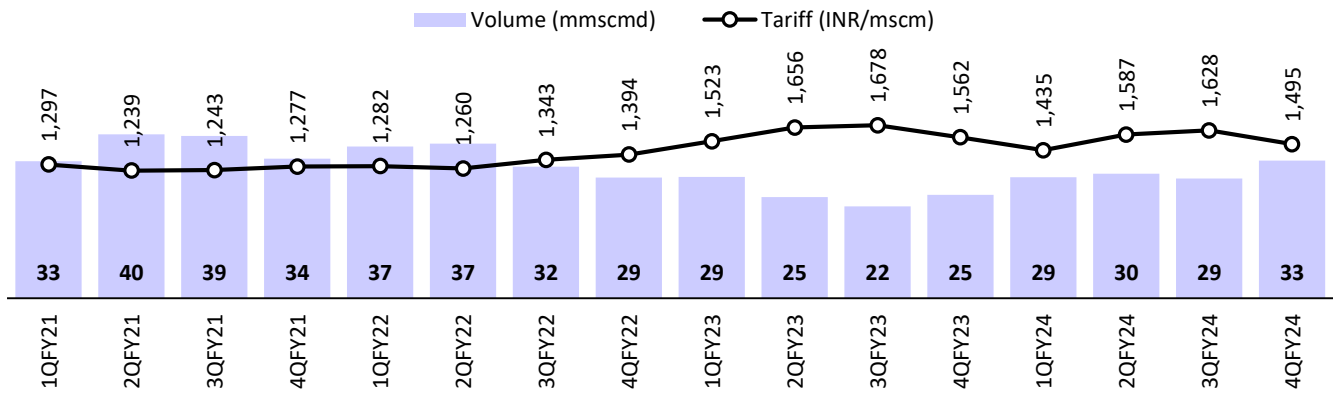
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Standalone - Quarterly Earning Model

(INR m)

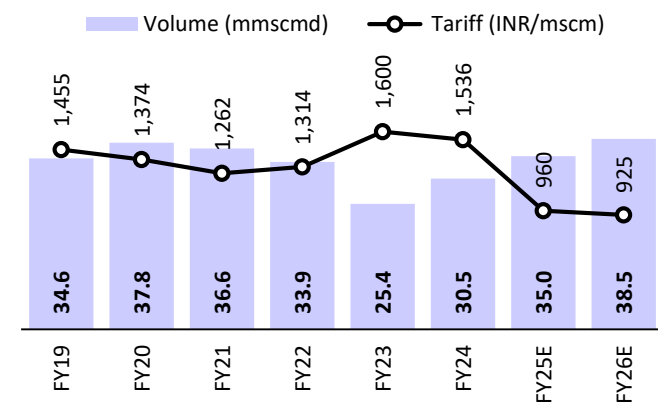
Y/E March	FY23				FY24				FY23	FY24	FY24	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	4,200	3,850	3,484	3,740	3,937	4,533	4,555	4,547	15,275	17,572	4,622	-2%
YoY Change (%)	-4.5	-13.9	-12.7	0.3	-6.3	17.7	30.7	21.6	-7.9	15.0	23.6	
EBITDA	3,602	3,338	2,699	2,947	3,364	4,103	3,795	3,780	12,587	15,041	3,820	-1%
YoY Change (%)	-3.8	-12.3	-19.8	-3.7	-6.6	22.9	40.6	28.2	-9.9	19.5	29.6	
Margin (%)	85.8	86.7	77.5	78.8	85.5	90.5	83.3	83.1	82.4	85.6	82.6	
Depreciation	479	488	489	483	468	477	488	486	1,939	1,920	482	
Interest	14	11	11	10	10	10	11	19	47	50	9	
Other Income	40	1,037	130	476	180	2,663	211	296	1,684	3,351	298	
PBT before EO expense	3,149	3,877	2,329	2,931	3,066	6,278	3,506	3,571	12,286	16,422	3,627	-2%
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	3,149	3,877	2,329	2,931	3,066	6,278	3,506	3,571	12,286	16,422	3,627	-2%
Tax	794	735	620	687	773	958	884	960	2,836	3,576	901	
Rate (%)	25.2	18.9	26.6	23.5	25.2	15.3	25.2	26.9	23.1	21.8	24.8	
Reported PAT	2,355	3,142	1,709	2,243	2,293	5,320	2,622	2,611	9,450	12,846	2,726	-4%
YoY Change (%)	1.1	-4.9	-19.9	11.0	-2.6	69.3	53.4	16.4	-3.5	35.9	21.5	
Margin (%)	56.1	81.6	49.1	60.0	58.2	117.4	57.6	57.4	61.9	73.1	59.0	
Key Operating Parameters												
Transmission Volume (mmscmd)	29.5	24.6	22.3	25.1	29.4	30.2	29.0	33.4	25.4	30.5	32.4	3%
Implied Tariff (INR/mmscm)	1,523	1,656	1,678	1,562	1,435	1,587	1,628	1,495	1,600	1,536	1,550	-4%

Exhibit 1: Transmission volumes up 33% YoY with tariff down 4% on YoY basis



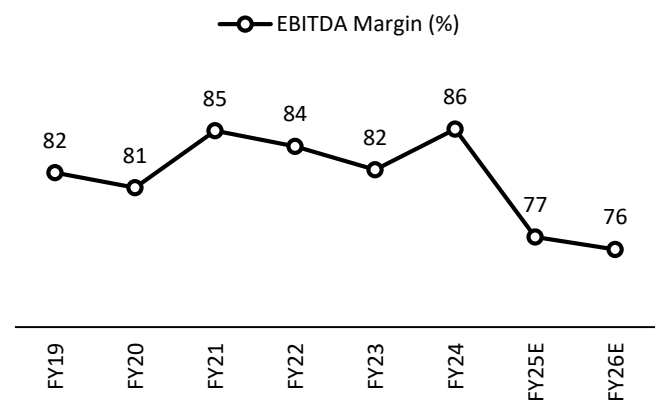
Source: MOFSL, Company

Exhibit 2: GUJS's volume snapshot



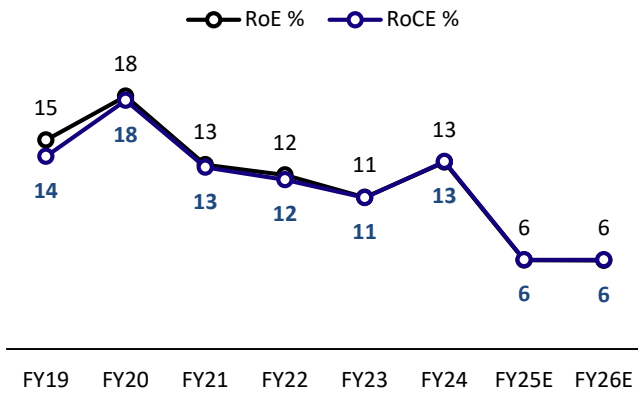
Source: Company, MOFSL

Exhibit 3: EBITDA margin to remain between 76%-77%



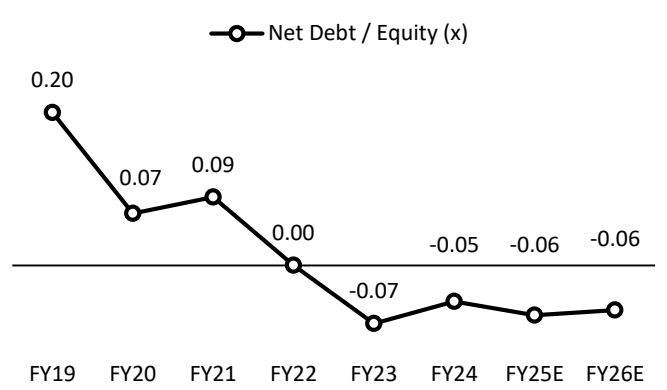
Source: Company, MOFSL

Exhibit 4: Return ratio profile



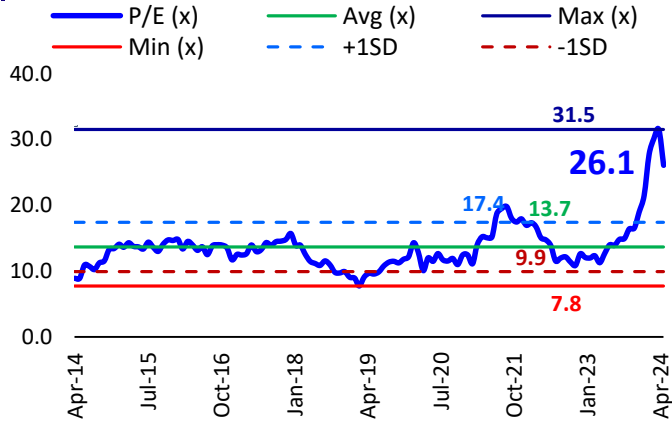
Source: Company, MOFSL

Exhibit 5: GUJS's net Debt/Equity profile



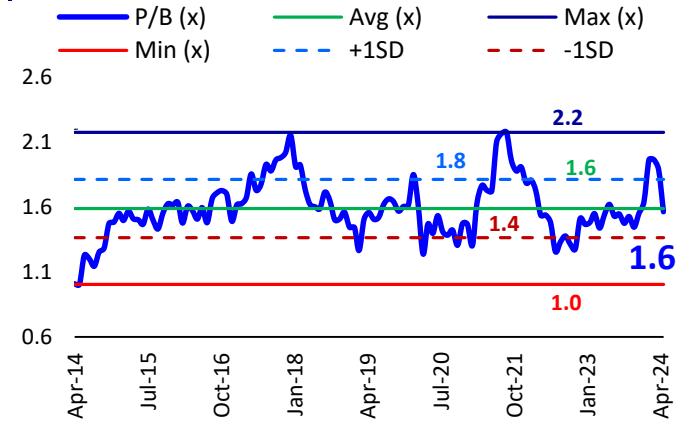
Source: Company, MOFSL

Exhibit 6: GUJS' 1-year forward P/E



Source: Company, MOFSL

Exhibit 7: ...while its 1-year forward P/B



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	18,773	19,449	17,191	16,591	15,275	17,572	12,753	13,488
Change (%)	41.0	3.6	-11.6	-3.5	-7.9	15.0	-27.4	5.8
EBITDA	15,426	15,749	14,694	13,976	12,587	15,041	9,835	10,267
Margin (%)	82.2	81.0	85.5	84.2	82.4	85.6	77.1	76.1
Depreciation	1,800	1,966	2,049	1,960	1,939	1,920	2,295	2,368
EBIT	13,626	13,783	12,645	12,016	10,648	13,121	7,540	7,900
Int. and Finance Charges	2,192	1,645	933	313	47	50	44	46
Other Income	594	649	694	1,045	1,684	3,351	1,275	1,281
PBT bef. EO Exp.	12,028	12,786	12,406	12,748	12,286	16,422	8,771	9,135
EO Items	0	0	0	-14	0	0	0	0
PBT after EO Exp.	12,028	12,786	12,406	12,735	12,286	16,422	8,771	9,135
Total Tax	4,081	1,699	3,147	2,958	2,836	3,576	2,208	2,299
Tax Rate (%)	33.9	13.3	25.4	23.2	23.1	21.8	25.2	25.2
Reported PAT	7,947	11,087	9,259	9,777	9,450	12,846	6,564	6,836
Adjusted PAT	7,947	11,087	9,259	9,787	9,450	12,846	6,564	6,836
Change (%)	18.9	39.5	-16.5	5.7	-3.5	35.9	-48.9	4.1
Margin (%)	42.3	57.0	53.9	59.0	61.9	73.1	51.5	50.7

Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	5,640	5,641	5,642	5,642	5,642	5,642	5,642	5,642
Total Reserves	51,800	61,584	69,808	78,787	87,090	97,059	1,01,654	1,06,441
Net Worth	57,440	67,226	75,450	84,429	92,732	1,02,701	1,07,297	1,12,083
Total Loans	12,856	5,441	7,499	877	0	0	0	0
Deferred Tax Liabilities	5,226	4,081	4,218	4,250	4,238	4,159	4,159	4,159
Capital Employed	75,522	76,748	87,167	89,557	96,970	1,06,860	1,11,456	1,16,242
Gross Block	43,245	44,994	45,854	46,406	46,636	47,357	56,952	64,471
Less: Accum. Deprn.	7,170	9,137	11,186	13,146	15,085	17,005	19,300	21,667
Net Fixed Assets	36,075	35,857	34,668	33,259	31,551	30,353	37,652	42,804
Capital WIP	4,194	2,372	2,215	2,526	4,248	7,618	5,024	4,505
Total Investments	42,772	46,111	50,062	51,737	51,700	53,297	53,297	53,297
Curr. Assets, Loans&Adv.	6,459	5,764	5,420	5,878	13,384	19,541	18,509	18,857
Inventory	1,279	1,261	1,296	1,890	2,121	2,108	2,432	2,683
Account Receivables	2,081	1,637	1,586	1,295	1,440	1,412	1,025	1,084
Cash and Bank Balance	1,583	957	877	864	6,917	4,734	6,862	6,428
Cash	700	903	843	738	1,357	83	2,210	1,776
Bank Balance	883	54	34	126	5,560	4,652	4,652	4,652
Loans and Advances	1,516	1,908	1,660	1,828	2,906	11,285	8,191	8,662
Curr. Liability & Prov.	13,978	13,356	5,197	3,843	3,913	3,949	3,026	3,220
Account Payables	238	410	620	654	510	375	433	478
Other Current Liabilities	13,523	12,670	4,270	2,928	3,141	3,253	2,361	2,497
Provisions	216	276	307	262	262	321	233	246
Net Current Assets	-7,518	-7,592	223	2,035	9,471	15,592	15,483	15,637
Appl. of Funds	75,522	76,748	87,167	89,557	96,970	1,06,860	1,11,456	1,16,242

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	14.1	19.7	16.4	17.4	16.8	22.8	11.6	12.1
Cash EPS	17.3	23.1	20.1	20.8	20.2	26.2	15.7	16.3
BV/Share	101.8	119.2	133.8	149.7	164.4	182.1	190.3	198.7
DPS	2.0	2.0	2.0	2.0	5.0	5.0	3.5	3.6
Payout (%)	16.1	10.2	12.2	11.5	29.8	21.9	30.0	30.0
Valuation (x)								
P/E	20.7	14.8	17.8	16.8	17.4	12.8	25.0	24.0
Cash P/E	16.9	12.6	14.5	14.0	14.4	11.1	18.6	17.9
P/BV	2.9	2.4	2.2	1.9	1.8	1.6	1.5	1.5
EV/Sales	9.4	8.7	9.9	9.9	10.3	9.1	12.3	11.7
EV/EBITDA	11.4	10.7	11.6	11.8	12.5	10.6	16.0	15.4
Dividend Yield (%)	0.7	0.7	0.7	0.7	1.7	1.7	1.2	1.2
FCF per share	15.5	22.2	20.0	17.6	13.8	13.4	5.1	0.7
Return Ratios (%)								
RoE	14.7	17.8	13.0	12.2	10.7	13.1	6.3	6.2
RoCE	13.6	17.5	12.8	11.9	10.7	13.2	6.3	6.3
RoIC	39.3	44.0	30.8	27.0	23.9	27.3	12.9	12.0
Working Capital Ratios								
Fixed Asset Turnover (x)	0.4	0.4	0.4	0.4	0.3	0.4	0.2	0.2
Asset Turnover (x)	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Inventory (Days)	25	24	28	42	51	44	70	73
Debtor (Days)	40	31	34	28	34	29	29	29
Creditor (Days)	5	8	13	14	12	8	12	13
Leverage Ratio (x)								
Current Ratio	0.5	0.4	1.0	1.5	3.4	4.9	6.1	5.9
Interest Cover Ratio	6.2	8.4	13.6	38.4	227.5	262.8	172.1	172.1
Net Debt/Equity	0.2	0.1	0.1	0.0	-0.1	0.0	-0.1	-0.1

Standalone - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	12,028	12,786	12,382	13,165	12,286	16,422	8,771	9,135
Depreciation	1,800	1,966	2,048	1,960	1,939	1,920	2,295	2,368
Interest & Finance Charges	2,192	1,645	934	313	47	49	44	46
Direct Taxes Paid	-3,639	-3,082	-3,025	-3,062	-2,741	-3,534	-2,208	-2,299
(Inc)/Dec in WC	-956	893	684	-202	-274	109	2,236	-588
Others	-542	-606	-611	-1,448	-1,592	-3,242	-1,275	-1,281
CF from Operations	10,882	13,602	12,412	10,726	9,664	11,724	9,863	7,380
(Inc)/Dec in FA	-2,118	-1,066	-1,119	-773	-1,892	-4,164	-7,000	-7,000
Free Cash Flow	8,764	12,536	11,293	9,953	7,772	7,561	2,863	380
(Pur)/Sale of Investments	-990	-3,340	-3,848	-1,690	0	-1,660	0	0
Others	3,029	1,304	589	2,452	-5,127	-4,332	1,275	1,281
CF from Investments	-80	-3,102	-4,379	-11	-7,019	-10,156	-5,725	-5,719
Inc/(Dec) in Debt	-6,912	-7,335	-6,037	-9,348	-875	0	0	0
Interest Paid	-2,299	-1,678	-924	-337	-7	-5	-44	-46
Dividend Paid	-1,128	-1,283	-1,128	-1,128	-1,128	-2,821	-1,968	-2,049
CF from Fin. Activity	-10,328	-10,297	-8,093	-10,819	-2,026	-2,843	-2,012	-2,095
Inc/Dec of Cash	475	203	-59	-105	619	-1,274	2,127	-434
Opening Balance	225	700	902	843	738	1,357	83	2,210
Closing Balance	700	902	843	738	1,357	83	2,210	1,776

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NOTES

Explanation of Investment Rating	
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UNDER REVIEW	Rating may undergo a change
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