

May 9, 2024

**RESULT REPORT Q4 FY24** | Sector: Energy

# Gujarat State Petronet Ltd

**EBITDA lower than our estimates; Higher volumes a surprise while tariffs decline impact the earnings**

## Our View

GSPL's Q4FY24 performance presents a mixed picture, EBITDA and PAT witnessed YoY growth of 28.3%/16.5%, but flat QoQ despite an increase in volumes due to a decline in tariffs. Volumes at 33.4mmscmd surpassed our expectations of 30.8mmscmd, on better refinery and other sector demand. However, higher-than-expected decline in tariffs (Rs 1.495/scm) offset the volume strength. While managing cost pressures remains crucial, we maintain an Add rating on GSPL with a revised target price of Rs 329 (earlier Rs 487).

## Result Highlights

- EBITDA/PAT at Rs 3.8/2.6bn, up 28.3%/16.5% YoY on better volumes; but flat QoQ despite an increase in volumes due to a decline in tariffs. The EBITDA performance is lower than our estimates on higher-than-expected decline in tariffs. The other expenses declined (as gas transmission expenses in Q4FY24 declined to Rs 521mn vs Rs 987mn in Q3FY24 vs Q4FY23 of Rs 690mn).
- Transmission revenues** stood at Rs 4,490mn adjusted for gas transmission expense (Rs 521mn) was up by 21.8% YoY and 3.3% QoQ.
- The overall **volumes** for the quarter at 33.37mmscmd, were up 33.1%YoY and 15% QoQ (Q3FY24 - 29.2mmscmd and Q4FY23 - 25.08mmscmd), was higher than our est. of 30.8mmscmd on better refinery and other sector demand. The volumes sequentially increased by 4.4mmscmd mainly driven by refinery sector which was up by 2.3mmscmd, other sectors up by 1.1 and CGD by 0.6. Overall, the YoY increase was 8.3mmscmd, driven by all sectors which were up 1-2mmscmd each - CGD which was up 1.5mmscmd; power 1.7; others 2.1; fertilizers 1.0 and refinery 2.0.
- EBITDA/PAT** Rs/mmscmd at 113/78 was down 3.6/12.5% YoY and 13.4%/13.3% QoQ on a decline in tariffs.
- The **gas transmission expense** of Rs 521m, which is a pass-through, adjusted for the same which has resulted in a tariff of Rs 1.495/scm, which is lower YoY and QoQ.
- The **other income** at Rs 296mn was down 38% YoY but up 40.5% QoQ.
- FY24 performance:** EBITDA/PAT at Rs 15.0/12.8bn, up 19.5%/35.9% YoY on better volumes. Total volume (mmscmd) stood at 30.5 vs 25.4 in FY23, which is up 20.2% YoY. This increase of 5.1mmscmd was led by power sector which stood at 3.4 vs 1.0 in the same period prior year; CGD at 10.9 vs 9.5 in last year; others at 5.1 vs 3.8 last year; fertilizers at 4.3 vs 3.6 last year; while refinery witnessed a decline to 6.8 vs 7.4 last year.

## Valuation

GSPL's FY24-26 EBITDA would decline at a CAGR of -5.5% despite a 10.2% volume growth due to a fall in tariffs. At the CMP, the stock trades at 12.3x/10.7x FY25e/FY26e EV/ EBITDA and 1.5x/1.4x P/BV (excl. investments, it trades at 4.4x/3.5x FY25e/FY26e EV/EBITDA and 0.6x/0.6x P/BV). We maintain an ADD rating on the stock, at a revised TP of Rs329, valuing it on a sum-of-parts basis (core business at Rs158 at 5.0x EV/EBITDA, investment value in GUJGA at Rs171).

Reco	: ADD
CMP	: Rs 293
Target Price	: Rs 329
Potential Return	: +12.2%

## Stock data (as on May 9, 2024)

Nifty	21,958
52 Week h/l (Rs)	407 / 255
Market cap (Rs/USD mn)	165681 / 1985
Outstanding Shares (mn)	564
6m Avg t/o (Rs mn):	565
Div yield (%):	1.3
Bloomberg code:	GUJS IN
NSE code:	GSPL

## Stock performance



	1M	3M	1Y
Absolute return	-24.3%	-24.3%	6.3%

## 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	ADD	ADD
Target Price	329	487

## Δ in estimates

(1-Yr)	FY25e	FY26e
EPS (New)	18.2	19.7
EPS (Old)	19.9	21.8
% Change	(8.4)	(9.6)

## 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	12.5	9.3	9.4
EPS	22.8	18.2	19.7
P/E	12.9	16.1	14.8
BV	182.1	195.3	210.1
EV/EBITDA	10.7	12.3	10.7

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Lead Analyst

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## Exhibit 1: Actual vs estimate

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	5,068	5,374	5,136	-5.69	-1.32	
EBITDA	3,781	3,990	3,886	-5.23	-2.69	EBITDA lower than our estimates; Higher volumes a surprise while tariffs decline impact the earnings
EBITDA Margin (%)	74.60	74.24	75.66	36bps	-106bps	
Adjusted PAT	2,612	2,709	2,709	-3.55	-3.57	

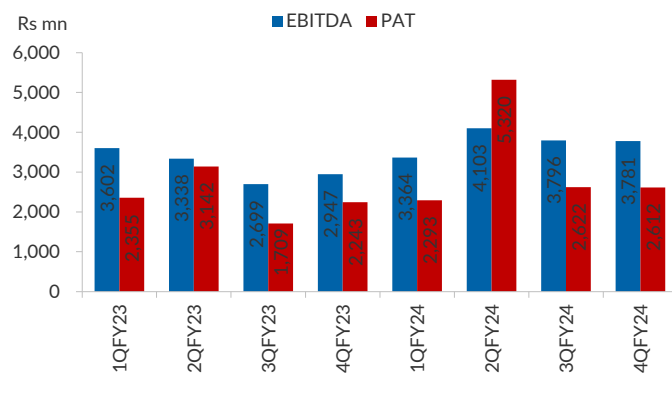
## Exhibit 2: Earnings snapshot

Particulars (Rs mn)	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Revenue	4,430	4,412	5,293	5,542	5,068	14.4	(8.6)	17,618	20,315	15.3
Expenditure	1,483	1,047	1,190	1,746	1,287	(13.2)	(26.3)	5,031	5,272	4.8
-Raw Material	158	-	-	165	(1)	(100.7)	(163.7)	158	164	(15,011.6)
-Staff Cost	161	161	169	206	267	65.2	29.6	722	803	11.1
- Other Expenses	1,163	886	1,022	1,375	1,022	(12.2)	(25.7)	4,151	4,305	3.7
<b>Operating Profit</b>	<b>2,947</b>	<b>3,364</b>	<b>4,103</b>	<b>3,796</b>	<b>3,781</b>	<b>28.3</b>	<b>(0.4)</b>	<b>12,587</b>	<b>15,044</b>	<b>19.5</b>
OPM(%)	66.5	76.3	77.5	68.5	74.6	807 bps	611 bps	71.4	74.1	261 bps
Other Income	476	180	2,663	211	296	(37.8)	40.5	1,684	3,351	99.0
Depreciation	483	468	477	488	486	0.7	(0.4)	1,939	1,920	(1.0)
Interest	10	10	10	12	19	87.9	58.5	47	51	9.4
Excpnl Loss/(Profit)	-	-	-	-	-	n.a.	n.a.	-	-	n.a.
<b>PBT</b>	<b>2,931</b>	<b>3,066</b>	<b>6,278</b>	<b>3,506</b>	<b>3,572</b>	<b>21.9</b>	<b>1.9</b>	<b>12,286</b>	<b>16,423</b>	<b>33.7</b>
Tax	687	773	958	884	960	39.6	8.5	2,836	3,576	26.1
<b>PAT</b>	<b>2,243</b>	<b>2,293</b>	<b>5,320</b>	<b>2,622</b>	<b>2,612</b>	<b>16.5</b>	<b>(0.4)</b>	<b>9,450</b>	<b>12,847</b>	<b>36.0</b>
<b>Adj PAT</b>	<b>2,243</b>	<b>2,293</b>	<b>5,320</b>	<b>2,622</b>	<b>2,612</b>	<b>16.5</b>	<b>(0.4)</b>	<b>9,450</b>	<b>12,847</b>	<b>36.0</b>

## Exhibit 3: Operating highlights

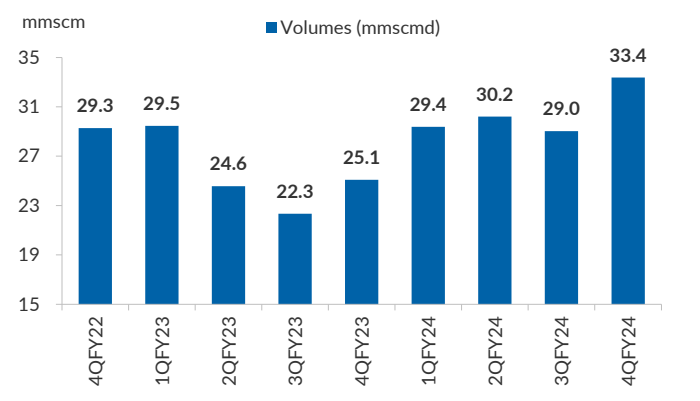
Particulars	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	y/y (%)	q/q (%)	FY23	FY24	y/y (%)
Industry wise consumption - mmscmd										
Power	1.2	4.0	4.1	2.5	2.9	135.4	19.6	1.0	3.4	224.1
Refinery	6.7	6.6	5.5	6.4	8.7	29.8	35.2	7.4	6.8	(8.3)
CGD	10.0	10.4	10.8	10.9	11.4	14.8	5.2	9.5	10.9	14.7
Fertilizers	3.6	3.4	4.6	4.7	4.6	28.6	(0.3)	3.6	4.3	20.1
Others	3.6	4.9	5.2	4.6	5.6	58.8	22.9	3.8	5.1	33.9
<b>Total</b>	<b>25.1</b>	<b>29.4</b>	<b>30.2</b>	<b>29.0</b>	<b>33.4</b>	<b>33.1</b>	<b>15.0</b>	<b>25.4</b>	<b>30.5</b>	<b>20.2</b>
Rs/mmscmd										
Tariff (Rs/scm)	1.6	1.4	1.6	1.6	1.5	(8.4)	(8.1)	1.6	1.5	(5.0)
Pipeline utilization %	59.7	69.9	71.9	69.1	79.5	33.1	15.0	60.4	72.6	20.2
Revenue										
Revenue	174.4	146.8	171.2	183.8	150.2	(13.9)	(18.3)	694.7	666.3	(4.1)
EBITDA	117.5	114.5	135.9	130.8	113.3	(3.6)	(13.4)	496.3	493.4	(0.6)
PBT	116.9	104.4	207.9	120.8	107.0	(8.4)	(11.4)	123.7	72.0	(41.8)
PAT	89.4	78.1	176.2	90.3	78.3	(12.5)	(13.3)	372.6	421.4	13.1

**Exhibit 4: EBITDA and PAT**



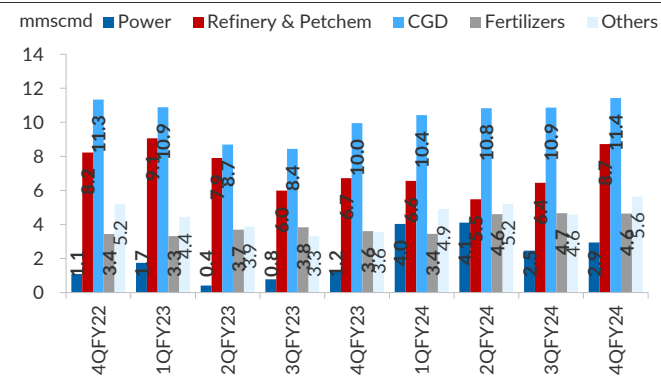
Source: Company, YES Sec

**Exhibit 5: Gas transmission volumes**



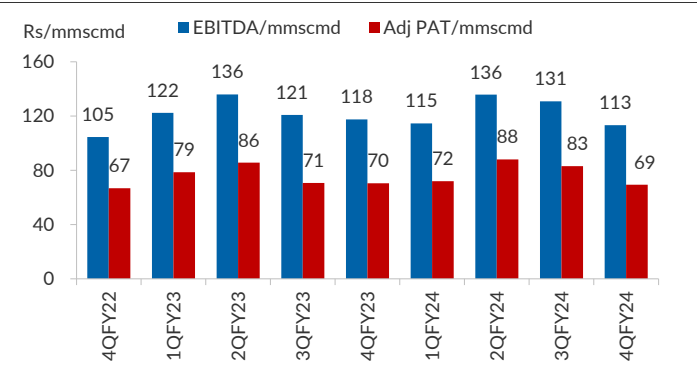
Source: Company, YES Sec

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



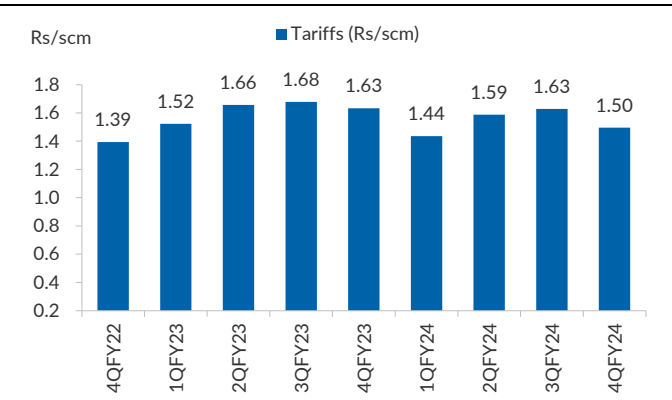
Source: Company, YES Sec

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



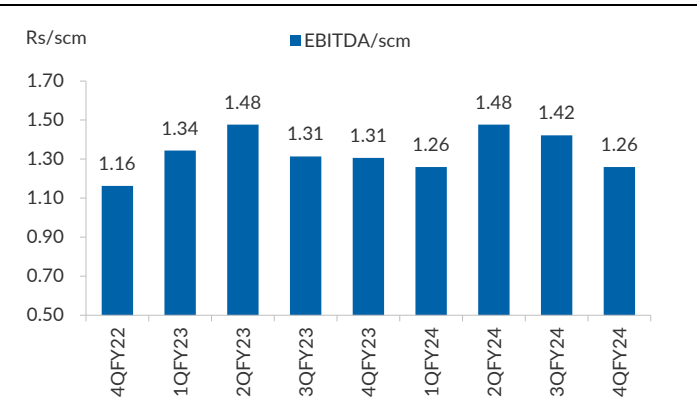
Source: Company, YES Sec

**Exhibit 8: Transmission tariffs**



Source: Company, YES Sec

**Exhibit 9: EBITDA/scm**



Source: Company, YES Sec

## VIEW & VALUATION

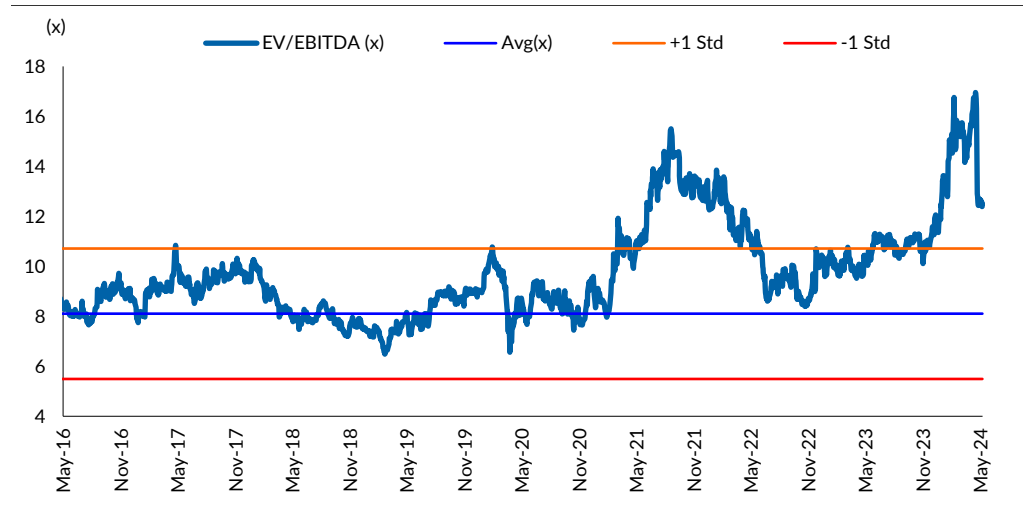
### ADD with a Target Price of Rs 329/sh

GSPL's FY24-26 EBITDA would decline at a CAGR of -5.5% despite a 10.2% volume growth due to a fall in tariffs. At the CMP, the stock trades at 12.3x/10.7x FY25e/FY26e EV/ EBITDA and 1.5x/1.4x P/BV (excl. investments, it trades at 4.4x/3.5x FY25e/FY26e EV/EBITDA and 0.6x/0.6x P/BV). We maintain an ADD rating on the stock, at a revised TP of Rs329, valuing it on a sum-of-parts basis (core business at Rs158 at 5x EV/EBITDA, investment value in GUJGA at Rs171) (earlier Rs 487).

#### Exhibit 10: Valuation table

Valuation	FY26E
<b>Core value ( Standalone)</b>	
EBITDA	13,445
Multiple	5.0
EV	67,225
Debt	0
Cash	21,704
Equity value	88,929
Core value (Rs/share)	158
<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>329</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	<b>13,976</b>	<b>12,587</b>	<b>15,041</b>	<b>12,254</b>	<b>13,445</b>
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	<b>12,748</b>	<b>12,286</b>	<b>16,422</b>	<b>13,739</b>	<b>14,876</b>
Tax	2,958	2,836	3,576	3,458	3,744
PAT	<b>9,791</b>	<b>9,450</b>	<b>12,846</b>	<b>10,281</b>	<b>11,132</b>
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	<b>84,429</b>	<b>92,732</b>	<b>102,701</b>	<b>110,162</b>	<b>118,474</b>
Debt	877	-	-	-	-
Deferred tax liab (net)	4,250	4,238	4,159	4,159	4,159
Capital Employed	<b>89,557</b>	<b>96,970</b>	<b>106,860</b>	<b>114,321</b>	<b>122,633</b>
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	<b>89,557</b>	<b>96,970</b>	<b>106,860</b>	<b>114,321</b>	<b>122,633</b>

## 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)	(47)	(49)	(49)	(49)
(Inc)/Dec in working capital	(202)	(274)	(8,313)	1,508	(1,108)
Tax paid	(3,062)	(2,741)	(3,576)	(3,458)	(3,744)
Less: Interest/Dividend Income Received	(856)	(1,295)			
Other operating Cash Flow	(510)	(50)			
<b>Cash flow from operating activities</b>	<b>10,752</b>	<b>9,664</b>	<b>6,404</b>	<b>13,717</b>	<b>12,018</b>
Capital expenditure	(804)	(1,982)	(4,082)	(1,413)	(1,812)
Inc/(Dec) in investments	(1,690)	-	(1,597)	-	-
Add: Interest/Dividend Income Received	2,458	(5,037)	-	-	-
<b>Cash flow from investing activities</b>	<b>(36)</b>	<b>(7,019)</b>	<b>(5,679)</b>	<b>(1,413)</b>	<b>(1,812)</b>
Inc/(Dec) in share capital	1,750	-	-	-	-
Inc/(Dec) in debt	(11,104)	(886)	-	-	-
Dividend Paid	(1,128)	(1,128)	-	(2,820)	(2,820)
Others	(341)	(12)	49	49	49
<b>Cash flow from financing activities</b>	<b>(10,823)</b>	<b>(2,026)</b>	<b>49</b>	<b>(2,771)</b>	<b>(2,771)</b>
<b>Net cash flow</b>	<b>(107)</b>	<b>619</b>	<b>774</b>	<b>9,534</b>	<b>7,436</b>

## Exhibit 15: Du-pont analysis

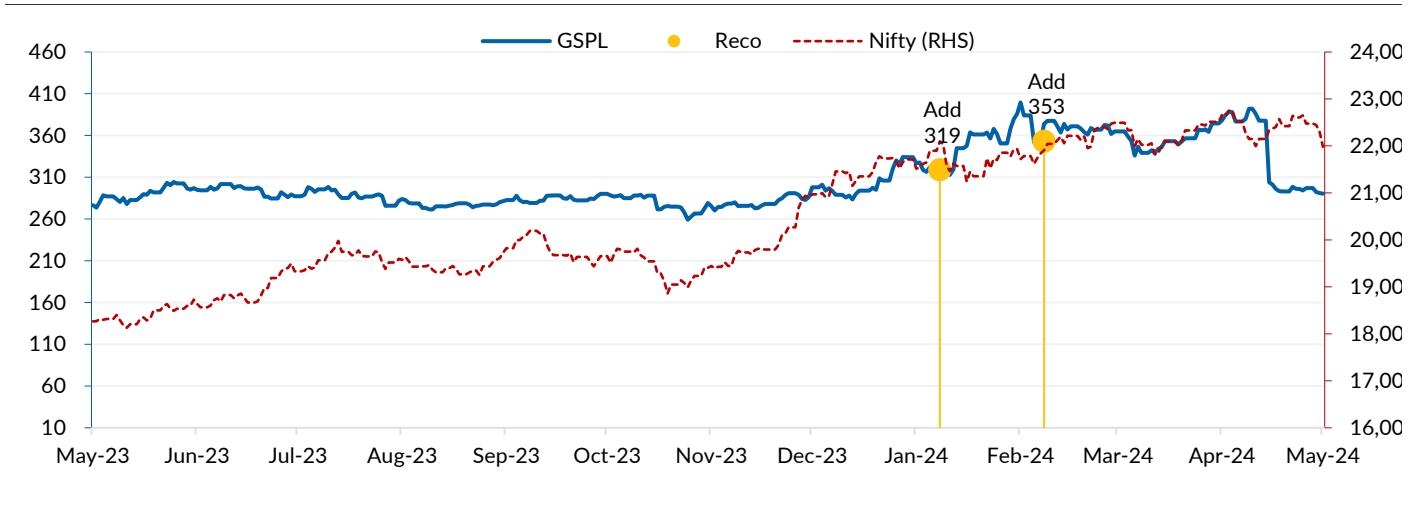
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.8	0.8	0.8	0.7	0.7
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.6	0.7	0.8	0.8	0.8
Asset turnover (x)	0.2	0.2	0.2	0.2	0.2
Financial leverage (x)	1.2	1.1	1.1	1.1	1.1
RoE (%)	12.2	10.7	13.1	9.7	9.7

## 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	12.7	15.4	12.1	12.2
RoE	11.6	10.2	12.5	9.3	9.4
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	16.9	17.5	12.9	16.1	14.8
P/CEPS	14.1	14.5	11.2	13.5	12.5
P/B	2.0	1.8	1.6	1.5	1.4
EV/EBIDTA	11.8	12.6	10.7	12.3	10.7
<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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