

# Gujarat Gas

Estimate changes

TP change

Rating change



**CMP: INR581**

**TP: INR675 (+16%)**

**Buy**

## Lower-than-expected margin drives miss

- GUJGA's EBITDA came in below our estimate at INR4b in 3QFY24 as both margin and volumes were weak. EBITDA/scm stood at INR4.8 and total volumes came in at 9.2mmscmd.
- The management highlighted that they are expecting an increase in demand from rural areas specially in the outskirts of Ahmedabad and Thane areas. GUJGA has been able to capture significant CNG volumes from rural areas and that there is a significant demand for CNG in newer GAs.
- The management highlighted that the CNG business has seen more than 300% growth in the last five years, with four major OEMs supplying or marketing more than 24 models in the market. GUJGA expects CNG penetration to grow from 11% in CY23 to 18% in CY27, with better availability of supplies, new CNG model launches, the strengthening of CNG infrastructure, and a reduction in CNG prices.
- We increase our EBITDA/PAT estimates by 15%/18% for FY25 and 15%/17% for FY26 as we increase our margin assumption to INR6.5/INR6.6 per scm for FY25/FY26.
- GUJGA's long-term volume growth prospects remain robust, with the addition of new industrial units and the expansion of existing units. Hence, we reiterate our BUY rating on the stock with a TP of INR675 (at 28x Dec'25E EPS).

## Miss on EBITDA as both margin and volume weak

- Total volumes stood at 9.2mmscmd (vs. our estimate of 9.5 mmscmd).
- **CNG volumes** grew 14% YoY to 2.8mmscmd. This growth can be attributed to investments in CNG station infrastructure, aided by favorable govt. policies.
- **PNG I/C volumes** rose 35% YoY to 5.7mmscmd (vs. our est. of 6.1mmscmd). GUJGA added 197 commercials and 69 new industrial customers during the quarter. It added volume of 116,000scmd as a result of the commissioning of new industrial customers. Additionally, GUJGA has signed volume of 823,000scmd, scheduled to be commissioned in the coming days.
- **PNG domestic volumes** grew 6% YoY to 0.7mmscmd (our est. of 0.8mmscmd). The company added ~38k new domestic customers during the quarter.
- EBITDA/scm came in at INR4.8 (est. of INR5.8/scm). Gross margin stood at INR8.4/scm (down from INR12.8 in 3QFY23). Thus, EBITDA stood at INR4b (est. of INR5.1b, down 31% YoY).
- PAT declined 41% YoY to INR2.2b (est. of INR3b).
- In 3Q, GUJGA contracted ~0.5mmscmd of domestic gas under auction from one of the upstream suppliers for four years. It also plans to add more than 200 CNG stations in the next two to three years.

Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USD\$b)	399.9 / 4.8
52-Week Range (INR)	621 / 397
1, 6, 12 Rel. Per (%)	8/14/-1
12M Avg Val (INR M)	672

### Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	154.9	166.2	182.4
EBITDA	18.0	24.2	26.6
PAT	10.3	15.1	17.1
EPS (INR)	15.0	22.0	24.8
EPS Gr. (%)	-32.3	46.5	13.1
BV/Sh.(INR)	112.1	127.5	144.9

### Ratios

Net D:E	-0.1	-0.2	-0.2
RoE (%)	14.0	18.3	18.2
RoCE (%)	19.3	24.9	24.7
Payout (%)	30.0	30.0	30.0

### Valuations

P/E (x)	38.9	26.6	23.5
P/BV (x)	5.2	4.6	4.0
EV/EBITDA (x)	21.9	16.0	14.2
Div. Yield (%)	0.8	1.1	1.3
FCF Yield (%)	1.0	2.4	3.0

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	60.9	60.9	60.9
DII	21.0	20.1	19.6
FII	3.3	3.8	5.2
Others	14.8	14.4	14.4

FII Includes depository receipts

- For 9MFY24, revenue stood at INR115.5b (down 10% YoY); EBITDA stood at INR12.9b (down 30% YoY) and PAT at INR7.3b (down 37% YoY). EBITDA/scm stood at INR5.1 (down 39% YoY) with total volumes at 9.2mmscmd (up 12% YoY).

#### 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 P/E of 26.6x FY25E and EV/EBITDA of 16x for FY25E. We reiterate our BUY rating on the stock with a TP of INR675, valuing it at 28x Dec'25E EPS.

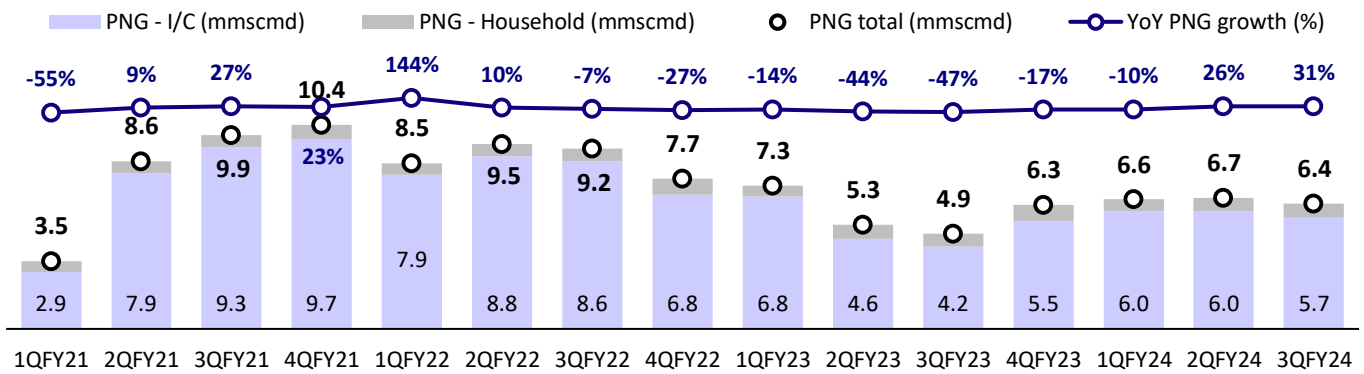
#### Standalone - Quarterly Earning Model

Y/E March	(INR m)											
	FY23				FY24				FY23	FY24E	FY24	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE		
<b>Net Sales</b>	51,701	39,765	36,843	39,286	37,815	38,454	39,291	39,294	1,67,594	1,54,854	40,542	-3%
YoY Change (%)	71.7	9.7	-28.4	-15.9	-26.9	-3.3	6.6	0.0	1.8	-7.6	10.0	
<b>EBITDA</b>	6,066	6,427	5,823	5,603	3,880	4,966	4,007	5,097	23,920	17,950	5,082	-21%
Margin (%)	11.7	16.2	15.8	14.3	10.3	12.9	10.2	13.0	14.3	11.6	12.5	
Depreciation	1,032	1,064	1,093	1,094	1,151	1,179	1,201	1,256	4,283	4,787	1,216	
Interest	136	131	76	61	74	78	72	66	404	289	76	
Other Income	190	185	320	318	239	298	230	250	1,013	1,017	259	
<b>PBT</b>	5,089	5,418	4,974	4,766	2,894	4,007	2,964	4,026	20,247	13,891	4,049	-27%
Tax	1,278	1,379	1,261	1,074	743	1,029	761	1,034	4,992	3,567	1,020	
Rate (%)	25.1	25.4	25.4	22.5	25.7	25.7	25.7	25.7	24.7	25.7	25.2	
<b>Reported PAT</b>	3,811	4,039	3,713	3,692	2,151	2,978	2,203	2,992	15,255	10,324	3,028	-27%
<b>Adj. PAT</b>	3,811	4,039	3,713	3,692	2,151	2,978	2,203	2,992	15,255	10,324	3,028	-27%
YoY Change (%)	-20.0	64.6	204.5	-18.5	-43.6	-26.3	-40.7	-19.0	17.8	-32.3	-18.4	
<b>Total volume (mmscmd)</b>	9.8	7.6	7.3	8.9	9.2	9.3	9.2	9.4	8.4	9.3	9.5	-4%
CNG	2.4	2.3	2.4	2.5	2.6	2.6	2.8	2.9	2.4	2.7	2.7	2%
PNG – Industrial/Commercial	6.8	4.6	4.2	5.5	6.0	6.0	5.7	5.7	5.3	5.9	6.1	-6%
PNG – Households	0.6	0.7	0.7	0.8	0.6	0.7	0.7	0.8	0.7	0.7	0.8	-5%
<b>EBITDA (INR/scm)</b>	6.8	9.2	8.7	7.0	4.6	5.8	4.8	6.0	7.9	5.3	5.8	-18%

#### Operational Highlights

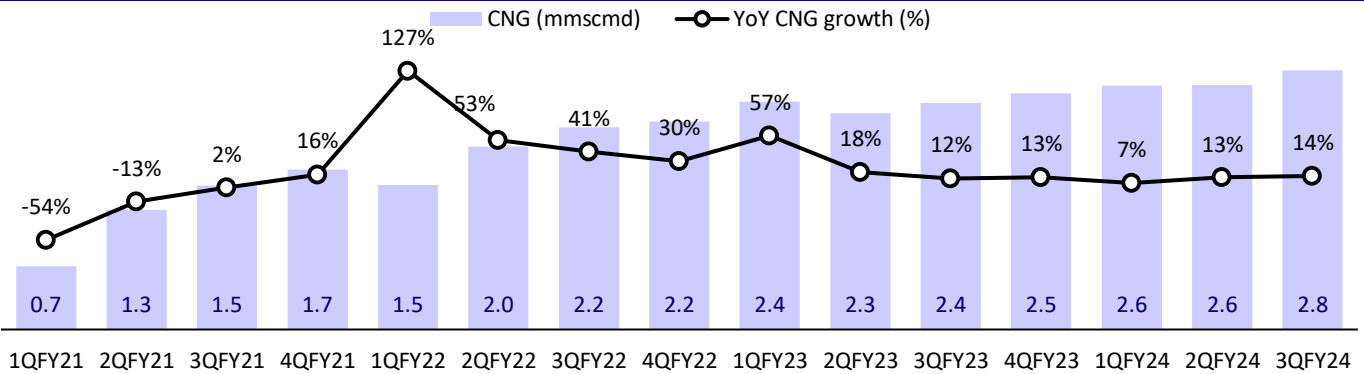
Particulars	FY22				FY23				FY24			3QFY24	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY (%)	QoQ (%)
<b>Net sales</b>	30,109	36,249	51,444	46,694	51,701	39,765	36,843	39,286	37,815	38,454	39,291	7%	2%
Realization (INR/scm)	33.1	34.5	49.1	52.5	58.3	56.7	54.9	49.3	45.1	44.8	46.6	-15%	4%
<b>Total raw material</b>	20,609	29,887	46,714	37,197	43,015	30,654	28,313	30,781	30,931	30,546	32,248	14%	6%
Gas cost (INR/scm)	22.6	28.5	44.6	41.8	48.5	43.7	42.2	38.6	36.9	35.6	38.3	-9%	7%
<b>Gross margin</b>	9,500	6,361	4,731	9,497	8,686	9,111	8,530	8,505	6,884	7,908	7,043	-17%	-11%
Gross margin (INR/scm)	10.4	6.1	4.5	10.7	9.8	13.0	12.7	10.7	8.2	9.2	8.4	-34%	-9%
<b>EBITDA</b>	7,229	4,190	2,375	6,974	6,066	6,427	5,823	5,603	3,880	4,966	4,007	-31%	-19%
EBITDA (INR/scm)	7.9	4.0	2.3	7.8	6.8	9.2	8.7	7.0	4.6	5.8	4.8	-45%	-18%
<b>PAT</b>	4,762	2,454	1,219	4,443	3,811	4,039	3,713	3,692	2,151	2,978	2,203	-41%	-26%
PAT (INR/scm)	5.2	2.3	1.2	5.0	4.3	5.8	5.5	4.6	2.6	3.5	2.6	-53%	-25%
<b>Volumes</b>													
CNG (mmscmd)	1.5	2.0	2.2	2.2	2.4	2.3	2.4	2.5	2.6	2.6	2.8	14%	6%
PNG - Household (mmscmd)	0.6	0.6	0.7	0.8	0.6	0.7	0.7	0.8	0.6	0.7	0.7	6%	1%
PNG - Industrial (mmscmd)	7.9	8.8	8.6	6.8	6.8	4.6	4.2	5.5	6.0	6.0	5.7	35%	-6%
<b>Total (mmscmd)</b>	10.0	11.4	11.4	9.9	9.8	7.6	7.3	8.9	9.2	9.3	9.2	26%	-2%

**Exhibit 1: Total PNG volumes were at 6.4mmscmd (up 31% YoY) with I/C volumes at 5.7mmscmd (up 35% YoY)**



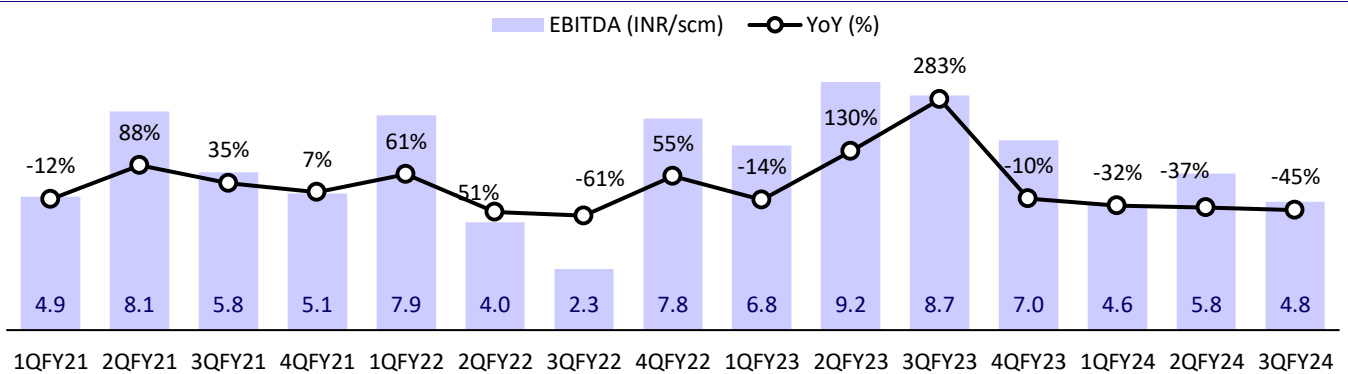
Source: Company, MOFSL

**Exhibit 2: CNG volumes were 2.8mmscmd (up 14% YoY)**



Source: Company, MOFSL

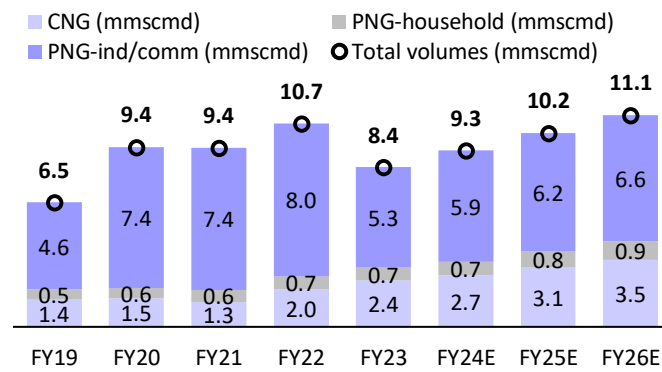
**Exhibit 3: EBITDA/scm was at INR4.8 (down 45% YoY)**



Source: Company, MOFSL

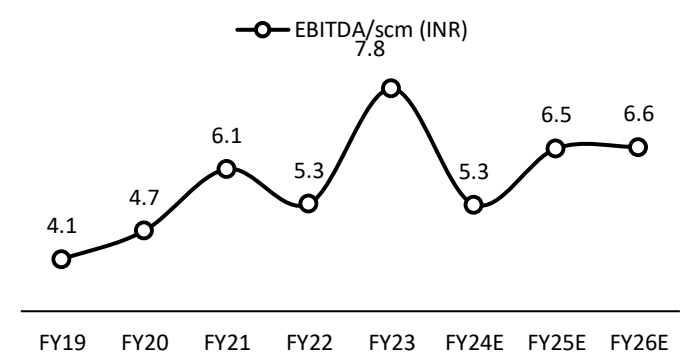
## Story in charts

**Exhibit 4: Volume snapshot for GUJGA**



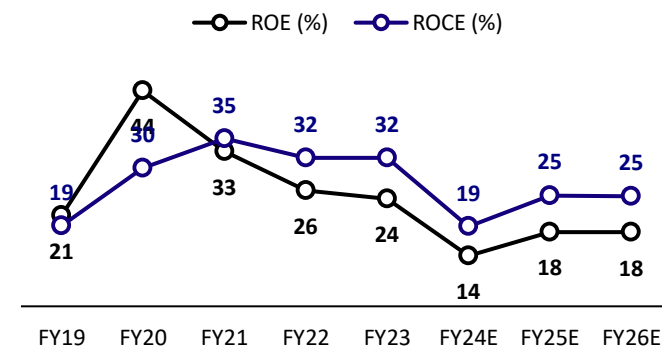
Source: Company, MOFSL

**Exhibit 5: EBITDA/scm to be at ~INR5-5.5 in FY24-25**



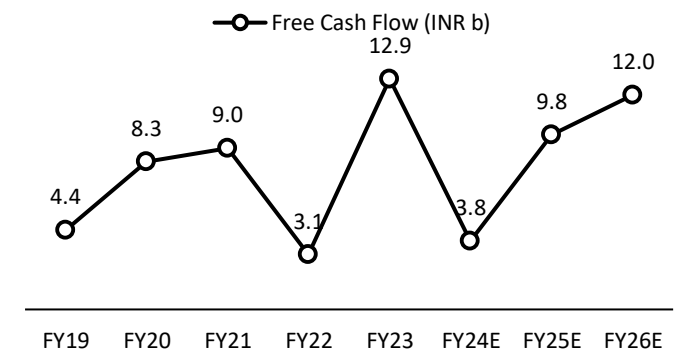
Source: Company, MOFSL

**Exhibit 6: Return ratios**



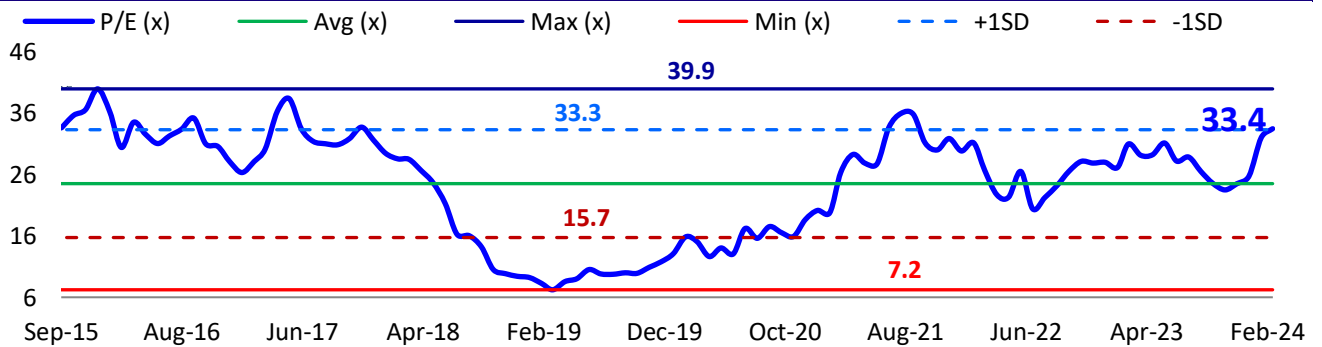
Source: Company, MOFSL

**Exhibit 7: Free cash flow**



Source: Company, MOFSL

**Exhibit 8: One-year forward GUJGA P/E trades at 33.4x vs. its LT average of 24.5x**



Source: Company, MOFSL

## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Income from Operations</b>	<b>77,544</b>	<b>1,03,003</b>	<b>98,664</b>	<b>1,64,562</b>	<b>1,67,594</b>	<b>1,54,854</b>	<b>1,66,232</b>	<b>1,82,379</b>
Change (%)	25.6	32.8	-4.2	66.8	1.8	-7.6	7.3	9.7
<b>EBITDA</b>	<b>9,846</b>	<b>16,343</b>	<b>20,842</b>	<b>20,763</b>	<b>23,920</b>	<b>17,950</b>	<b>24,242</b>	<b>26,617</b>
Margin (%)	12.7	15.9	21.1	12.6	14.3	11.6	14.6	14.6
Depreciation	2,880	3,180	3,436	3,849	4,283	4,787	4,946	5,112
<b>EBIT</b>	<b>6,966</b>	<b>13,163</b>	<b>17,406</b>	<b>16,914</b>	<b>19,637</b>	<b>13,164</b>	<b>19,296</b>	<b>21,505</b>
Int. and Finance Charges	1,962	1,922	1,168	568	404	289	297	305
Other Income	1,113	837	714	907	1,013	1,017	1,210	1,649
<b>PBT bef. EO Exp.</b>	<b>6,117</b>	<b>12,078</b>	<b>16,953</b>	<b>17,253</b>	<b>20,247</b>	<b>13,891</b>	<b>20,209</b>	<b>22,849</b>
EO Items	-179	0	0	-119	0	0	0	0
<b>PBT after EO Exp.</b>	<b>5,939</b>	<b>12,078</b>	<b>16,953</b>	<b>17,134</b>	<b>20,247</b>	<b>13,891</b>	<b>20,209</b>	<b>22,849</b>
Current Tax	1,768	145	4,272	4,278	4,992	3,567	5,087	5,751
Tax Rate (%)	29.8	1.2	25.2	25.0	24.7	25.7	25.2	25.2
<b>Reported PAT</b>	<b>4,170</b>	<b>11,933</b>	<b>12,682</b>	<b>12,856</b>	<b>15,255</b>	<b>10,324</b>	<b>15,122</b>	<b>17,098</b>
<b>Adjusted PAT</b>	<b>4,296</b>	<b>11,933</b>	<b>12,682</b>	<b>12,946</b>	<b>15,255</b>	<b>10,324</b>	<b>15,122</b>	<b>17,098</b>
Change (%)	47.4	177.8	6.3	2.1	17.8	-32.3	46.5	13.1
Margin (%)	5.5	11.6	12.9	7.9	9.1	6.7	9.1	9.4

### Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1,377	1,377	1,377	1,377	1,377	1,377	1,377	1,377
Total Reserves	20,463	31,529	43,110	54,616	68,579	75,805	86,390	98,357
<b>Net Worth</b>	<b>21,840</b>	<b>32,906</b>	<b>44,486</b>	<b>55,993</b>	<b>69,956</b>	<b>77,182</b>	<b>87,766</b>	<b>99,733</b>
Deferred Tax Liabilities	10,816	8,005	7,925	8,077	8,461	8,461	8,461	8,461
Total Loans	20,892	18,344	7,700	4,811	0	0	0	0
<b>Capital Employed</b>	<b>53,547</b>	<b>59,255</b>	<b>60,111</b>	<b>68,881</b>	<b>78,417</b>	<b>85,643</b>	<b>96,227</b>	<b>1,08,194</b>
Gross Block	68,861	73,531	81,252	90,156	1,01,501	1,05,419	1,10,553	1,16,661
Less: Accum. Deprn.	15,974	19,154	22,590	26,439	30,721	35,508	40,454	45,567
<b>Net Fixed Assets</b>	<b>52,887</b>	<b>54,377</b>	<b>58,662</b>	<b>63,717</b>	<b>70,780</b>	<b>69,911</b>	<b>70,099</b>	<b>71,094</b>
Capital WIP	4,902	5,708	7,088	9,672	9,589	15,671	20,537	24,430
<b>Total Investments</b>	<b>160</b>	<b>1,633</b>	<b>1,926</b>	<b>2,806</b>	<b>2,888</b>	<b>2,888</b>	<b>2,888</b>	<b>2,888</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>13,326</b>	<b>17,255</b>	<b>17,411</b>	<b>19,358</b>	<b>25,694</b>	<b>25,738</b>	<b>33,144</b>	<b>43,182</b>
Inventory	694	463	525	534	612	583	605	663
Account Receivables	5,103	5,101	7,747	9,301	10,212	9,435	10,128	11,112
Cash and Bank Balance	3,092	6,919	3,189	180	6,810	8,272	14,415	22,634
Cash balance	944	5,482	2,767	164	6,747	8,209	14,352	22,571
Bank balance	2,148	1,447	422	15	63	63	63	63
Loans and Advances	4,437	4,772	5,950	9,344	8,061	7,448	7,995	8,772
<b>Curr. Liability and Prov.</b>	<b>17,727</b>	<b>19,718</b>	<b>24,976</b>	<b>26,672</b>	<b>30,534</b>	<b>28,564</b>	<b>30,440</b>	<b>33,398</b>
Account Payables	3,523	3,670	4,473	4,456	7,156	6,819	7,072	7,758
Other Current Liabilities	13,724	15,015	19,740	21,349	22,554	20,840	22,371	24,544
Provisions	480	1,033	763	867	824	906	997	1,096
<b>Net Current Assets</b>	<b>-4,402</b>	<b>-2,464</b>	<b>-7,565</b>	<b>-7,314</b>	<b>-4,840</b>	<b>-2,826</b>	<b>2,704</b>	<b>9,784</b>
<b>Appl. of Funds</b>	<b>53,548</b>	<b>59,255</b>	<b>60,111</b>	<b>68,881</b>	<b>78,417</b>	<b>85,644</b>	<b>96,228</b>	<b>1,08,195</b>

## Financials and valuations

### Ratios

Y/E March (INR)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>6.2</b>	<b>17.3</b>	<b>18.4</b>	<b>18.8</b>	<b>22.2</b>	<b>15.0</b>	<b>22.0</b>	<b>24.8</b>
Cash EPS	10.4	22.0	23.4	24.4	28.4	22.0	29.2	32.3
BV/Share	31.7	47.8	64.6	81.3	101.6	112.1	127.5	144.9
DPS	1.0	1.3	2.0	2.0	6.7	4.5	6.6	7.5
Payout (%)	19.9	8.7	13.1	12.9	30.0	30.0	30.0	30.0
<b>Valuation (x)</b>								
P/E	93.5	33.7	31.7	31.0	26.3	38.9	26.6	23.5
Cash P/E	56.0	26.6	24.9	23.9	20.6	26.6	20.0	18.1
P/BV	18.4	12.2	9.0	7.2	5.7	5.2	4.6	4.0
EV/Sales	5.4	4.0	4.1	2.5	2.4	2.5	2.3	2.1
EV/EBITDA	42.6	25.3	19.5	19.6	16.5	21.9	16.0	14.2
Dividend Yield (%)	0.2	0.2	0.3	0.3	1.1	0.8	1.1	1.3
FCF per share	6.5	12.0	13.1	4.5	18.8	5.6	14.2	17.4
<b>Return Ratios (%)</b>								
RoE	21.3	43.6	32.8	25.8	24.2	14.0	18.3	18.2
RoCE	19.4	29.8	35.0	31.5	31.6	19.3	24.9	24.7
<b>Working Capital Ratios</b>								
Asset Turnover (x)	1.4	1.7	1.6	2.4	2.1	1.8	1.7	1.7
Inventory (Days)	3	2	2	1	1	1	1	1
Debtor (Days)	24	18	29	21	22	22	22	22
Creditor (Days)	17	13	17	10	16	16	16	16
Working Cap. Turnover (Days)	-35	-33	-40	-17	-25	-26	-26	-26
<b>Leverage Ratio (x)</b>								
Current Ratio	0.8	0.9	0.7	0.7	0.8	0.9	1.1	1.3
Debt/Equity ratio	0.8	0.3	0.1	0.1	-0.1	-0.1	-0.2	-0.2

### Standalone - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	5,939	12,078	16,953	17,134	20,247	13,891	20,209	22,849
Depreciation	2,880	3,180	3,436	3,849	4,283	4,787	4,946	5,112
Interest and Finance Charges	1,962	1,922	1,168	568	404	289	297	305
Direct Taxes Paid	0	-2,801	-4,166	-4,363	-4,608	-3,567	-5,087	-5,751
(Inc.)/Dec. in WC	-288	413	-437	-95	4,052	-551	613	1,139
Others	-849	-571	-365	-476	-597	-1,017	-1,210	-1,649
<b>CF from Operations</b>	<b>9,644</b>	<b>14,220</b>	<b>16,588</b>	<b>16,617</b>	<b>23,780</b>	<b>13,832</b>	<b>19,769</b>	<b>22,006</b>
(Inc.)/Dec. in FA	-5,376	-5,956	-7,556	-13,663	-10,867	-10,000	-10,000	-10,000
<b>Free Cash Flow</b>	<b>4,447</b>	<b>8,265</b>	<b>9,033</b>	<b>3,073</b>	<b>12,912</b>	<b>3,832</b>	<b>9,769</b>	<b>12,006</b>
Others	-761	1,287	1,432	728	454	1,017	1,210	1,649
<b>CF from Investments</b>	<b>-6,137</b>	<b>-4,668</b>	<b>-6,124</b>	<b>-12,935</b>	<b>-10,413</b>	<b>-8,983</b>	<b>-8,790</b>	<b>-8,351</b>
Inc./(Dec.) in Debt	-1,139	-2,149	-11,016	-4,193	-4,779	0	0	0
Interest Paid	-1,947	-1,864	-1,165	-531	-381	-289	-297	-305
Dividend Paid	-408	-837	-863	-1,375	-1,379	-3,098	-4,538	-5,131
<b>CF from Fin. Activity</b>	<b>-3,494</b>	<b>-5,015</b>	<b>-13,179</b>	<b>-6,284</b>	<b>-6,784</b>	<b>-3,388</b>	<b>-4,835</b>	<b>-5,436</b>
<b>Inc./Dec. in Cash</b>	<b>13</b>	<b>4,537</b>	<b>-2,714</b>	<b>-2,602</b>	<b>6,583</b>	<b>1,462</b>	<b>6,143</b>	<b>8,219</b>
Opening Balance	933	945	5,482	2,767	165	6,748	8,209	14,352
<b>Closing Balance</b>	<b>945</b>	<b>5,482</b>	<b>2,767</b>	<b>165</b>	<b>6,748</b>	<b>8,209</b>	<b>14,352</b>	<b>22,571</b>

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