

Gujarat State Petronet

Estimate changes	↔
TP change	↑
Rating change	↔

Bloomberg	GUJS IN
Equity Shares (m)	564
M.Cap.(INRb)/(USD\$b)	210.9 / 2.5
52-Week Range (INR)	407 / 255
1, 6, 12 Rel. Per (%)	17/24/17
12M Avg Val (INR M)	330

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	17.5	17.9	18.9
EBITDA	14.9	15.1	16.0
PAT	12.7	10.7	11.2
EPS (INR)	22.6	19.0	19.8
EPS Gr. (%)	34.6	-15.6	4.2
BV/Sh.(INR)	180.2	193.6	207.4

Ratios

Net D:E	-0.1	-0.1	-0.1
RoE (%)	13.1	10.2	9.9
RoCE (%)	13.1	10.2	9.9
Payout (%)	30.0	30.0	30.0

Valuations

P/E (x)	16.5	19.5	18.7
P/BV (x)	2.1	1.9	1.8
EV/EBITDA (x)	13.4	13.0	12.0
Div. Yield (%)	1.8	1.5	1.6
FCF Yield (%)	2.0	2.1	2.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	37.6	37.6	37.6
DII	26.8	27.2	26.3
FII	16.0	16.0	17.3
Others	19.6	18.6	18.8

FII Includes depository receipts

CMP: INR374

TP: INR450 (+20%)

Buy

Lower volumes offset by higher realization

- Gujarat State Petronet (GUJS)'s 3QFY24 EBITDA was in line with our est. at INR3.8b, led by higher realization of INR1,628/mmscm. EBITDAM was 110bp lower than our estimate at 83.3%. Volumes were lower than our estimate at 29mmscmd due to lower offtake by the power sector.
- The management highlighted that there has been an increase in HP volumes, which led to better realization. LP volumes declined during the quarter. Incremental revenue from the ~3mmscmd Mehsana-Bhatinda pipeline contributed to realization improvement.
- Spot LNG price is currently at ~USD9.5/mmBtu vs. ~USD15.8/mmBtu in 3QFY24, which bodes well for volumes of the company.
- The company's HP gas grid is also up for a tariff revision and might benefit from the tariff reforms announced last year. The proposed capex for the HP gas grid stands at INR45.4b for up to FY32, which would facilitate gas transportation from new LNG terminals and obviate the need for a tariff cut.
- We have not changed our estimates as of now, as the 3Q performance was largely in line with our estimates. The stock is trading at a P/E of ~20x FY25E EPS of INR19 and EV/EBITDA of ~13x. We maintain our BUY rating with a TP of INR450.

In-line performance; lower volume offtake by power sector

- Total volumes were below our estimate at 29mmscmd (+30% YoY).
 - CGD volumes increased to 10.9mmscmd (+29% YoY). Fertilizer volumes were 4.7mmscmd (+22% YoY). Power/ref-petchem volumes at 2.5/6.4mmscmd (3.2x/+8% YoY). Other volumes stood at 4.6mmscmd (+39% YoY).
- EBITDA was INR3.8b (our est. of INR3.7b, +41% YoY), with implied tariff at INR1,628/mmscm. PAT came in at INR2.6b (our est. of INR2.6b, +53% YoY).
- GUJS implemented the unified tariff (UFT) from 1st Apr'23. As of 31st Dec'23, the company had a deficit of INR68m on account of invoicing done according to UFT and entitlements as per the approved tariff.
- **For 9MFY24**, revenue was INR13b (+13% YoY), EBITDA stood at INR11.3b (+17% YoY), while PAT was at INR10.2b (+42% YoY). Volumes were 29.5mmscmd (+16% YoY), while the implied tariff was INR1,550/mmscm (-4% YoY).

Valuation and view

- The available LNG capacity in Gujarat is expected to grow by 55% to 42.5mmtpa over the next 2-3 years. Most of this volume is likely to flow through GUJS's network. We believe the company could post a 13% CAGR in transmission volumes over FY23-FY26.

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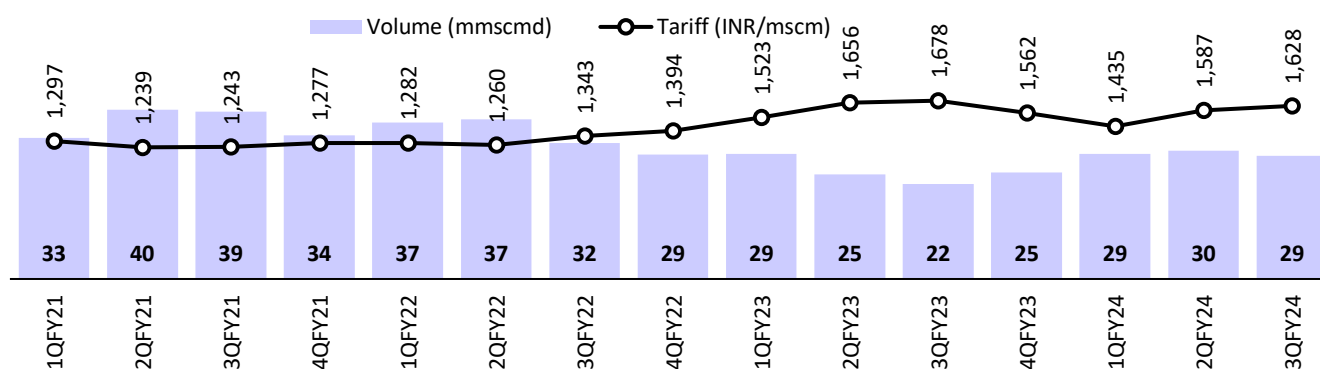
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- We expect GUJS's volumes to jump to ~37mmscmd in FY26 as the company is also a beneficiary: a) the upcoming LNG terminals in Gujarat, b) improved demand owing to the focus on reducing industrial pollution – Gujarat has five geographical areas (GAs) 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 INR291. Valuing the core at 10x adj. Dec'25E EPS of INR15.9 and adding the value of investments, we arrive at our TP of INR450. We maintain our BUY rating on the stock with a potential upside of 21%.

Standalone - Quarterly Earning Model

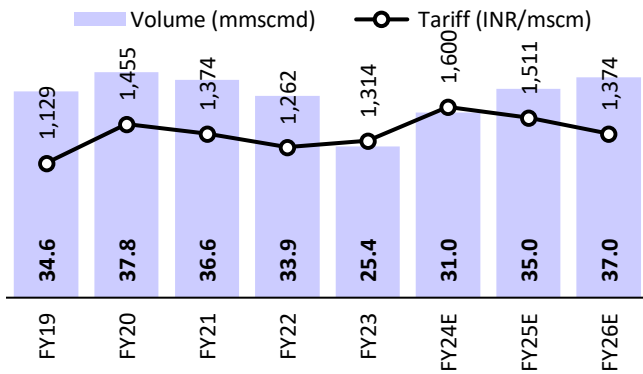
Y/E March	FY23				FY24				FY23		FY24E	FY24	Var. vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	est.	
Net Sales	4,200	3,850	3,484	3,740	3,937	4,533	4,555	4,605	15,275	17,461	4,438	3%	
YoY Change (%)	-4.5	-13.9	-12.7	0.3	-6.3	17.7	30.7	23.1	-7.9	14.3	27.4		
EBITDA	3,602	3,338	2,699	2,947	3,364	4,103	3,796	3,758	12,587	14,853	3,749	1%	
YoY Change (%)	-3.8	-12.3	-19.8	-3.7	-6.6	22.9	40.6	27.5	-9.9	18.0	38.9		
Margin (%)	85.8	86.7	77.5	78.8	85.5	90.5	83.3	81.6	82.4	85.1	84.5		
Depreciation	479	488	489	483	468	477	488	482	1,939	1,916	498		
Interest	14	11	11	10	10	10	12	9	47	42	10		
Other Income	40	1,037	130	476	180	2,663	211	263	1,684	3,318	184		
PBT before EO expense	3,149	3,877	2,329	2,931	3,066	6,278	3,506	3,530	12,286	16,213	3,424	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	3,530	12,286	16,213	3,424	2%	
Tax	794	735	620	687	773	958	884	844	2,836	3,492	862		
Rate (%)	25.2	18.9	26.6	23.5	25.2	15.3	25.2	23.9	23.1	21.5	25.2		
Reported PAT	2,355	3,142	1,709	2,243	2,293	5,320	2,622	2,686	9,450	12,721	2,563	2%	
YoY Change (%)	1.1	-4.9	-19.9	11.0	-2.6	69.3	53.4	19.7	-3.5	34.6	49.9		
Margin (%)	56.1	81.6	49.1	60.0	58.2	117.4	57.6	58.3	61.9	72.8	57.7		
Key Operating Parameters													
Transmission Volume (mmscmd)	29.5	24.6	22.3	25.1	29.4	30.2	29.0	35.4	25.4	31.0	31.6	-8%	
Implied Tariff (INR/mmscm)	1,523	1,656	1,678	1,562	1,435	1,587	1,628	1,394	1,600	1,511	1,511	8%	

Exhibit 1: Transmission volumes up 30% YoY with tariff down 3% on YoY basis



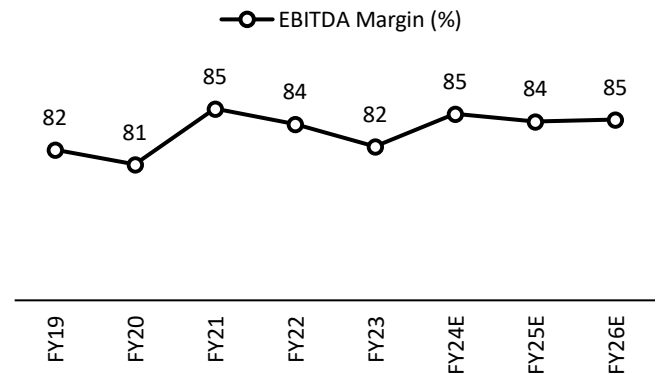
Source: MOFSL, Company

Exhibit 2: GUJS's volume snapshot



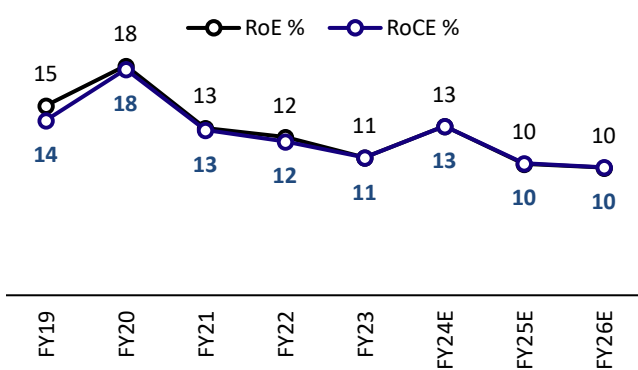
Source: Company, MOFSL

Exhibit 3: EBITDA margin to remain around 84-85%



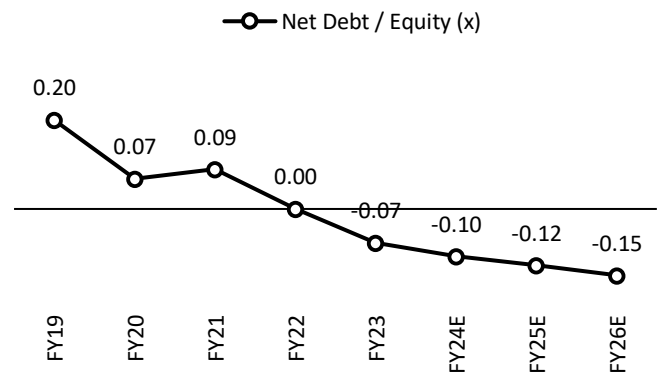
Source: Company, MOFSL

Exhibit 4: Return ratio profile



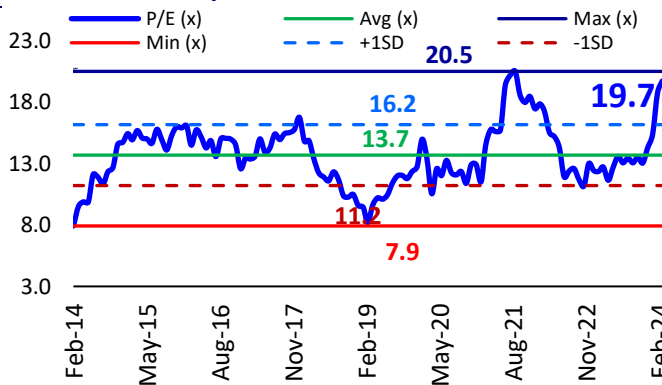
Source: Company, MOFSL

Exhibit 5: GUJS's net Debt/Equity profile



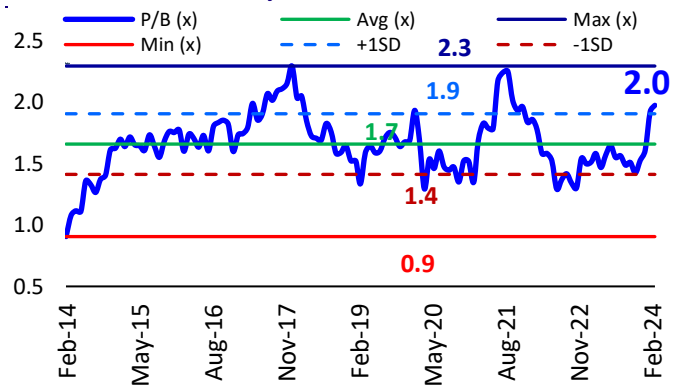
Source: Company, MOFSL

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	FY24E	FY25E	FY26E
Total Income from Operations	18,773	19,449	17,191	16,591	15,275	17,461	17,875	18,878
Change (%)	41.0	3.6	-11.6	-3.5	-7.9	14.3	2.4	5.6
EBITDA	15,426	15,749	14,694	13,976	12,587	14,853	15,097	15,970
Margin (%)	82.2	81.0	85.5	84.2	82.4	85.1	84.5	84.6
Depreciation	1,800	1,966	2,049	1,960	1,939	1,916	2,509	2,881
EBIT	13,626	13,783	12,645	12,016	10,648	12,937	12,588	13,089
Int. and Finance Charges	2,192	1,645	933	313	47	42	25	25
Other Income	594	649	694	1,045	1,684	3,318	1,787	1,888
PBT bef. EO Exp.	12,028	12,786	12,406	12,748	12,286	16,213	14,351	14,952
EO Items	0	0	0	-14	0	0	0	0
PBT after EO Exp.	12,028	12,786	12,406	12,735	12,286	16,213	14,351	14,952
Total Tax	4,081	1,699	3,147	2,958	2,836	3,492	3,612	3,763
Tax Rate (%)	33.9	13.3	25.4	23.2	23.1	21.5	25.2	25.2
Reported PAT	7,947	11,087	9,259	9,777	9,450	12,721	10,738	11,188
Adjusted PAT	7,947	11,087	9,259	9,787	9,450	12,721	10,738	11,188
Change (%)	18.9	39.5	-16.5	5.7	-3.5	34.6	-15.6	4.2
Margin (%)	42.3	57.0	53.9	59.0	61.9	72.8	60.1	59.3

Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	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	95,997	1,03,516	1,11,350
Net Worth	57,440	67,226	75,450	84,429	92,732	1,01,639	1,09,158	1,16,992
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	4,238	4,238	4,238
Capital Employed	75,522	76,748	87,167	89,557	96,970	1,05,877	1,13,396	1,21,230
Gross Block	43,245	44,994	45,854	46,406	46,636	53,534	60,514	67,510
Less: Accum. Deprn.	7,170	9,137	11,186	13,146	15,085	17,001	19,510	22,390
Net Fixed Assets	36,075	35,857	34,668	33,259	31,551	36,534	41,004	45,120
Capital WIP	4,194	2,372	2,215	2,526	4,248	4,350	4,370	4,374
Total Investments	42,772	46,111	50,062	51,737	51,700	51,700	51,700	51,700
Curr. Assets, Loans&Adv.	6,459	5,764	5,420	5,878	13,384	17,679	20,832	24,795
Inventory	1,279	1,261	1,296	1,890	2,121	2,059	2,192	2,295
Account Receivables	2,081	1,637	1,586	1,295	1,440	1,647	1,686	1,780
Cash and Bank Balance	1,583	957	877	864	6,917	10,652	13,553	17,128
Cash	700	903	843	738	1,357	5,092	7,993	11,568
Bank Balance	883	54	34	126	5,560	5,560	5,560	5,560
Loans and Advances	1,516	1,908	1,660	1,828	2,906	3,322	3,401	3,591
Curr. Liability & Prov.	13,978	13,356	5,197	3,843	3,913	4,385	4,509	4,758
Account Payables	238	410	620	654	510	495	527	552
Other Current Liabilities	13,523	12,670	4,270	2,928	3,141	3,591	3,676	3,882
Provisions	216	276	307	262	262	300	307	324
Net Current Assets	-7,518	-7,592	223	2,035	9,471	13,294	16,322	20,037
Misc. Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	75,522	76,748	87,167	89,557	96,970	1,05,877	1,13,396	1,21,230

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	14.1	19.7	16.4	17.4	16.8	22.6	19.0	19.8
Cash EPS	17.3	23.1	20.1	20.8	20.2	26.0	23.5	24.9
BV/Share	101.8	119.2	133.8	149.7	164.4	180.2	193.6	207.4
DPS	2.0	2.0	2.0	2.0	5.0	6.8	5.7	6.0
Payout (%)	16.1	10.2	12.2	11.5	29.8	30.0	30.0	30.0
Valuation (x)								
P/E	26.3	18.9	22.6	21.4	22.2	16.5	19.5	18.7
Cash P/E	21.5	16.0	18.5	17.8	18.4	14.3	15.8	14.9
P/BV	3.6	3.1	2.8	2.5	2.3	2.1	1.9	1.8
EV/Sales	11.8	11.0	12.6	12.6	13.3	11.4	10.9	10.2
EV/EBITDA	14.3	13.6	14.7	15.0	16.1	13.4	13.0	12.0
Dividend Yield (%)	0.5	0.5	0.5	0.5	1.3	1.8	1.5	1.6
FCF per share	15.5	22.2	20.0	17.6	13.8	7.6	7.7	9.0
Return Ratios (%)								
RoE	14.7	17.8	13.0	12.2	10.7	13.1	10.2	9.9
RoCE	13.6	17.5	12.8	11.9	10.7	13.1	10.2	9.9
RoIC	39.3	44.0	30.8	27.0	23.9	27.7	22.7	21.3
Working Capital Ratios								
Fixed Asset Turnover (x)	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Asset Turnover (x)	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Inventory (Days)	25	24	28	42	51	43	45	44
Debtor (Days)	40	31	34	28	34	34	34	34
Creditor (Days)	5	8	13	14	12	10	11	11
Leverage Ratio (x)								
Current Ratio	0.5	0.4	1.0	1.5	3.4	4.0	4.6	5.2
Interest Cover Ratio	6.2	8.4	13.6	38.4	227.5	310.1	502.9	522.9
Net Debt/Equity	0.2	0.1	0.1	0.0	-0.1	-0.1	-0.1	-0.1

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	12,028	12,786	12,382	13,165	12,286	16,213	14,351	14,952
Depreciation	1,800	1,966	2,048	1,960	1,939	1,916	2,509	2,881
Interest & Finance Charges	2,192	1,645	934	313	47	42	25	25
Direct Taxes Paid	-3,639	-3,082	-3,025	-3,062	-2,741	-3,492	-3,612	-3,763
(Inc)/Dec in WC	-956	893	684	-202	-274	-88	-127	-140
Others	-542	-606	-611	-1,448	-1,592	-3,318	-1,787	-1,888
CF from Operations	10,882	13,602	12,412	10,726	9,664	11,273	11,358	12,066
(Inc)/Dec in FA	-2,118	-1,066	-1,119	-773	-1,892	-7,000	-7,000	-7,000
Free Cash Flow	8,764	12,536	11,293	9,953	7,772	4,273	4,358	5,066
(Pur)/Sale of Investments	-990	-3,340	-3,848	-1,690	0	0	0	0
Others	3,029	1,304	589	2,452	-5,127	3,318	1,787	1,888
CF from Investments	-80	-3,102	-4,379	-11	-7,019	-3,682	-5,213	-5,112
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	-42	-25	-25
Dividend Paid	-1,128	-1,283	-1,128	-1,128	-1,128	-3,814	-3,219	-3,354
CF from Fin. Activity	-10,328	-10,297	-8,093	-10,819	-2,026	-3,855	-3,244	-3,379
Inc/Dec of Cash	475	203	-59	-105	619	3,735	2,901	3,574
Opening Balance	225	700	902	843	738	1,357	5,092	7,993
Closing Balance	700	902	843	738	1,357	5,092	7,993	11,568

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NOTES

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UNDER REVIEW	Rating may undergo a change
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