

Gujarat Gas

Estimate changes



TP change



Rating change



Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USDb)	348.7 / 4.5
52-Week Range (INR)	787 / 478
1, 6, 12 Rel. Per (%)	4/-13/-14
12M Avg Val (INR M)	1158

Financials & Valuations (INR b)

Y/E March	FY22E	FY23E	FY24E
Sales	164.6	148.8	172.6
EBITDA	20.8	23.4	27.1
PAT	12.9	14.6	17.2
EPS (INR)	18.8	21.2	25.0
EPS Gr. (%)	2.1	12.9	17.8
BV/Sh.(INR)	81.3	100.3	122.6

Ratios

Net D:E	0.1	0.0	-0.2
RoE (%)	25.8	23.4	22.4
RoCE (%)	31.5	30.2	29.5
Payout (%)	12.9	10.7	10.7

Valuations

P/E (x)	27.0	23.9	20.3
P/BV (x)	6.3	5.1	4.1
EV/EBITDA (x)	17.1	14.9	12.5
Div. Yield (%)	0.4	0.4	0.5
FCF Yield (%)	0.9	2.2	3.5

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	60.9	60.9	60.9
DII	9.5	8.0	7.4
FII	6.0	7.7	8.6
Others	23.6	23.4	23.1

FII Includes depository receipts

CMP: INR507
TP: INR650 (+28%)
Buy

Higher margin on lower than anticipated gas cost

- GUJGA reported a beat on our EBITDA estimate, with higher EBITDA/scm (at INR7.8) due to lower than anticipated gas cost. Volumes stood at 9.9mmscmd in 4QFY22. **It is currently clocking in volumes of over 10.5mmscmd.**
- Morbi volumes stood at 5.3mmscmd in 4QFY22 and is currently at 5.5mmscmd. These volumes are soon expected to cross 6mmscmd, with the shift of ~1mmscmd of users currently on LPG. Non-Morbi volumes stood at 1.5mmscmd (down 36% YoY).
- Spot LNG prices fell to USD24.5/mmBtu in Apr'22 v/s USD29.4/mmBtu in 3QFY22 and USD35.4/mmBtu in Mar'22. Cooling of these prices will result in a further volume recovery, with an improvement in EBITDA/scm from FY22 levels. We estimate an EBITDA/scm of INR5.5 each in FY23/FY24 v/s INR5.3 in FY22.
- The company's volume growth prospects remain robust with the addition of new industrial units, existing units undergoing expansions, and the emergence of a new ceramic cluster at Aniyari (potential of ~0.5mmscmd). The Supreme Court order in its favor for **Ahmedabad rural presents prospects of 0.8-1.2mmscmd over the next two-to-three years.**
- We maintain our Buy valuing on the stock to arrive at our TP of INR650 (at 26x FY24E EPS). Any underperformance in terms of EBITDA/scm or volume growth v/s our projection can pose a key risk for GUJGA.

Beat led by higher EBITDA/scm (at INR7.8)

- Total volumes stood in line at 9.9mmscmd in 4QFY22.
- **The company is currently flowing volumes of over 10.5mmscmd.**
- CNG volumes were in line at 2.23mmscmd (up 30% YoY and 3% QoQ) – its highest ever CNG volumes.
- **It added 155 new CNG stations in FY22, taking its total to 711 stations.**
- **PNG I/C volumes** fell 29% YoY and 20% QoQ to 6.8mmscmd (in line).
- **Morbi volumes stood at 5.3mmscmd in 4QFY22.**
- **Morbi volumes are currently at 5.5mmscmd, but is soon expected to cross 6mmscmd, with the shift of ~1mmscmd of users currently on LPG.**
- **Domestic PNG** volumes stood at 0.8mmscmd.
- **EBITDA/scm came in at INR7.8 (est. INR2.6 and INR2.3 in 3QFY22).**
- Spot LNG prices have fallen below USD20/mmbtu.
- Gross margin stood at INR10.4/scm (est. INR5.1) v/s INR4.6 in 3QFY22.
- EBITDA stood at INR7b (196% higher than our estimate, up 26% YoY), with reported PAT at INR4.4b (up 28% YoY and 264% QoQ).
- EBITDA was flat at INR20.8b, with reported PAT at INR12.9b (flat YoY) in **FY22.**
- **EBITDA/scm stood at INR5.5 v/s INR6.1 in FY21.**
- **Total volumes rose 14% YoY to 42.7mmscmd.**
- CNG volumes rose 52% YoY to 7.9mmscmd.

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- PNG I/C volumes grew 8% YoY to 32.1mmscmd.
- PNG domestic volumes rose 5% YoY to 2.7mmscmd.
- The exceptional item in 4QFY22 pertains to payment of stamp duty with regards to a business transfer agreement and a conveyance deed executed for transfer of the CGD business of Amritsar and Bhatinda GAs.
- **The company has declared a dividend of INR2 per share for FY22.**

Valuation and view – maintain Buy

- GUJGA added 155 CNG stations in FY22, taking its total to 711 stations, resulting in more CNG stations than IGL. With the infrastructure in place, it will be the biggest beneficiary of any directive on Green Tax by MoRHT ([our report](#)) as Gujarat has no government directive on the use of CNG yet.
- The transfer of the Amritsar and Bhatinda GAs to GUJGA from GSPL has been completed in Nov'21 (for INR1.54b). Bhatinda has a huge potential for Industrial gas consumption.
- GUJGA has the best RoCE profile of 30%. We expect a FCF generation of ~INR20b over FY23-24. The company is likely to turn net cash in FY23, despite capex plans of INR20b over FY23-24.
- We maintain our Buy valuing on the stock and arrive at our TP of INR650 (at 26x FY24E EPS).

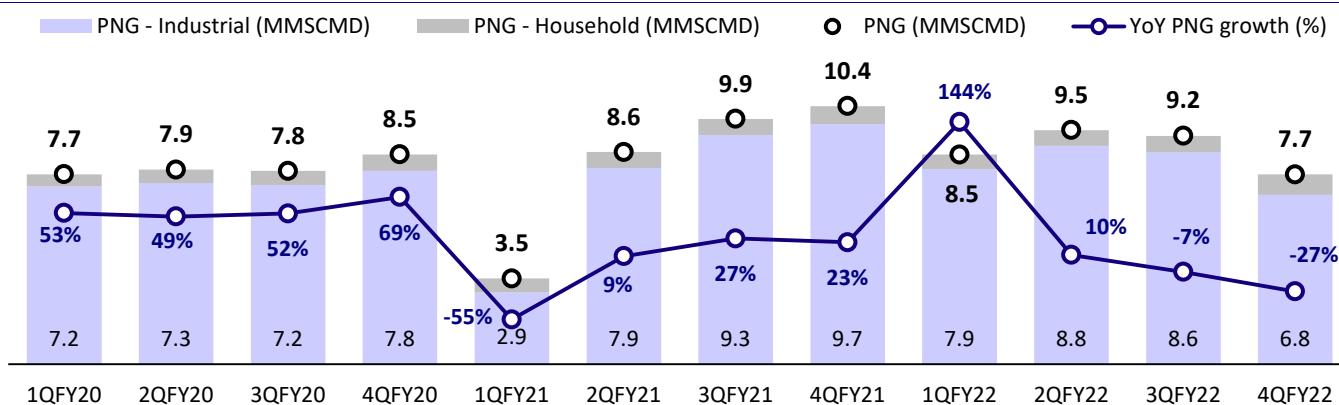
Standalone quarterly earnings

Y/E March	(INR m)											
	FY21				FY22				FY21	FY22	FY22	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	(%)	
Net Sales	10,829	25,130	28,331	34,342	30,109	36,249	51,444	46,694	98,664	1,64,562	44,415	5
YoY Change (%)	-58.6	0.0	13.0	28.8	178.0	44.2	81.6	36.0	-4.2	66.8	29.5	
EBITDA	1,857	7,330	6,145	5,527	7,229	4,190	2,375	6,974	20,842	20,763	2,352	196
Margin (%)	17.2	29.2	21.7	16.1	24.0	11.6	4.6	14.9	21.1	12.6	5.3	
Depreciation	823	856	868	876	905	947	969	1,021	3,436	3,849	1,002	
Interest	401	339	244	181	159	124	140	145	1,168	568	135	
Other Income	149	208	190	180	213	178	353	176	714	907	136	
PBT	783	6,343	5,222	4,649	6,377	3,297	1,619	5,867	16,953	17,134	1,351	334
Tax	196	1,595	1,314	1,175	1,616	843	400	1,424	4,272	4,278	334	
Rate (%)	25.1	25.1	25.2	25.3	25.3	25.6	24.7	24.3	25.2	25.0	24.8	
Reported PAT	587	4,748	3,908	3,474	4,762	2,454	1,219	4,443	12,682	12,856	1,017	337
Adj. PAT	587	4,748	3,908	3,474	4,762	2,454	1,219	4,533	12,682	12,946	1,017	346
YoY Change (%)	-74.9	-8.2	98.8	41.3	711.7	-48.3	-68.8	30.5	6.3	2.1	-70.9	
Total volume (mmscmd)	4.1	9.8	11.4	12.1	10.0	11.4	11.4	9.9	9.4	10.7	10.0	-1
CNG	0.7	1.3	1.5	1.7	1.5	2.0	2.2	2.2	1.3	2.0	2.2	0
PNG – Industrial/Commercial	2.9	7.9	9.3	9.7	7.9	8.8	8.6	6.8	7.4	8.0	7.1	-3
PNG – Households	0.6	0.6	0.6	0.7	0.6	0.6	0.7	0.8	0.6	0.7	0.7	19
EBITDA (INR/scm)	4.9	8.1	5.8	5.1	7.9	4.0	2.3	7.8	6.0	5.5	2.6	199

Operational highlights

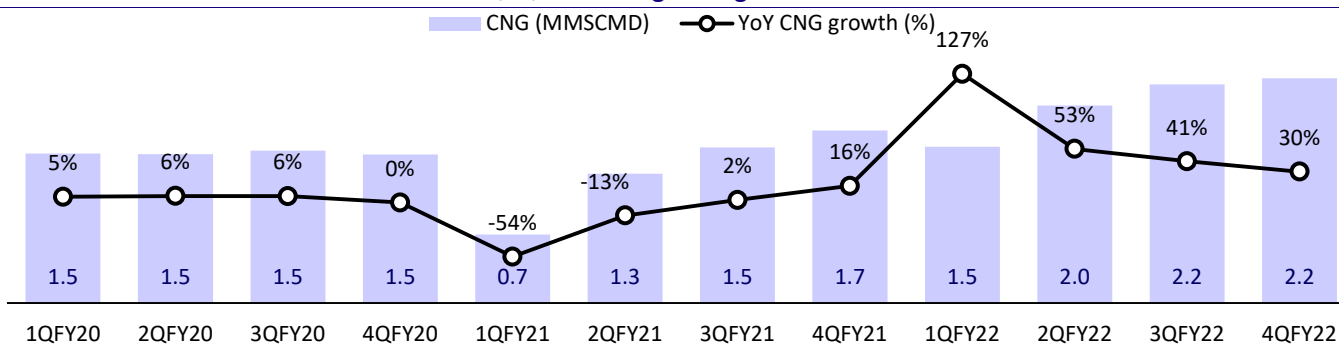
INR m	FY20				FY21				FY22				4QFY22	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Net sales	26,146	25,129	25,062	26,666	10,829	25,130	28,331	34,342	30,109	36,249	51,444	46,694	36%	-9%
Realization (INR/scm)	31.4	29.3	29.2	29.5	28.7	27.7	26.9	31.4	33.1	34.5	49.1	52.5	67%	7%
Total raw material	19,521	19,551	19,482	20,263	7,292	15,876	20,146	26,653	20,609	29,887	46,714	37,197	40%	-20%
Gas cost (INR/scm)	23.4	22.8	22.7	22.4	19.3	17.5	19.1	24.4	22.6	28.5	44.6	41.8	71%	-6%
Gross margin	6,626	5,578	5,580	6,403	3,537	9,254	8,185	7,689	9,500	6,361	4,731	9,497	24%	101%
Gross margin (INR/scm)	8.0	6.5	6.5	7.1	9.4	10.2	7.8	7.0	10.4	6.1	4.5	10.7	52%	136%
EBITDA	4,665	3,706	3,705	4,267	1,857	7,330	6,145	5,527	7,229	4,190	2,375	6,974	26%	194%
EBITDA (INR/scm)	5.6	4.3	4.3	4.7	4.9	8.1	5.8	5.1	7.9	4.0	2.3	7.8	55%	246%
PAT	2,337	5,173	1,965	2,458	587	4,748	3,908	3,474	4,762	2,454	1,219	4,443	28%	264%
PAT (INR/scm)	2.8	6.0	2.3	2.7	1.6	5.2	3.7	3.2	5.2	2.3	1.2	5.0	57%	329%

Exhibit 1: Total PNG volumes fell 17% QoQ, with Industrial/Commercial volumes down 20%



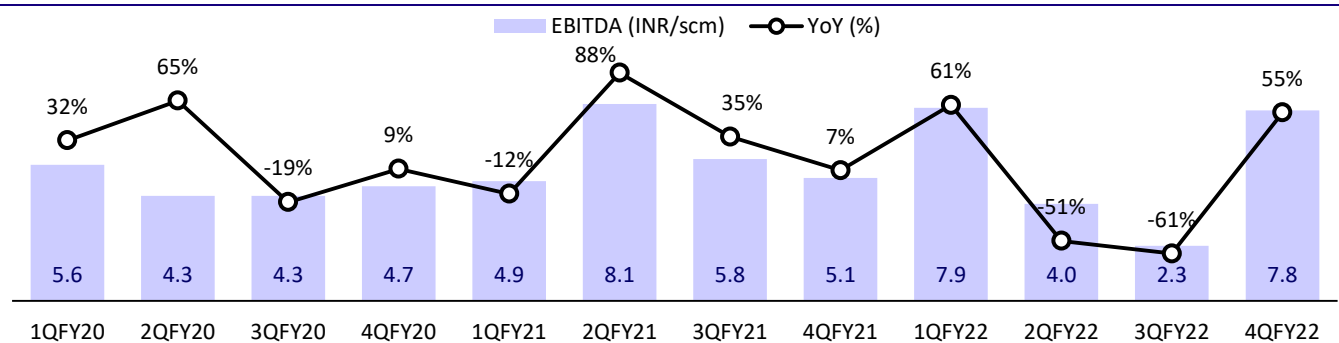
Source: Company, MOFSL

Exhibit 2: CNG volumes rose 30% YoY and 3% QoQ – recording the highest ever volumes



Source: Company, MOFSL

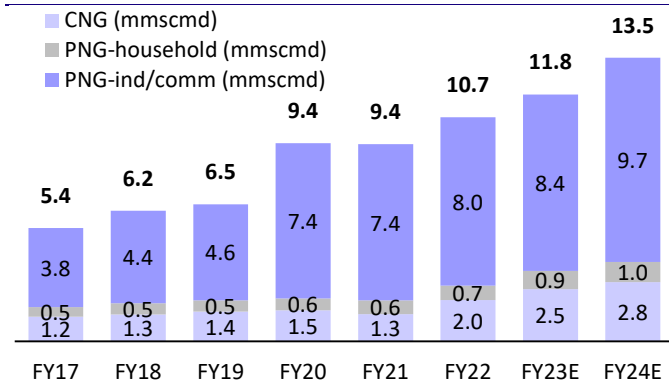
Exhibit 3: EBITDA/scm at INR7.8 in 4QFY22



Source: Company, MOFSL

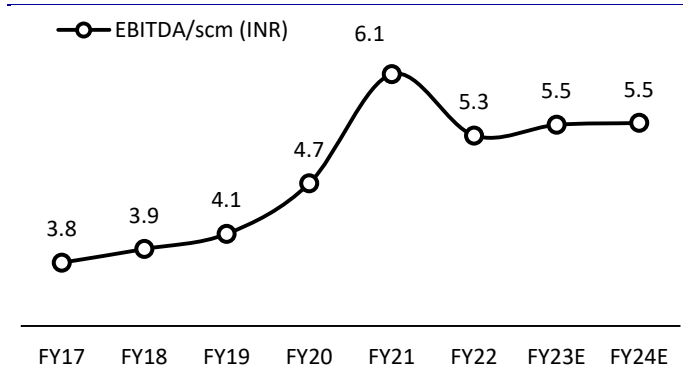
Story in charts

Exhibit 4: PNG Industrial/Commercial to boost volume growth



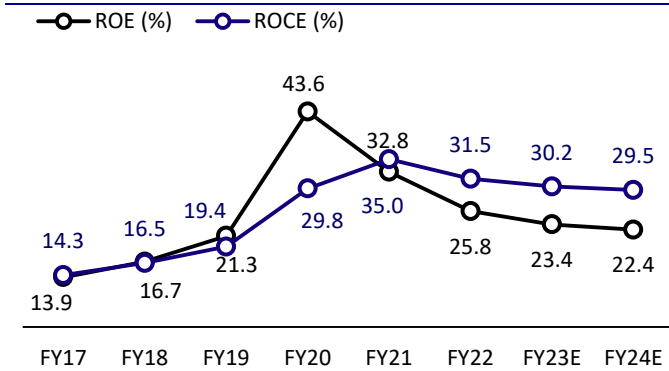
Source: Company, MOFSL

Exhibit 5: EBITDA/scm to normalize ~INR5.5



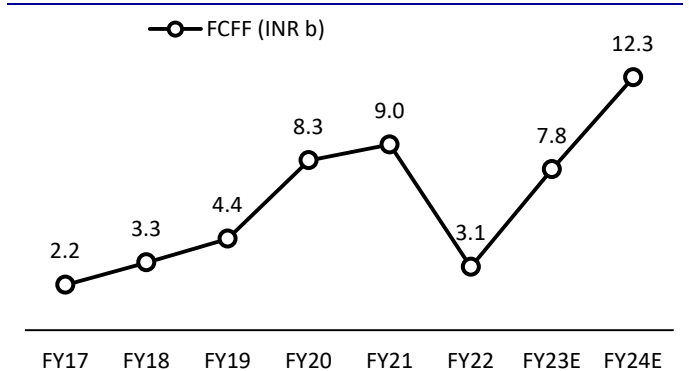
Source: Company, MOFSL

Exhibit 6: Return ratios



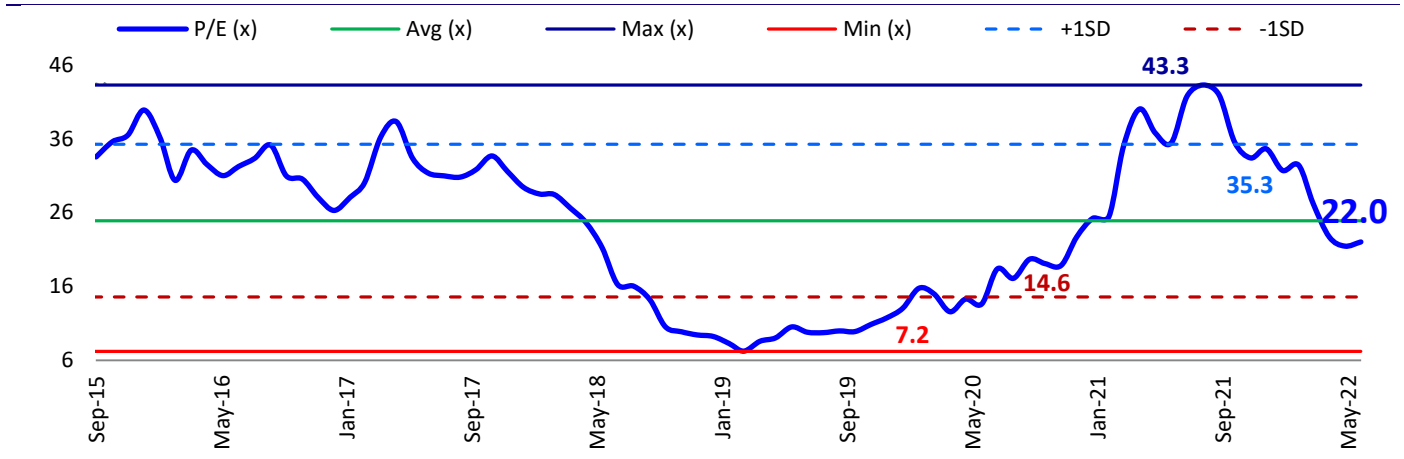
Source: Company, MOFSL

Exhibit 7: Free cash flow



Source: Company, MOFSL

Exhibit 8: GUJGA trades at 22x one-year forward P/E v/s its long-term average of 24.9x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	50,926	61,743	77,544	1,03,003	98,664	1,64,562	1,48,787	1,72,617
Change (%)	-16.6	21.2	25.6	32.8	-4.2	66.8	-9.6	16.0
EBITDA	7,433	8,951	9,846	16,343	20,842	20,763	23,425	27,050
Margin (%)	14.6	14.5	12.7	15.9	21.1	12.6	15.7	15.7
Depreciation	2,573	2,718	2,880	3,180	3,436	3,849	4,284	4,495
EBIT	4,860	6,232	6,966	13,163	17,406	16,914	19,141	22,555
Int. and Finance Charges	2,090	1,961	1,962	1,922	1,168	568	331	181
Other Income	263	357	1,113	837	714	907	722	641
PBT bef. EO Exp.	3,033	4,628	6,117	12,078	16,953	17,253	19,532	23,016
EO Items	0	0	-179	0	0	-119	0	0
PBT after EO Exp.	3,033	4,628	5,939	12,078	16,953	17,134	19,532	23,016
Current Tax	838	1,715	1,768	145	4,272	4,278	4,916	5,793
Tax Rate (%)	27.6	37.0	29.8	1.2	25.2	25.0	25.2	25.2
Reported PAT	2,195	2,914	4,170	11,933	12,682	12,856	14,616	17,223
Adjusted PAT	2,195	2,914	4,296	11,933	12,682	12,946	14,616	17,223
Change (%)	6.3	32.7	47.4	177.8	6.3	2.1	12.9	17.8
Margin (%)	4.3	4.7	5.5	11.6	12.9	7.9	9.8	10.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,377	1,377	1,377	1,377	1,377	1,377	1,377	1,377
Total Reserves	15,072	17,087	20,463	31,529	43,110	54,616	67,667	83,045
Net Worth	16,449	18,464	21,840	32,906	44,486	55,993	69,044	84,422
Deferred Tax Liabilities	9,849	10,455	10,816	8,005	7,925	8,077	8,077	8,077
Total Loans	22,987	22,143	20,892	18,344	7,700	4,811	1,811	1,811
Capital Employed	49,285	51,062	53,547	59,255	60,111	68,881	78,932	94,310
Gross Block	59,393	64,021	68,861	73,531	81,252	90,156	94,090	99,238
Less: Accum. Deprn.	10,376	13,094	15,974	19,154	22,590	26,439	30,722	35,217
Net Fixed Assets	49,017	50,927	52,887	54,377	58,662	63,717	63,368	64,020
Capital WIP	5,071	4,797	4,902	5,708	7,088	9,672	15,738	20,590
Total Investments	683	161	160	1,633	1,926	2,806	2,806	2,806
Curr. Assets, Loans, and Adv.	8,714	10,449	13,326	17,255	17,411	19,358	21,162	34,848
Inventory	417	568	694	463	525	534	465	540
Account Receivables	3,475	3,917	5,103	5,101	7,747	9,301	8,409	9,756
Cash and Bank Balance	608	1,363	3,092	6,919	3,189	180	3,839	14,751
...of which cash	175	931	944	5,482	2,767	164	3,824	14,735
Bank balance	433	432	2,148	1,447	422	15	15	15
Loans and Advances	4,214	4,601	4,437	4,772	5,950	9,344	8,448	9,801
Curr. Liability and Prov.	14,199	15,271	17,727	19,718	24,976	26,672	24,141	27,954
Account Payables	3,140	2,931	3,523	3,670	4,473	4,456	3,885	4,511
Other Current Liabilities	10,660	11,957	13,724	15,015	19,740	21,349	19,302	22,394
Provisions	399	383	480	1,033	763	867	954	1,049
Net Current Assets	-5,485	-4,822	-4,402	-2,464	-7,565	-7,314	-2,979	6,894
Appl. of Funds	49,285	51,062	53,548	59,255	60,111	68,881	78,932	94,311

Financials and valuations

Ratios

Y/E March (INR)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	3.2	4.2	6.2	17.3	18.4	18.8	21.2	25.0
Cash EPS	6.9	8.2	10.4	22.0	23.4	24.4	27.5	31.5
BV/Share	23.9	26.8	31.7	47.8	64.6	81.3	100.3	122.6
DPS	0.6	0.8	1.0	1.3	2.0	2.0	2.3	2.7
Payout (%)	22.6	22.8	19.9	8.7	13.1	12.9	10.7	10.7
Valuation (x)								
P/E	159.4	120.1	81.5	29.3	27.6	27.0	23.9	20.3
Cash P/E	73.4	62.1	48.8	23.2	21.7	20.8	18.5	16.1
P/BV	21.3	19.0	16.0	10.6	7.9	6.3	5.1	4.1
EV/Sales	7.3	6.0	4.7	3.5	3.6	2.2	2.3	2.0
EV/EBITDA	50.1	41.4	37.4	22.1	17.0	17.1	14.9	12.5
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.4	0.4	0.4	0.5
FCF per share	3.2	4.8	6.5	12.0	13.1	4.5	11.4	17.9
Return Ratios (%)								
RoE	13.9	16.7	21.3	43.6	32.8	25.8	23.4	22.4
RoCE	14.3	16.5	19.4	29.8	35.0	31.5	30.2	29.5
Working Capital Ratios								
Asset Turnover (x)	1.0	1.2	1.4	1.7	1.6	2.4	1.9	1.8
Inventory (Days)	3	3	3	2	2	1	1	1
Debtor (Days)	25	23	24	18	29	21	21	21
Creditor (Days)	23	17	17	13	17	10	10	10
Working Cap. Turnover (Days)	-44	-37	-35	-33	-40	-17	-17	-17
Leverage Ratio (x)								
Current Ratio	0.6	0.7	0.8	0.9	0.7	0.7	0.9	1.2
Debt/Equity ratio	1.4	1.1	0.8	0.3	0.1	0.1	0.0	-0.2

Standalone - Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)								
OP/(Loss) before Tax	3,033	4,628	5,939	12,078	16,953	17,134	19,532	23,016
Depreciation	2,573	2,718	2,880	3,180	3,436	3,849	4,284	4,495
Interest and Finance Charges	2,090	1,961	1,962	1,922	1,168	568	331	181
Direct Taxes Paid	-489	-1,040	0	-2,801	-4,166	-4,363	-4,916	-5,793
(Inc.)/Dec. in WC	-118	-231	-288	413	-437	-95	-675	1,038
Others	-80	-190	-849	-571	-365	-476	-722	-641
CF from Operations	7,010	7,847	9,644	14,220	16,588	16,617	17,833	22,295
(Inc.)/Dec. in FA	-4,805	-4,555	-5,376	-5,956	-7,556	-13,663	-10,000	-10,000
Free Cash Flow	2,205	3,292	4,447	8,265	9,033	3,073	7,833	12,295
Others	296	198	-761	1,287	1,432	728	722	641
CF from Investments	-4,509	-4,357	-6,137	-4,668	-6,124	-12,935	-9,278	-9,359
Inc./(Dec.) in Debt	176	-248	-1,139	-2,149	-11,016	-4,193	-3,000	0
Interest Paid	-2,316	-1,986	-1,947	-1,864	-1,165	-531	-331	-181
Dividend Paid	-414	-499	-408	-837	-863	-1,375	-1,565	-1,844
CF from Fin. Activity	-2,553	-2,733	-3,494	-5,015	-13,179	-6,284	-4,896	-2,025
Inc./Dec. in Cash	-52	757	13	4,537	-2,714	-2,602	3,659	10,911
Opening Balance	228	176	933	945	5,482	2,767	165	3,824
Closing Balance	176	933	945	5,482	2,767	165	3,824	14,735

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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