

May 11, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	650		675	
Sales (Rs. m)	1,76,670	1,62,023	1,83,647	1,68,112
% Chng.	(3.8)	(3.6)		
EBITDA (Rs. m)	21,839	26,039	22,909	26,941
% Chng.	(4.7)	(3.3)		
EPS (Rs.)	20.4	25.8	21.5	26.7
% Chng.	(5.2)	(3.4)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	98,664	1,64,562	1,76,670	1,62,023
EBITDA (Rs. m)	20,842	20,763	21,839	26,039
Margin (%)	21.1	12.6	12.4	16.1
PAT (Rs. m)	12,681	12,856	14,011	17,733
EPS (Rs.)	18.4	18.7	20.4	25.8
Gr. (%)	6.3	1.4	9.0	26.6
DPS (Rs.)	2.0	2.0	3.1	4.4
Yield (%)	0.4	0.4	0.6	0.9
RoE (%)	32.6	24.5	20.5	20.6
RoCE (%)	33.5	29.3	24.8	24.1
EV/Sales (x)	3.6	2.1	1.9	1.9
EV/EBITDA (x)	17.0	16.5	15.1	12.0
PE (x)	27.5	27.2	24.9	19.7
P/BV (x)	7.8	5.8	4.6	3.6

Key Data

GGAS.BO | GUJGA IN

52-W High / Low	Rs.787 / Rs.478
Sensex / Nifty	54,365 / 16,240
Market Cap	Rs.349bn/ \$ 4,514m
Shares Outstanding	688m
3M Avg. Daily Value	Rs.1040.51m

Shareholding Pattern (%)

Promoter's	60.89
Foreign	5.98
Domestic Institution	9.53
Public & Others	23.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.0)	(23.1)	(3.8)
Relative	4.9	(14.6)	(12.4)

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Resilient performance

Quick Pointers:

- Q4 volumes commendable at 9.9 mmscmd (-15% QoQ) with adoption of dynamic pricing to pass on high gas prices.
- Current volumes have improved to ~11mmscmd as lower spot gas prices at ~\$20/mmbtu (Q4: \$35) helps drive demand.
- Resilient business franchise with healthy downstream growth visibility and likely softening in spot LNG prices to drive growth.

We lower our FY23/24E earnings by 5.2%/3.4% as we trim our volume estimates. GGAS reported strong Q4 results supported by lower spot LNG purchase. Industrial volumes were lower at 22% QoQ, as dynamic pricing to pass on high gas price hit volumes. EBIDTA and PAT of Rs6.9bn (+194%Q/Q) and Rs4.6bn (+271%Q/Q) was better than expected, led by higher margins of Rs7.8/scm (Q3 Rs2.3). We expect margins and volumes to remain healthy, as spot LNG prices ease. Reiterate 'BUY' with a DCF based PT of Rs650 (Rs675).

- Low spot gas purchase drive earnings:** GGAS reported strong results with EBITDA of Rs6.9bn (+194%QoQ; PLe Rs4.3bn) and PAT of Rs4.6bn (+271%QoQ; PLe Rs2.7bn). Q4 results were supported by adoption of dynamic pricing to pass on high spot LNG prices, which helped support margins. Gross margins were at Rs11.8/scm and blended gas prices were lower 6%QoQ to Rs41.8/scm. Accordingly, EBIDTA/scm was at Rs7.8/scm vs Q3 levels of Rs2.3/scm.
- Tactically lower volumes in high gas price environment:** For Q4, GGAS gas sales were at 9.9mmscmd (-15% QoQ; PLe 9.6) with industrial volumes at 6.7mmscmd (-22%QoQ), while CNG volumes were at 2.2mmscmd (+0.5%QoQ) and domestic volumes at 0.8mmscmd (+20%QoQ). For FY22, GGAS opened 155new CNG stations to take the total count to 711. Company also added 423 industrial customers and 2,495km of pipeline during the year.
- For Q1, we expect industrial volumes to recover as lower gas prices at ~\$20/mmbtu from Q4 levels of \$35/mmbtu drive volume recovery. We model FY23/24E sales volumes at 11.9/13.5 mmscmd (12.4/14.0 earlier).
- Gas prices likely to cool:** International gas prices are likely to come off due to pandemic restrictions in China along with likely recessionary pressures, due to supply chain disruption. Any resolution in Ukraine crisis will ease gas prices which will support margins. We like GGAS business model as strong downstream demand across ceramics, agrochemicals, pharma sector along with CNG will drive growth ahead.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	47,734	34,893	36.8	52,412	1,67,664	1,00,423	67.0
Operating Costs	40,759	29,351	38.9	50,037	1,46,876	79,546	84.6
<i>as % of Net Sales</i>	<i>85.4</i>	<i>84.1</i>		<i>95.5</i>	<i>87.6</i>	<i>79.2</i>	
Raw material	37,194	26,601	39.8	46,664	1,34,245	69,898	92.1
<i>as % of Net Sales</i>	<i>77.9</i>	<i>76.2</i>		<i>89.0</i>	<i>80.1</i>	<i>69.6</i>	
Personnel Costs	490	439	11.7	469	1,909	1,775	7.5
<i>as % of Net Sales</i>	<i>1.0</i>	<i>1.3</i>		<i>0.9</i>	<i>1.1</i>	<i>1.8</i>	
Excise duty	1,040	604	72.2	967	3,272	1,880	74.0
<i>as % of Net Sales</i>	<i>2.2</i>	<i>1.7</i>		<i>1.8</i>	<i>2.0</i>	<i>1.9</i>	
Other Overheads	2,036	1,708	19.2	1,937	7,450	5,992	24.3
<i>as % of Net Sales</i>	<i>5.0</i>	<i>5.8</i>		<i>3.9</i>	<i>5.1</i>	<i>7.5</i>	
EBITDA	6,974	5,542	25.8	2,375	20,788	20,877	(0.4)
Other Income	176	188	(6.2)	363	944	741	27.4
PBDIT	7,151	5,730	24.8	2,738	21,731	21,618	0.5
Depreciation	1,021	868	17.6	969	3,832	3,408	12.4
Interest	145	180	(19.8)	140	566	1,163	(51.3)
Pre-tax Profit	5,986	4,682	27.8	1,629	17,334	17,046	1.7
Tax	1,424	1,183	20.4	400	4,291	4,292	(0.0)
Profit After Tax	4,562	3,499	30.4	1,229	13,043	12,754	2.3
Gas sales volumes(mmscm)	890	1,092	(18.5)	1,048	3,899	3,428	13.7
Gas sales (Rs/000scm)	53.6	32.0	67.8	50.0	43.01	29.29	46.8
Gas purchase (Rs/000scm)	41.8	24.4	71.5	44.5	34.43	20.39	68.9
Gross margins (Rs/000scm)	11.8	7.6	55.9	5.5	8.57	8.90	(3.7)
EBIDTA/scm	4.0	2.5		3.2	3.24	2.81	
Volume (mcsmd)							
Industrial	603	862	(30.0)	774	2,884	2,688	7.3
CNG	201	154	30.3	200	722	476	51.6
Domestic	74	66	11.8	62	248	236	5.2
Commercial	13	10	26.0	13	45	28	59.0
Total	890	1,092	(18.5)	1,048	3,899	3,428	13.7

Source: Company, PL

Exhibit 2: Quarterly volume and margin details

Y/e March	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Gas sales volumes(mmscm)	377	906	1053	1092	911	1,050	1,048	890
Gas sales (Rs/000scm)	29.37	28.26	27.40	31.95	33.65	35.11	50.02	53.63
Gas purchase (Rs/000scm)	19.36	17.52	19.11	24.36	22.62	28.37	44.53	41.79
Gross margins (Rs/000scm)	10.02	10.73	8.29	7.59	11.04	6.74	5.48	11.84
Opex (Rs/scm)	5.09	2.64	2.45	2.52	3.10	2.73	3.22	4.01
EBIDTA/scm	4.93	8.09	5.84	5.08	7.93	4.01	2.27	7.84
Volume (mcsmd)	4.14	9.85	11.45	12.13	10.12	11.41	11.39	9.68
Volume (mcsmd)								
Industrial	260.0	723.0	843.0	862.0	708.0	799.5	773.7	603.0
CNG	62.0	118.0	142.0	154.0	141.0	180.3	199.6	200.7
Domestic	52.0	59.0	59.0	66.0	54.0	58.9	61.6	73.8
Commercial	3.0	6.0	9.0	10.0	8.0	11.0	12.9	12.6
Total	377.0	906.0	1053.0	1092.0	911.0	1049.7	1047.9	890.1

Source: Company, PL

Exhibit 3: DCF

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
EBITDA (Rs mn)	16,346	20,842	20,763	21,839	26,039	29,996	37,000	38,084	46,604	50,266	53,988	59,386	64,731
Depreciation (Rs mn)	3,180	3,436	3,849	4,231	4,649	5,091	5,535	5,980	6,426	6,873	7,322	7,790	8,190
EBIT (Rs mn)	13,166	17,406	16,914	17,608	21,390	24,905	31,465	32,105	40,179	43,393	46,666	51,597	56,542
Current tax on EBIT (Rs mn)	(2,943)	(4,212)	(4,160)	(4,121)	(5,216)	(6,309)	(8,139)	(8,729)	(11,037)	(12,378)	(13,859)	(13,518)	(14,814)
Total capex (Rs mn)	(6,937)	(8,425)	(7,134)	(8,184)	(9,203)	(9,223)	(9,245)	(9,270)	(9,297)	(9,327)	(9,359)	(8,000)	(8,000)
Chg. in net working capital (Rs mn)	(1,240)	(360)	940	(1,260)	(2,449)	(1,461)	(1,415)	(1,563)	(1,672)	(2,021)	(2,223)	(2,223)	(2,223)
Total free cash flows (Rs mn)	5,227	7,844	10,409	8,274	9,171	13,002	18,201	18,523	24,599	26,540	28,546	35,645	39,694
growth		50.1%	32.7%	-20.5%	10.8%	41.8%	40.0%	1.8%	32.8%	7.9%	7.6%	24.9%	11.4%
ebitda growth		27.5%	-0.4%	5.2%	19.2%	15.2%	23.3%	2.9%	22.4%	7.9%	7.4%	10.0%	9.0%
WACC	10.5%												
Terminal growth rate	5.0%												
Terminal value	755050												
Terminal EV/E	11.7												
PV of terminal value	306908												
PV as % of EV	72%												
Enterprise value	4,27,550												
Net debt as on Mar 22	(20,175)												
Equity value	447725												
Value per share	650												

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	98,664	1,64,562	1,76,670	1,62,023
YoY gr. (%)	(4.2)	66.8	7.4	(8.3)
Cost of Goods Sold	69,965	1,34,369	1,44,870	1,24,587
Gross Profit	28,699	30,194	31,800	37,436
Margin (%)	29.1	18.3	18.0	23.1
Employee Cost	1,775	1,909	2,195	2,524
Other Expenses	-	-	-	-
EBITDA	20,842	20,763	21,839	26,039
YoY gr. (%)	27.5	(0.4)	5.2	19.2
Margin (%)	21.1	12.6	12.4	16.1
Depreciation and Amortization	3,436	3,849	4,231	4,649
EBIT	17,406	16,914	17,608	21,390
Margin (%)	17.6	10.3	10.0	13.2
Net Interest	1,168	568	243	243
Other Income	714	907	1,366	2,561
Profit Before Tax	16,953	17,253	18,731	23,708
Margin (%)	17.2	10.5	10.6	14.6
Total Tax	4,272	4,278	4,720	5,974
Effective tax rate (%)	25.2	24.8	25.2	25.2
Profit after tax	12,681	12,975	14,011	17,733
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,681	12,856	14,011	17,733
YoY gr. (%)	6.3	1.4	9.0	26.6
Margin (%)	12.9	7.8	7.9	10.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,681	12,856	14,011	17,733
YoY gr. (%)	6.3	1.4	9.0	26.6
Margin (%)	12.9	7.8	7.9	10.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,681	12,856	14,011	17,733
Equity Shares O/s (m)	688	688	688	688
EPS (Rs)	18.4	18.7	20.4	25.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	75,169	82,169	90,169	99,169
Tangibles	75,169	82,169	90,169	99,169
Intangibles	-	-	-	-
Acc: Dep / Amortization	20,704	24,553	28,785	33,434
Tangibles	20,704	24,553	28,785	33,434
Intangibles	-	-	-	-
Net fixed assets	57,981	60,967	64,736	69,087
Tangibles	54,465	57,616	61,384	65,735
Intangibles	3,516	3,352	3,352	3,352
Capital Work In Progress	6,878	7,009	7,009	7,009
Goodwill	1,676	1,844	2,028	2,231
Non-Current Investments	919	1,010	1,111	1,222
Net Deferred tax assets	(8,063)	(8,181)	(8,780)	(9,539)
Other Non-Current Assets	2,944	3,238	3,562	3,918
Current Assets				
Investments	-	-	-	-
Inventories	522	871	935	857
Trade receivables	7,831	13,061	14,022	12,860
Cash & Bank Balance	3,187	9,131	22,874	40,562
Other Current Assets	1,849	2,034	2,237	2,461
Total Assets	84,495	99,945	1,19,372	1,41,151
Equity				
Equity Share Capital	1,377	1,377	1,377	1,377
Other Equity	43,450	58,778	74,919	94,286
Total Network	44,827	60,155	76,295	95,663
Non-Current Liabilities				
Long Term borrowings	7,700	2,700	2,700	2,700
Provisions	518	569	626	689
Other non current liabilities	629	692	762	838
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,603	7,677	8,242	7,559
Other current liabilities	17,505	19,255	21,181	23,299
Total Equity & Liabilities	84,494	99,945	1,19,372	1,41,151

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	16,953	17,253	18,731	23,708
Add. Depreciation	3,436	3,849	4,231	4,649
Add. Interest	1,168	568	243	243
Less Financial Other Income	714	907	1,366	2,561
Add. Other	-	-	-	-
Op. profit before WC changes	21,556	21,670	23,205	28,600
Net Changes-WC	5	(1,079)	1,578	2,898
Direct tax	(4,272)	(4,278)	(4,720)	(5,974)
Net cash from Op. activities	17,290	16,313	20,063	25,523
Capital expenditures	(8,425)	(7,134)	(8,184)	(9,203)
Interest / Dividend Income	-	-	-	-
Others	(25)	(20)	(22)	(24)
Net Cash from Inv. activities	(8,450)	(7,154)	(8,206)	(9,227)
Issue of share cap. / premium	616	3,730	4,231	4,649
Debt changes	(10,644)	(5,000)	-	-
Dividend paid	(1,377)	(1,377)	(2,102)	(3,015)
Interest paid	(1,168)	(568)	(243)	(243)
Others	-	-	-	-
Net cash from Fin. activities	-	-	-	-
Net change in cash	-	-	-	-
Free Cash Flow	8,865	9,180	11,878	16,321

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	30,109	36,145	51,444	46,694
YoY gr. (%)	178.0	43.8	81.8	36.2
Raw Material Expenses	20,603	29,784	46,664	37,194
Gross Profit	9,506	6,361	4,780	9,500
Margin (%)	31.6	17.6	9.3	20.3
EBITDA	7,229	4,210	2,375	6,974
YoY gr. (%)	289.2	(42.6)	(61.4)	25.8
Margin (%)	24.0	11.6	4.6	14.9
Depreciation / Depletion	905	937	969	1,021
EBIT	6,323	3,273	1,406	5,954
Margin (%)	21.0	9.1	2.7	12.8
Net Interest	159	123	140	145
Other Income	213	192	363	176
Profit before Tax	6,377	3,342	1,629	5,986
Margin (%)	21.2	9.2	3.2	12.8
Total Tax	1,616	852	400	1,424
Effective tax rate (%)	25.3	25.5	24.5	23.8
Profit after Tax	4,761	2,490	1,229	4,562
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,761	2,490	1,229	4,443
YoY gr. (%)	711.7	(47.5)	(68.6)	27.0
Margin (%)	15.8	6.9	2.4	9.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,761	2,490	1,229	4,443
YoY gr. (%)	711.7	(47.5)	(68.6)	27.0
Margin (%)	15.8	6.9	2.4	9.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,761	2,490	1,229	4,443
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	18.4	18.7	20.4	25.8
CEPS	23.4	24.3	26.5	32.5
BVPS	65.1	87.4	110.8	139.0
FCF	12.9	13.3	17.3	23.7
DPS	2.0	2.0	3.1	4.4
Return Ratio(%)				
RoCE	33.5	29.3	24.8	24.1
ROIC	21.4	18.6	18.2	21.3
RoE	32.6	24.5	20.5	20.6
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.1)	(0.3)	(0.4)
Net Working Capital (Days)	14	14	14	14
Valuation(x)				
PER	27.5	27.2	24.9	19.7
P/B	7.8	5.8	4.6	3.6
P/CEPS	21.7	20.9	19.1	15.6
EV/EBITDA	17.0	16.5	15.1	12.0
EV/Sales	3.6	2.1	1.9	1.9
Dividend Yield (%)	0.4	0.4	0.6	0.9

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
CNG (mmscmd)	1.3	2.0	2.4	2.8
Industrial PNG (mmscmd)	7.4	7.9	8.7	9.6
Domestic PNG (mmscmd)	0.6	0.7	0.7	0.8
Commercial PNG (mmscmd)	0.1	0.1	0.1	0.1
USD/INR	74.3	76.5	78.8	81.2
Spreads (Rs/scm)	6.1	5.3	5.0	5.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Apr-22	BUY	675	512
2	14-Mar-22	BUY	675	511
3	08-Feb-22	BUY	764	665
4	10-Jan-22	BUY	764	685
5	06-Jan-22	BUY	764	644
6	28-Oct-21	BUY	845	594
7	05-Oct-21	BUY	845	610
8	27-Sep-21	BUY	845	621
9	05-Aug-21	BUY	896	772
10	02-Jul-21	UR	-	665

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	416	380
2	GAIL (India)	BUY	205	162
3	Gujarat Gas	BUY	675	512
4	Hindustan Petroleum Corporation	BUY	349	280
5	Indian Oil Corporation	BUY	150	122
6	Indraprastha Gas	BUY	660	392
7	Mahanagar Gas	BUY	1,187	828
8	Oil & Natural Gas Corporation	BUY	240	168
9	Oil India	BUY	360	237
10	Petronet LNG	BUY	356	198
11	Reliance Industries	BUY	3,000	2,621

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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