

August 4, 2022

Q1FY23 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	553		553	
Sales (Rs. m)	1,76,679	1,66,522	1,76,679	1,66,522
% Chng.	-	-	-	-
EBITDA (Rs. m)	22,973	26,012	22,973	26,012
% Chng.	-	-	-	-
EPS (Rs.)	21.6	25.8	21.6	25.8
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	98,664	1,64,562	1,76,679	1,66,522
EBITDA (Rs. m)	20,842	20,763	22,973	26,012
Margin (%)	21.1	12.6	13.0	15.6
PAT (Rs. m)	12,681	12,856	14,880	17,752
EPS (Rs.)	18.4	18.7	21.6	25.8
Gr. (%)	6.3	1.4	15.7	19.3
DPS (Rs.)	2.0	2.0	3.2	4.4
Yield (%)	0.4	0.4	0.7	0.9
RoE (%)	32.6	24.5	21.7	20.5
RoCE (%)	33.5	29.3	26.3	23.9
EV/Sales (x)	3.3	1.9	1.7	1.7
EV/EBITDA (x)	15.5	15.1	13.0	10.8
PE (x)	25.2	24.8	21.4	18.0
P/BV (x)	7.1	5.3	4.1	3.3

Key Data

GGAS.BO | GUJGA IN

52-W High / Low	Rs.787 / Rs.404
Sensex / Nifty	58,351 / 17,388
Market Cap	Rs.319bn/ \$ 4,029m
Shares Outstanding	688m
3M Avg. Daily Value	Rs.988.03m

Shareholding Pattern (%)

Promoter's	60.89
Foreign	5.18
Domestic Institution	10.01
Public & Others	23.91
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.7	(31.7)	(39.4)
Relative	(0.5)	(31.2)	(44.1)

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Lower than expected results

Quick Pointers:

- Q2 volumes lower at 9mmscmd, as industrial volume remains weak.
- GGAS signed 0.7mmscmd sales volumes; likely to start in Dec 22.

GGAS reported lower than expected Q1 results with EBIDTA/PAT of Rs6.1bn (-13%Q/Q; PLe Rs6.5bn) and Rs3.8bn (-14%Q/Q; PLe Rs4.1bn). Q1 industrial volumes were flat QoQ, as demand shifted to Propane due to seasonally low prices. However it will increase in H2 with winter demand. GGAS has tied in spot LNG volumes below USD28/mmbtu till Feb-23 (price is ~USD22-25/mmbtu till Sept-22) which will support volumes as demand shifts in H2 when propane prices increase. Also at current Brent prices, blended industrial gas price will be down USD1.1/mmbtu for Q2 (Q1 avg USD112/bbl). We like GGAS as a structural play on industrial gas demand and maintain our FY23-24E earnings. Reiterate 'BUY' with a DCF based PT of Rs553 (Unchanged).

- Lower volume, margins lead to earnings miss:** GGAS reported lower than expected results with EBITDA of Rs6.1bn (-13%QoQ; PLe Rs6.5bn) and PAT of Rs3.8bn (-14%QoQ; PLe Rs4.1bn). Q1 results were hit by lower than expected volumes at 9.64mmscmd (flat QoQ; PLe 10.2mmscmd). Gross margins were at Rs11.3/scm (Rs11.8/scm in Q4) even as blended gas prices were higher at 16%QoQ to Rs48.4/scm. Accordingly, EBITDA/scm was at Rs6.8/scm (PLe Rs7) vs Q4 levels of Rs7.8/scm.
- Low propane prices lead to muted industrial volume:** For Q1, GGAS's gas sales were at 9.6mmscmd (flat QoQ; PLe 10.2) with industrial volumes at 6.6mmscmd (flat QoQ), while CNG volumes were at 2.4mmscmd (+11%QoQ) and domestic volumes were at 0.6mmscmd (-32%QoQ). GGAS opened 10 new CNG stations in Q1, which sums the total count to 721. Company also added 63 industrial customers.
- For Q2, GGAS tied in 0.7mmscmd sales volumes, half of which is non Morbi which has higher margins. The gas sales will commence by Dec 22. We model FY23/24E sales volumes at 11.2/12.6 mmscmd (unchanged). Also GGAS has tied in spot LNG volumes till Feb-23 at USD28/mmbtu for winter months (till Sept-22 spot LNG tied in at less than USD25/mmbtu).
- GGAS unlikely to compete for volumes:** GGAS will unlikely compete with seasonally low propane prices. However, when propane prices inch up in H2 due to winters, GGAS with spot volumes tied-in will benefit from higher volumes and margins. We like GGAS business model given strong downstream demand across ceramics, agrochemicals and pharma sector accompanied by CNG will drive growth ahead.

Exhibit 1: Q1FY23 Result Overview (Rs mn)

Y/e March	Q1FY23	Q1FY22	YoY gr. (%)	Q4FY22	FY23E	FY22	YoY gr. (%)
Net Sales	53,032	30,659	73.0	47,734	1,67,664	1,80,234	(7.0)
Operating Costs	46,966	23,431	100.4	40,759	1,46,876	1,57,261	(6.6)
<i>as % of Net Sales</i>	88.6	76.4		85.4	87.6	87.3	
Raw material	42,973	20,603	108.6	37,199	1,34,250	1,43,912	(6.7)
<i>as % of Net Sales</i>	81.0	67.2		77.9	80.1	79.8	
Personnel Costs	472	505	(6.6)	490	1,909	2,195	(13.0)
<i>as % of Net Sales</i>	0.9	1.6		1.0	1.1	1.2	
Excise duty	1,332	551	141.8	1,040	3,272	3,555	(8.0)
<i>as % of Net Sales</i>	2.5	1.8		2.2	2.0	2.0	
Other Overheads	2,190	1,772	23.6	2,031	7,445	7,599	(2.0)
<i>as % of Net Sales</i>	4.7	7.6		5.0	5.1	4.8	
EBITDA	6,066	7,229	(16.1)	6,974	20,788	22,973	(9.5)
Other Income	190	213	(10.7)	176	944	1,395	(32.3)
PBDIT	6,256	7,441	(15.9)	7,151	21,731	24,367	(10.8)
Depreciation	1,032	905	14.0	1,021	3,832	4,231	(9.4)
Interest	136	159	(14.5)	145	566	243	132.9
Pre-tax Profit	5,089	6,377	(20.2)	5,986	17,334	19,893	(12.9)
Tax	1,278	1,616	(20.9)	1,424	4,291	5,013	(14.4)
Profit After Tax	3,811	4,761	(20.0)	4,443	12,924	14,880	(13.1)
Gas sales volumes(mmscm)	887	911	(2.6)	890	3,899	4,071	(4.2)
Gas sales (Rs/000scm)	59.77	33.65	77.6	53.63	43.01	44.27	(2.9)
Gas purchase (Rs/000scm)	48.43	22.62	114.2	41.79	34.43	35.35	(2.6)
Gross margins (Rs/000scm)	11.34	11.04	2.7	11.84	8.57	8.92	(3.9)
EBIDTA/scm	4.50	3.10	45.0	4.00	3.24	3.28	
Volume (mcsmd)							
Industrial	603	708	(14.8)	603	2,884	2,884	-
CNG	222	141	57.5	201	722	866	(16.7)
Domestic	50	54	(7.3)	74	248	273	(9.1)
Commercial	12	8	47.9	13	45	48	(7.4)
Total	887	911	(2.6)	890	3,899	4,071	(4.2)

Source: Company, PL

Exhibit 2: Quarterly volume and margin details

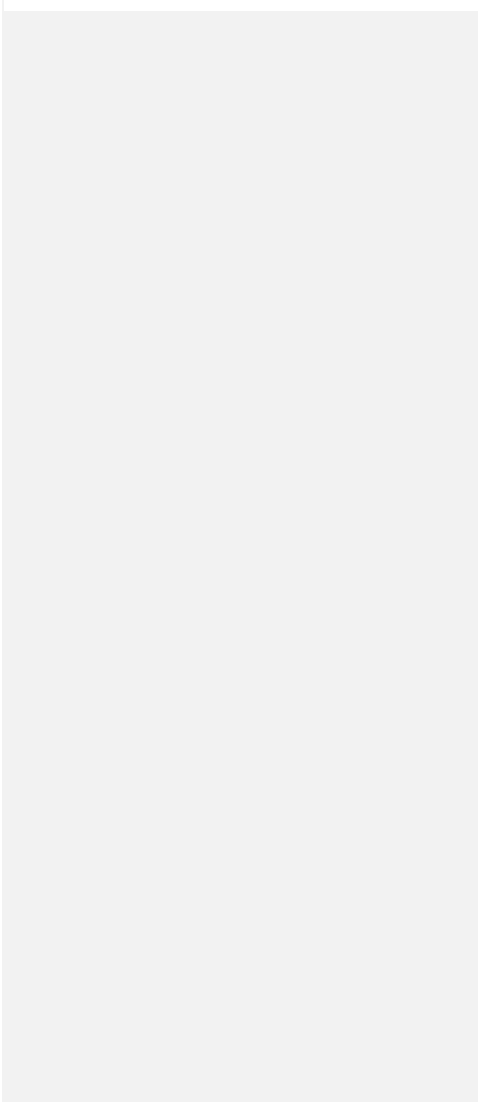
Y/e March	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Gas sales volumes(mmscm)	377	906	1053	1092	911	1,050	1,048	890	887
Gas sales (Rs/000scm)	29.37	28.26	27.40	31.95	33.65	35.11	50.02	53.63	59.77
Gas purchase (Rs/000scm)	19.36	17.52	19.11	24.36	22.62	28.37	44.53	41.79	48.43
Gross margins (Rs/000scm)	10.02	10.73	8.29	7.59	11.04	6.74	5.48	11.84	11.34
Opex (Rs/scm)	5.09	2.64	2.45	2.52	3.10	2.73	3.22	4.01	4.50
EBIDTA/scm	4.93	8.09	5.84	5.08	7.93	4.01	2.27	7.84	6.84
Volume (mcsmd)	4.14	9.85	11.45	12.13	10.12	11.41	11.39	9.68	9.64
Volume (mcsmd)									
Industrial	260.0	723.0	843.0	862.0	708.0	799.5	773.7	603.0	603.3
CNG	62.0	118.0	142.0	154.0	141.0	180.3	199.6	200.7	222.0
Domestic	52.0	59.0	59.0	66.0	54.0	58.9	61.6	73.8	50.1
Commercial	3.0	6.0	9.0	10.0	8.0	11.0	12.9	12.6	11.8
Total	377.0	906.0	1053.0	1092.0	911.0	1049.7	1047.9	890.1	887.3

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	22,973	26,012	30,391	34,068	38,101	43,532	46,133	48,970	53,867	58,714
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	18,741	21,363	25,299	28,533	32,122	37,106	39,260	41,648	46,077	50,525
Current tax on EBIT (Rs mn)	(2,943)	(4,212)	(4,160)	(4,376)	(5,221)	(6,413)	(7,504)	(8,730)	(10,344)	(11,415)	(12,649)	(12,072)	(13,238)
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)	(2,279)	(1,926)	(1,698)	(1,515)	(1,823)	(2,113)	(2,314)	(2,314)	(2,314)
Total free cash flows (Rs mn)	5,227	7,844	10,409	9,152	9,309	12,828	15,621	18,586	22,068	23,277	24,647	31,480	35,163
growth		50.1%	32.7%	-12.1%	1.7%	37.8%	21.8%	19.0%	18.7%	5.5%	5.9%	27.7%	11.7%
ebitda growth		27.5%	-0.4%	10.6%	13.2%	16.8%	12.1%	11.8%	14.3%	6.0%	6.1%	10.0%	9.0%
WACC	10.8%												
Terminal growth rate	5.0%												
Terminal value	634712												
Terminal EV/E	10.8												
PV of terminal value	251837												
PV as % of EV	70%												
Enterprise value	3,60,063												
Net debt as on Mar 22	(20,951)												
Equity value	381014												
Value per share	553												

Source: PL



Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	98,664	1,64,562	1,76,679	1,66,522
YoY gr. (%)	(4.2)	66.8	7.4	(5.7)
Cost of Goods Sold	69,965	1,34,369	1,43,912	1,29,298
Gross Profit	28,699	30,194	32,767	37,224
Margin (%)	29.1	18.3	18.5	22.4
Employee Cost	1,775	1,909	2,195	2,524
Other Expenses	-	-	-	-
EBITDA	20,842	20,763	22,973	26,012
YoY gr. (%)	27.5	(0.4)	10.6	13.2
Margin (%)	21.1	12.6	13.0	15.6
Depreciation and Amortization	3,436	3,849	4,231	4,649
EBIT	17,406	16,914	18,741	21,363
Margin (%)	17.6	10.3	10.6	12.8
Net Interest	1,168	568	243	243
Other Income	714	907	1,395	2,613
Profit Before Tax	16,953	17,253	19,893	23,733
Margin (%)	17.2	10.5	11.3	14.3
Total Tax	4,272	4,278	5,013	5,981
Effective tax rate (%)	25.2	24.8	25.2	25.2
Profit after tax	12,681	12,975	14,880	17,752
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,681	12,856	14,880	17,752
YoY gr. (%)	6.3	1.4	15.7	19.3
Margin (%)	12.9	7.8	8.4	10.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,681	12,856	14,880	17,752
YoY gr. (%)	6.3	1.4	15.7	19.3
Margin (%)	12.9	7.8	8.4	10.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,681	12,856	14,880	17,752
Equity Shares O/s (m)	688	688	688	688
EPS (Rs)	18.4	18.7	21.6	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)	(8,817)	(9,577)
Other Non-Current Assets	2,944	3,238	3,562	3,918
Current Assets				
Investments	-	-	-	-
Inventories	522	871	935	881
Trade receivables	7,831	13,061	14,023	13,217
Cash & Bank Balance	3,187	9,131	23,650	41,184
Other Current Assets	1,849	2,034	2,237	2,461
Total Assets	84,495	99,945	1,20,149	1,42,154
Equity				
Equity Share Capital	1,377	1,377	1,377	1,377
Other Equity	43,450	58,778	75,658	95,041
Total Networth	44,827	60,155	77,035	96,418
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	8,243	7,769
Other current liabilities	17,505	19,255	21,181	23,299
Total Equity & Liabilities	84,494	99,945	1,20,149	1,42,154

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	16,953	17,253	19,893	23,733
Add. Depreciation	3,436	3,849	4,231	4,649
Add. Interest	1,168	568	243	243
Less Financial Other Income	714	907	1,395	2,613
Add. Other	-	-	-	-
Op. profit before WC changes	21,556	21,670	24,367	28,625
Net Changes-WC	5	(1,079)	1,615	2,728
Direct tax	(4,272)	(4,278)	(5,013)	(5,981)
Net cash from Op. activities	17,290	16,313	20,969	25,373
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)	(2,232)	(3,018)
Interest paid	(1,168)	(568)	(243)	(243)
Others	-	-	-	-
Net cash from Fin. activities	-	-	-	-
Net change in cash	-	-	-	-
Free Cash Flow	8,865	9,180	12,785	16,170

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	36,145	51,444	46,694	51,701
YoY gr. (%)	43.8	81.8	36.2	71.7
Raw Material Expenses	29,784	46,664	37,199	42,973
Gross Profit	6,361	4,780	9,495	8,728
Margin (%)	17.6	9.3	20.3	16.9
EBITDA	4,210	2,375	6,974	6,066
YoY gr. (%)	(42.6)	(61.4)	25.8	(16.1)
Margin (%)	11.6	4.6	14.9	11.7
Depreciation / Depletion	937	969	1,021	1,032
EBIT	3,273	1,406	5,954	5,035
Margin (%)	9.1	2.7	12.8	9.7
Net Interest	123	140	145	136
Other Income	192	363	176	190
Profit before Tax	3,342	1,629	5,986	5,089
Margin (%)	9.2	3.2	12.8	9.8
Total Tax	852	400	1,424	1,278
Effective tax rate (%)	25.5	24.5	23.8	25.1
Profit after Tax	2,490	1,229	4,562	3,811
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,490	1,229	4,443	3,811
YoY gr. (%)	(47.5)	(68.6)	27.0	(20.0)
Margin (%)	6.9	2.4	9.5	7.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,490	1,229	4,443	3,811
YoY gr. (%)	(47.5)	(68.6)	27.0	(20.0)
Margin (%)	6.9	2.4	9.5	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,490	1,229	4,443	3,811
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Financial Metrics

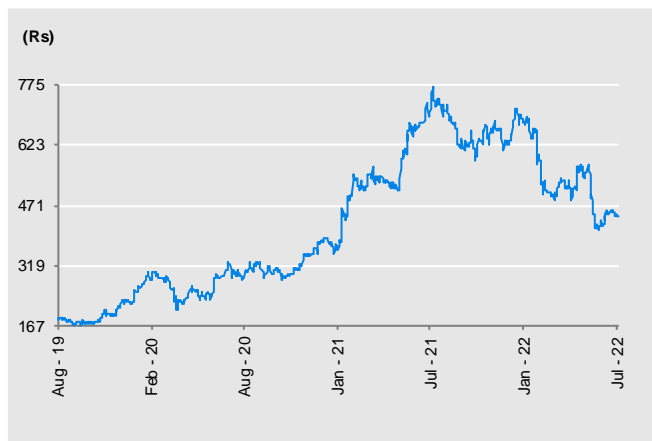
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	18.4	18.7	21.6	25.8
CEPS	23.4	24.3	27.8	32.5
BVPS	65.1	87.4	111.9	140.1
FCF	12.9	13.3	18.6	23.5
DPS	2.0	2.0	3.2	4.4
Return Ratio(%)				
RoCE	33.5	29.3	26.3	23.9
ROIC	21.4	18.6	19.4	21.2
RoE	32.6	24.5	21.7	20.5
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.1)	(0.3)	(0.4)
Net Working Capital (Days)	14	14	14	14
Valuation(x)				
PER	25.2	24.8	21.4	18.0
P/B	7.1	5.3	4.1	3.3
P/CEPS	19.8	19.1	16.7	14.2
EV/EBITDA	15.5	15.1	13.0	10.8
EV/Sales	3.3	1.9	1.7	1.7
Dividend Yield (%)	0.4	0.4	0.7	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	7.9	8.8
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	5.6	5.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-22	BUY	553	432
2	27-Jun-22	BUY	553	421
3	23-May-22	BUY	650	571
4	11-May-22	BUY	650	507
5	04-Apr-22	BUY	675	512
6	14-Mar-22	BUY	675	511
7	08-Feb-22	BUY	764	665
8	10-Jan-22	BUY	764	685
9	06-Jan-22	BUY	764	644
10	28-Oct-21	BUY	845	594

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	416	313
2	GAIL (India)	BUY	170	134
3	Gujarat Gas	BUY	553	432
4	Hindustan Petroleum Corporation	BUY	368	226
5	Indian Oil Corporation	Hold	81	73
6	Indraprastha Gas	BUY	589	361
7	Mahanagar Gas	BUY	1,103	767
8	Oil & Natural Gas Corporation	BUY	160	127
9	Oil India	BUY	300	191
10	Petronet LNG	BUY	315	217
11	Reliance Industries	BUY	3,165	2,503

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

ANALYST CERTIFICATION

(Indian Clients)

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