

GSPL's Q4FY23 EBITDA came in 9% above our estimates, driven by increased volumes, while a sizeable 27% net income beat was on account of higher other income. GSPL's capex grew with a Rs1.5/2.0bn cash outlay in H2/FY23 (vs. ~Rs0.8bn p.a. in FY21/22), which could be a thumbs up to PNGRB's recent tariff reforms. Tariff review of Gujarat grid is expected soon. GSPL reported Q4FY23 SA EBITDA/APAT of Rs2.9bn/Rs2.2bn, down 4%/up 11% YoY and up 9%/31% QoQ. Gas transmission volumes rose 12% QoQ to 25.1mmcmd (down 14% YoY, but a 9% beat), with CGD/refinery-petchem/power sector offtake up 1.5/0.7/0.5mmcmd QoQ. We raise our FY24/25E EPS by 8% each to build-in higher volumes as well as other income, based on the current run-rate. We maintain BUY with a revised Mar-24 TP of Rs360/sh, with tariff review being a key monitorable in the near term.

#### Gujarat State Petronet: Financial Snapshot ( Standalone)

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	20,794	20,200	17,458	13,327	13,259
EBITDA	14,733	13,976	12,585	8,375	8,169
Adj. PAT	9,325	9,536	9,447	6,029	5,873
Adj. EPS (Rs)	16.5	16.9	16.7	10.7	10.4
EBITDA margin (%)	70.9	69.2	72.1	62.8	61.6
EBITDA growth (%)	(6.5)	(5.1)	(10.0)	(33.4)	(2.5)
Adj. EPS growth (%)	(17.1)	14.8	(10.1)	(36.2)	(2.6)
RoE (%)	13.1	11.9	10.7	6.4	5.9
RoIC (%)	25.4	23.9	23.6	13.1	11.3
P/E (x)	17.4	17.1	17.2	27.0	27.7
EV/EBITDA (x)	11.7	11.7	12.4	18.4	18.7
P/B (x)	2.2	1.9	1.8	1.7	1.6
FCFF yield (%)	6.5	6.1	5.0	1.4	0.8

Source: Company, Emkay Research

#### Result Highlights

Tariff realization fell 7% QoQ to Rs1.56/scm (5% miss, likely due to lower ship-or-pay charges). Other expenses fell 9% YoY/10% QoQ to Rs474mn, while employee cost increased 11% YoY/down 37% QoQ to Rs161mn. For Q4FY23, GSPL's gas transmission expense rose 15% YoY and 28% QoQ to Rs690mn. Depreciation fell 1% QoQ to Rs483mn, while finance costs were range-bound QoQ at Rs10mn. Electricity income fell 4% YoY to Rs55mn (up 4% QoQ). EBITDA/scm dipped 1% QoQ to Rs1.31 (in line, up 12% YoY). Other income increased ~3.6x QoQ to Rs476mn vs. our est. of Rs152mn. There was a minor gas trading gain of Rs2mn in Q4. Tax rate was lower, at 23%, for Q4FY23 (vs. 25% built-in by us). FY23 EBITDA/APAT fell 10%/1% YoY to Rs12.6/9.5bn due to a 25% dip in volumes to 25.4mmcmd, partly offset by higher tariff (incl. take or pay income). Capex, as per CF, stood at Rs2bn in FY23 vs. Rs0.8bn in FY22, while cash balances rose 28% HoH to Rs6.9bn. The board has recommended final dividend of Rs5/share (30% payout on FY23 EPS). We believe the payout could have been higher, if the criteria of '5% of net worth' would have been considered. However, GSPL could have sought relaxation in anticipation of its capex plans.

#### Valuation and Outlook

We value GSPL on SOTP basis, with a TP of Rs360/share, which comprises of the core business (using the DCF method) at Rs126/share (implied FY24E target S/A PE multiple of ~14.5x), Gujarat Gas's stake at Rs210/share, building 40% holdco discount to our FV/TP, and Rs23/share derived from the stake in Sabarmati Gas and new pipelines. For GSPL, the upcoming tariff review is crucial to our medium-term earnings visibility, as the stock continues to trade at attractive valuations. We have built in an effective tariff cut of ~30% now, taking positive cues from the amendment regulations. We have raised our TP by ~3%. Key risks: Adverse oil-gas prices/demand, industrial slowdown, cost overruns, project delays and regulatory overhangs.

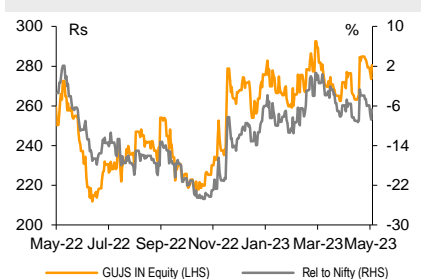
Target Price – 12M	Mar-24
Change in TP (%)	2.8
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	24.7
CMP (11-May-23) (Rs)	288.4

Stock Data	Ticker
52-week High (Rs)	299
52-week Low (Rs)	209
Shares outstanding (mn)	564.2
Market-cap (Rs bn)	163
Market-cap (USD mn)	1,982
Net-debt, FY24E (Rs mn)	-8,586
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	229.6
ADTV-3M (USD mn)	2.8
Free float (%)	51.0
Nifty-50	18,297
INR/USD	82.1
<b>Shareholding, Mar-23</b>	
Promoters (%)	37.6
FPIs/MFs (%)	16.7/24.9

#### Price Performance

(%)	1M	3M	12M
Absolute	4.1	8.5	9.3
Rel. to Nifty	0.8	5.9	(3.5)

#### 1-Year share price trend (Rs)



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## Exhibit 1: Actuals vs. Estimates (Q4FY23)

(Rs mn)	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	4,270	4,003	3,903	7%	9%	Higher volumes
Adjusted EBITDA	2,945	2,708	2,891	9%	2%	
EBITDA Margin (%)	69.0%	67.7%	74.1%	130bps	-510bps	
Adjusted Net Profit	2,241	1,762	1,887	27%	19%	Higher other income

Source: Company, Emkay Research

## Exhibit 2: Quarterly Summary

(Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY	QoQ	FY22	FY23	YoY
<b>Reported Net Revenue</b>	<b>4,331</b>	<b>4,818</b>	<b>4,346</b>	<b>4,024</b>	<b>4,270</b>	<b>-1%</b>	<b>6%</b>	<b>20,200</b>	<b>17,458</b>	<b>-14%</b>
Gas Transmission	4,274	4,699	4,240	3,989	4,215	-1%	6%	19,862	17,144	-14%
Sale of Electricity	57	118	106	35	55	-4%	57%	339	314	-7%
Others	-0	0	-0	-0	-0			0	-0	
OPEX	1,270	1,216	1,008	1,325	1,325	4%	0%	6,224	4,873	-22%
Employee Cost	145	143	161	257	161	11%	-37%	653	722	11%
Gas Transmission	601	618	496	540	690	15%	28%	3,609	2,344	-35%
Others	523	455	351	528	474	-9%	-10%	1,962	1,807	-8%
<b>EBITDA</b>	<b>3,062</b>	<b>3,602</b>	<b>3,338</b>	<b>2,699</b>	<b>2,945</b>	<b>-4%</b>	<b>9%</b>	<b>13,976</b>	<b>12,585</b>	<b>-10%</b>
Depreciation	494	479	488	489	483	-2%	-1%	1,960	1,939	-1%
EBIT	2,568	3,123	2,851	2,210	2,462	-4%	11%	12,016	10,646	-11%
Interest Cost	34	14	11	11	10	-71%	-8%	313	47	-85%
Other Income	64	40	1,037	130	476	644%		1,045	1,684	61%
PBT	2,598	3,149	3,877	2,329	2,928	13%	26%	12,748	12,283	-4%
Exceptional Items	-	-	-	-	2			307	2	
PBT After Exceptionals	2,598	3,149	3,877	2,329	2,931	13%	26%	13,055	12,286	-6%
Current Tax	559	791	735	613	684	22%	11%	2,879	2,823	-2%
Deferred Tax	19	3	-0	7	4			78	13	
Total Tax	577	794	735	620	687	19%	11%	2,958	2,836	-4%
<b>Reported PAT</b>	<b>2,020</b>	<b>2,355</b>	<b>3,142</b>	<b>1,709</b>	<b>2,243</b>	<b>11%</b>	<b>31%</b>	<b>10,097</b>	<b>9,450</b>	<b>-6%</b>
Reported EPS (Rs)	3.6	4.2	5.6	3.0	4.0	11%	31%	17.9	16.7	-6%
Adjusted PAT	2,020	2,355	3,142	1,709	2,241	11%	31%	9,781	9,447	-3%
Adjusted EPS (Rs)	3.6	4.2	5.6	3.0	4.0	11%	31%	17.3	16.7	-3%
Shares O/S (mn)	564	564	564	564	564	0%	0%	564	564	0%
EBITDA Margin	71%	75%	77%	67%	69%	-2%	3%	69%	72%	
NPM	47%	49%	72%	42%	53%	13%	24%	50%	54%	
Effective Tax Rate	22%	25%	19%	27%	23%	6%	-12%	23%	23%	
<b>Gas Volumes (mmscmd)</b>	<b>29.3</b>	<b>29.5</b>	<b>24.6</b>	<b>22.3</b>	<b>25.1</b>	<b>-14%</b>	<b>12%</b>	<b>33.9</b>	<b>25.4</b>	<b>-25%</b>
CGD Share	39%	37%	35%	38%	40%			36%	37%	
Refinery/Petchem Share	28%	31%	32%	27%	27%			28%	29%	
Fertilizer Share	12%	11%	15%	17%	14%			9%	14%	
Power Share	4%	6%	2%	3%	5%			10%	4%	
Other Segments Share	18%	15%	16%	15%	14%			17%	15%	
<b>Adjusted Tariff (Rs/scm)</b>	<b>1.39</b>	<b>1.52</b>	<b>1.66</b>	<b>1.68</b>	<b>1.56</b>	<b>12%</b>	<b>-7%</b>	<b>1.31</b>	<b>1.60</b>	<b>22%</b>
Adjusted OPEX/scm (Rs)	0.25	0.22	0.23	0.38	0.28	11%	-26%	0.21	0.27	29%
<b>EBITDA/scm (Rs)</b>	<b>1.16</b>	<b>1.34</b>	<b>1.48</b>	<b>1.31</b>	<b>1.30</b>	<b>12%</b>	<b>-1%</b>	<b>1.13</b>	<b>1.36</b>	<b>20%</b>

Source: Company, Emkay Research

**Exhibit 3: Change in assumptions**

	FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance
Adj. Tariff (Rs/mscm)	1,054	1,040	-1%	950	936	-1%
Growth	-35%	-35%	-	-10%	-10%	-10bps
Volumes (mmscmd)	27.0	28.0	4%	30.0	31.0	3%
Growth	8%	10%	245bps	11%	11%	-40bps

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs mn)	FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	13,025	13,327	2%	13,017	13,259	2%
EBITDA	8,042	8,375	4%	7,838	8,169	4%
EBITDA Margin	61.7%	62.8%	150bps	60.2%	61.6%	-102bps
PAT	5,600	6,029	8%	5,442	5,873	8%
EPS (Rs)	9.9	10.7	8%	9.6	10.4	8%

Source: Company, Emkay Research

**Exhibit 5: DCF-based valuation of core business (Mar-24E)**

DCF Assumptions			Rs. mn
Risk-Free Rate	7.0%	NPV Of FCF (Mar-25-Mar-36)	33,554
Risk Premium	5.3%	Terminal Value	91,895
Beta	0.8	PV Of TV	26,147
Cost Of Equity	11.0%	Total Value	59,701
Cost Of Debt	9.0%	Less: Net Debt (Mar-24E)	-11,408
Post Tax Cost Of Debt	6.8%	<b>Equity Value</b>	<b>71,109</b>
Average Debt:Equity Ratio	0.0%	No. Of Shares O/S (mn)	564
<b>WACC</b>	<b>11.0%</b>	Core Business FV (Rs)	126
Terminal Growth Rate	0.0%		

Source: Company, Emkay Research

**Exhibit 6: Value of Gujarat Gas stake**

Gujarat Gas Ltd at FV (Rs.mn)	
FV (Rs/share)	530
No. of Shares O/S (m)	689
FV of GGL	3,65,170
At 40% Holdco Discount	2,19,102
GSPL's Stake	54.2%
GSPL's Value	1,18,666
GSPL's Shares O/S (mn)	564
<b>Value/share for GSPL</b>	<b>210</b>

Source: Company, Emkay Research

**Exhibit 7: SOTP-based valuation**

Parts (Rs)	Method	Value
Core Gujarat Business	DCF Based	126
Gujarat Gas Stake	FV Based	210
3 New Pipelines	DCF Based	9
Sabarmati Gas	PE Based	14
<b>Target Price</b>		<b>360</b>

Source: Company, Emkay Research

## Gujarat State Petronet: Standalone Financials and Valuations

## Profit &amp; Loss

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>20,794</b>	<b>20,200</b>	<b>17,458</b>	<b>13,327</b>	<b>13,259</b>
Revenue growth (%)	(12.0)	(2.9)	(13.6)	(23.7)	(0.5)
<b>EBITDA</b>	<b>14,733</b>	<b>13,976</b>	<b>12,585</b>	<b>8,375</b>	<b>8,169</b>
EBITDA growth (%)	(6.5)	(5.1)	(10.0)	(33.4)	(2.5)
Depreciation & Amortization	2,030	1,960	1,939	2,119	2,352
<b>EBIT</b>	<b>12,703</b>	<b>12,016</b>	<b>10,646</b>	<b>6,256</b>	<b>5,818</b>
EBIT growth (%)	(8.1)	(5.4)	(11.4)	(41.2)	(7.0)
Other operating income	0	0	0	0	0
Other income	693	1,045	1,684	1,842	2,066
Financial expense	929	313	47	37	32
<b>PBT</b>	<b>12,467</b>	<b>12,748</b>	<b>12,283</b>	<b>8,061</b>	<b>7,852</b>
Extraordinary items	(85)	416	2	0	0
Taxes	3,140	3,067	2,836	2,031	1,979
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>9,158</b>	<b>10,514</b>	<b>9,452</b>	<b>6,029</b>	<b>5,873</b>
PAT growth (%)	(17.1)	14.8	(10.1)	(36.2)	(2.6)
<b>Adjusted PAT</b>	<b>9,325</b>	<b>9,536</b>	<b>9,447</b>	<b>6,029</b>	<b>5,873</b>
<b>Diluted EPS (Rs)</b>	<b>16.5</b>	<b>16.9</b>	<b>16.7</b>	<b>10.7</b>	<b>10.4</b>
Diluted EPS growth (%)	(17.1)	14.8	(10.1)	(36.2)	(2.6)
<b>DPS (Rs)</b>	<b>2.0</b>	<b>2.0</b>	<b>5.0</b>	<b>3.2</b>	<b>3.1</b>
<b>Dividend payout (%)</b>	<b>12.3</b>	<b>10.7</b>	<b>29.9</b>	<b>30.0</b>	<b>30.0</b>
EBITDA margin (%)	70.9	69.2	72.1	62.8	61.6
EBIT margin (%)	61.1	59.5	61.0	46.9	43.9
Effective tax rate (%)	24.5	28.5	23.1	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>9,589</b>	<b>8,596</b>	<b>8,186</b>	<b>4,679</b>	<b>4,352</b>
Shares outstanding (mn)	564.2	564.2	564.2	564.5	564.8

Source: Company, Emkay Research

## Cash flows

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
PBT	12,467	12,748	12,283	8,061	7,852
Others (non-cash items)	2,372	850	393	314	318
Taxes paid	(3,025)	(3,062)	(2,741)	(2,019)	(1,967)
Change in NWC	684	(202)	(274)	786	(40)
<b>Operating cash flow</b>	<b>12,412</b>	<b>10,752</b>	<b>9,664</b>	<b>7,143</b>	<b>6,163</b>
Capital expenditure	(1,119)	(798)	(1,892)	(5,000)	(5,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	586	912	1,137	1,842	2,066
<b>Investing cash flow</b>	<b>(4,401)</b>	<b>59</b>	<b>(1,585)</b>	<b>(3,158)</b>	<b>(2,934)</b>
Equity raised/(repaid)	8	0	0	3	3
Debt raised/(repaid)	(6,039)	(9,354)	(886)	(10)	(10)
Payment of lease liabilities	(10)	(9)	(9)	(9)	(9)
Interest paid	(932)	(341)	(12)	(37)	(32)
Dividend paid (incl. tax)	(1,128)	(1,128)	(1,128)	(1,809)	(1,762)
Others	0	0	0	0	0
<b>Financing cash flow</b>	<b>(8,091)</b>	<b>(10,823)</b>	<b>(2,026)</b>	<b>(1,853)</b>	<b>(1,801)</b>
Net chg in Cash	(79)	(13)	6,053	2,132	1,428
OCF	12,412	10,752	9,664	7,143	6,163
Adj. OCF (w/o NWC chg.)	11,728	10,953	9,938	6,357	6,203
FCFF	11,293	9,953	7,772	2,143	1,163
FCFE	10,950	10,552	8,863	3,948	3,197
OCF/EBITDA (%)	84.2	76.9	76.8	85.3	75.4
FCFE/PAT (%)	119.6	100.4	93.8	65.5	54.4
<b>FCFF/NOPLAT (%)</b>	<b>117.8</b>	<b>115.8</b>	<b>94.9</b>	<b>45.8</b>	<b>26.7</b>

Source: Company, Emkay Research

## Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Share capital	5,642	5,642	5,642	5,645	5,648
Reserves & Surplus	69,808	78,787	87,090	91,310	95,421
<b>Net worth</b>	<b>75,450</b>	<b>84,429</b>	<b>92,732</b>	<b>96,955</b>	<b>1,01,069</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	4,218	4,250	4,238	4,251	4,263
<b>Total debt</b>	<b>10,656</b>	<b>1,275</b>	<b>473</b>	<b>463</b>	<b>453</b>
<b>Total liabilities &amp; equity</b>	<b>90,324</b>	<b>89,955</b>	<b>97,443</b>	<b>1,01,669</b>	<b>1,05,785</b>
Net tangible fixed assets	32,963	31,528	29,826	33,132	36,163
Net intangible assets	1,438	1,434	1,434	1,434	1,434
Net ROU assets	265	292	292	292	292
Capital WIP	2,216	2,531	4,257	3,831	3,448
Goodwill	0	0	0	0	0
Investments [JV/Associates]	50,062	51,737	51,700	51,700	51,700
<b>Cash &amp; equivalents</b>	<b>877</b>	<b>864</b>	<b>6,917</b>	<b>9,048</b>	<b>10,476</b>
Current assets (ex-cash)	5,907	5,013	6,457	5,718	5,812
Current Liab. & Prov.	3,404	3,445	3,440	3,487	3,541
<b>NWC (ex-cash)</b>	<b>2,502</b>	<b>1,568</b>	<b>3,017</b>	<b>2,231</b>	<b>2,271</b>
<b>Total assets</b>	<b>90,324</b>	<b>89,955</b>	<b>97,443</b>	<b>1,01,669</b>	<b>1,05,785</b>
Net debt	9,778	411	(6,444)	(8,586)	(10,024)
Capital employed	90,324	89,955	97,443	1,01,669	1,05,785
<b>Invested capital</b>	<b>37,169</b>	<b>34,823</b>	<b>34,569</b>	<b>37,089</b>	<b>40,160</b>
BVPS (Rs)	133.7	149.6	164.4	171.8	179.0
Net Debt/Equity (x)	0.1	0.0	(0.1)	(0.1)	(0.1)
Net Debt/EBITDA (x)	0.7	0.0	(0.5)	(1.0)	(1.2)
Interest coverage (x)	0.1	0.0	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>15.0</b>	<b>14.5</b>	<b>13.2</b>	<b>8.1</b>	<b>7.6</b>

Source: Company, Emkay Research

## Valuations and Key Ratios

Y/E March	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	17.4	17.1	17.2	27.0	27.7
P/CE(x)	14.3	14.2	14.3	20.0	19.8
P/B (x)	2.2	1.9	1.8	1.7	1.6
EV/Sales (x)	8.3	8.1	8.9	11.6	11.5
EV/EBITDA (x)	11.7	11.7	12.4	18.4	18.7
EV/EBIT(x)	13.6	13.6	14.7	24.6	26.3
EV/IC (x)	4.6	4.7	4.5	4.2	3.8
FCFF yield (%)	6.5	6.1	5.0	1.4	0.8
FCFE yield (%)	6.7	6.5	5.4	2.4	2.0
Dividend yield (%)	0.7	0.7	1.7	1.1	1.1
<b>DuPont-RoE split</b>					
Net profit margin (%)	44.8	47.2	54.1	45.2	44.3
Total asset turnover (x)	0.2	0.2	0.2	0.1	0.1
Assets/Equity (x)	1.2	1.1	1.1	1.0	1.0
<b>RoE (%)</b>	<b>13.1</b>	<b>11.9</b>	<b>10.7</b>	<b>6.4</b>	<b>5.9</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	46.1	42.6	46.9	35.1	32.8
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>25.4</b>	<b>23.9</b>	<b>23.6</b>	<b>13.1</b>	<b>11.3</b>
<b>Operating metrics</b>					
Core NWC days	13.5	19.2	36.3	36.3	36.3
<b>Total NWC days</b>	<b>13.5</b>	<b>19.2</b>	<b>36.3</b>	<b>36.3</b>	<b>36.3</b>
Fixed asset turnover	0.5	0.4	0.4	0.3	0.2
Opex-to-revenue (%)	29.1	30.8	27.9	37.2	38.4

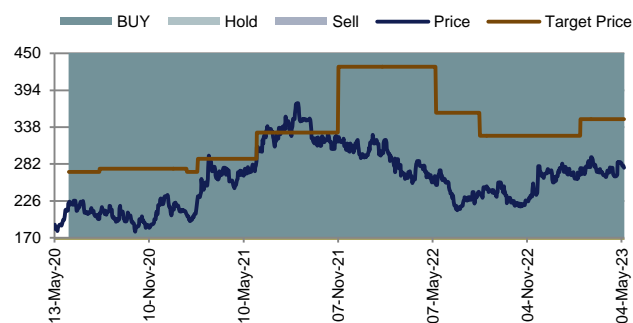
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
14-Feb-23	276	350	Buy	Sabri Hazarika
22-Nov-22	238	325	Buy	Sabri Hazarika
11-Nov-22	233	325	Buy	Sabri Hazarika
05-Aug-22	236	325	Buy	Sabri Hazarika
13-May-22	250	360	Buy	Sabri Hazarika
11-Feb-22	298	430	Buy	Sabri Hazarika
23-Nov-21	309	430	Buy	Sabri Hazarika
07-Nov-21	316	430	Buy	Sabri Hazarika
26-Jul-21	341	330	Buy	Sabri Hazarika
23-Jun-21	334	330	Buy	Sabri Hazarika
04-Jun-21	308	330	Buy	Sabri Hazarika
29-May-21	279	290	Buy	Sabri Hazarika
23-Apr-21	250	290	Buy	Sabri Hazarika
23-Mar-21	260	290	Buy	Sabri Hazarika
11-Feb-21	233	290	Buy	Sabri Hazarika
21-Jan-21	204	270	Buy	Sabri Hazarika
27-Nov-20	220	275	Buy	Sabri Hazarika
12-Nov-20	189	275	Buy	Sabri Hazarika
28-Sep-20	197	275	Buy	Sabri Hazarika
07-Aug-20	208	275	Buy	Sabri Hazarika
09-Jun-20	224	270	Buy	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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