

August 6, 2023

Q1FY24 Result Update

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	16,591	15,275	17,121	18,079
EBITDA (Rs. m)	13,976	12,587	14,407	15,170
Margin (%)	84.2	82.4	84.1	83.9
PAT (Rs. m)	9,787	9,450	10,362	10,774
EPS (Rs.)	17.4	16.8	18.4	19.1
Gr. (%)	5.7	(3.5)	9.7	4.0
DPS (Rs.)	2.0	5.0	5.4	5.6
Yield (%)	0.7	1.8	1.9	2.0
RoE (%)	12.2	10.7	10.8	10.4
RoCE (%)	14.3	12.0	12.8	12.3
EV/Sales (x)	9.4	9.7	8.6	8.0
EV/EBITDA (x)	11.1	11.8	10.2	9.5
PE (x)	15.9	16.5	15.0	14.4
P/BV (x)	1.8	1.7	1.6	1.5

Key Data

GSPT.BO | GUJS IN

52-W High / Low	Rs.311 / Rs.215
Sensex / Nifty	65,721 / 19,517
Market Cap	Rs.156bn/ \$ 1,879m
Shares Outstanding	564m
3M Avg. Daily Value	Rs.189.79m

Shareholding Pattern (%)

Promoter's	37.63
Foreign	16.55
Domestic Institution	25.19
Public & Others	20.63
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	6.2	15.7
Relative	(5.0)	(1.7)	2.7

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Volume recovery on the horizon

Quick Pointers:

- Transmission volumes grew 17% QoQ to 29.4 mmscmd led by power and CGD segments
- Implied tariff at Rs 1,435/mscm was down 8% QoQ

Gujarat State Petronet (GSPL) reported an EBITDA/PAT of Rs 3.4 bn (+14% Q/Q) and Rs 2.3 bn (+2% Q/Q) respectively. Growth in transmission volumes was primarily seen across CGD and power sector. With decline in gas prices, anticipated increase in LNG capacities and strong demand prospects we remain optimistic on the long term volume growth with an estimated 17.4% CAGR over FY23-FY25. The stock is trading at 14.4x FY25EPS and 9.5x FY25 EV/EBITDA. We estimate a 6.6% CAGR in EPS over FY23-25. The Gujarat government's new dividend distribution, buyback and bonus share policies bode well for shareholders. We assign a 'Buy' rating with a TP of Rs 327. Investments in Gujarat Gas(54.2% stake) and Sabarmati Gas(27.5% stake) at a 25% holding discount provide a valuation of Rs 226, and valuing the core business at 6x FY25EPS at Rs 101, we arrive at our TP of Rs 327.

Transmission volumes growing steadily: GSPL's topline came in at Rs 3.9bn, up 5% QoQ. The company supplied 29.4 mmscmd of gas volume in Q1, a rise of 17% QoQ on the back of softening domestic gas and LNG prices. Implied tariff for the quarter came in at Rs1,435/mscm.

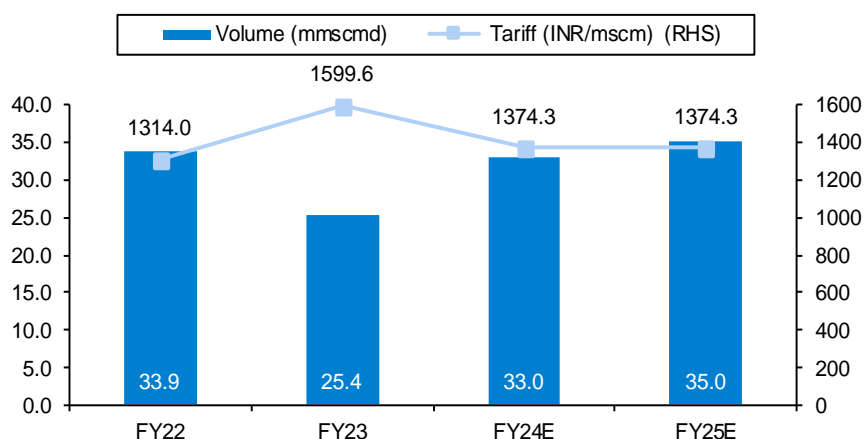
Sectoral volume performance: Gas supply to city CGD grew 7% QoQ to 9.7mmscmd while the power sector volumes grew remarkably by 3.2x QoQ to 4 mmscmd. However, the company witnessed a marginal degrowth in its refinery/petchem and fertilizer sector volumes. Refinery/petchem volumes degrew 2% QoQ to 6.6 mmscmd, while there was a 4% QoQ degrowth in fertilizer sector volumes at 3.6 mmscmd. Other volumes grew 38% QoQ to 4.9 mmscmd. On a YoY basis, the total volume fell marginally by 0.3%.

Company outlook: Spot LNG prices continue to trade at around US\$11/mmbtu while APM prices have been revised from US\$8.57/mmbtu to a ceiling of US\$6.5/mmbtu for the next two years. The company will benefit from lower gas prices and regain its market share as alternate fuel prices are expected to rise in the coming quarters while gas prices may not rise in tandem with them. Increase in LNG terminal capacities will also aid the company in the long term. We anticipate transmission volumes to likely reach 35 mmscmd in FY25. Implied tariff for FY25 is estimated at Rs 1,374/mscm.

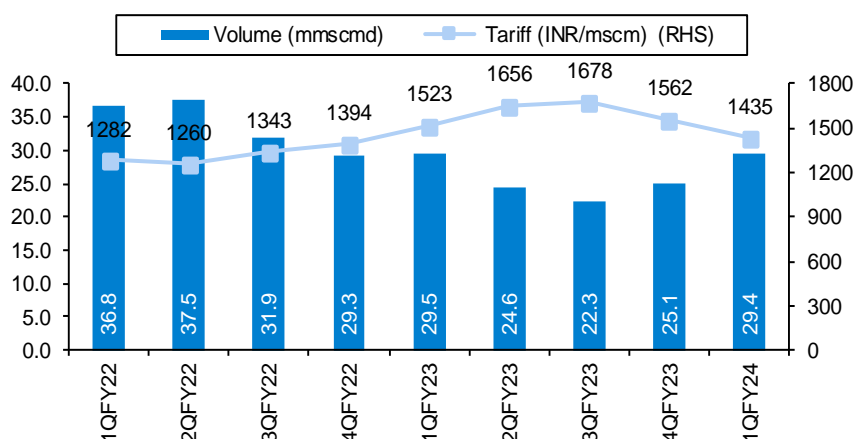
Exhibit 1: YoY and QoQ performance

Y/e March (Rs bn)	Q1FY24	Q1FY23	YoY gr.	Q4FY23	QoQ gr.
Net Sales	3.9	4.2	-6%	3.7	5%
Operating Profit	3.4	3.6	-7%	2.9	14%
Profit Before Tax	3.1	3.1	-3%	2.9	5%
Net Profit	2.3	2.4	-3%	2.2	2%
Sales volume (mmscmd)	29.4	29.5	-0.3%	25.08	17%
Implied Tariff (Rs/mscm)	1435	1523	-6%	1562	-8%

Source: Company, PL

Exhibit 2: YoY Volume and Tariff trend


Source: Company, PL

Exhibit 3: QoQ Volume and Tariff trend


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	16,591	15,275	17,121	18,079
YoY gr. (%)	(3.5)	(7.9)	12.1	5.6
Cost of Goods Sold	-	-	-	-
Gross Profit	16,591	15,275	17,121	18,079
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	653	722	798	883
Other Expenses	1,962	1,965	1,916	2,026
EBITDA	13,976	12,587	14,407	15,170
YoY gr. (%)	(4.9)	(9.9)	14.5	5.3
Margin (%)	84.2	82.4	84.1	83.9
Depreciation and Amortization	1,960	1,939	2,128	2,423
EBIT	12,016	10,648	12,279	12,747
Margin (%)	72.4	69.7	71.7	70.5
Net Interest	313	47	6	5
Other Income	1,045	1,684	1,198	1,266
Profit Before Tax	12,735	12,286	13,471	14,007
Margin (%)	76.8	80.4	78.7	77.5
Total Tax	2,958	2,836	3,395	3,530
Effective tax rate (%)	23.2	23.1	25.2	25.2
Profit after tax	9,777	9,450	10,077	10,477
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	9,787	9,450	10,362	10,774
YoY gr. (%)	5.7	(3.5)	9.7	4.0
Margin (%)	59.0	61.9	60.5	59.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	9,777	9,450	10,077	10,477
YoY gr. (%)	5.6	(3.3)	6.6	4.0
Margin (%)	58.9	61.9	58.9	58.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,777	9,450	10,077	10,477
Equity Shares O/s (m)	564	564	564	564
EPS (Rs)	17.4	16.8	18.4	19.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	46,406	46,636	53,534	60,514
Tangibles	46,406	46,636	53,534	60,514
Intangibles	-	-	-	-
Acc: Dep / Amortization	13,146	15,085	17,213	19,636
Tangibles	13,146	15,085	17,213	19,636
Intangibles	-	-	-	-
Net fixed assets	33,259	31,551	36,322	40,879
Tangibles	33,259	31,551	36,322	40,879
Intangibles	-	-	-	-
Capital Work In Progress	2,526	4,248	4,350	4,370
Goodwill	-	-	-	-
Non-Current Investments	51,737	51,700	51,700	51,700
Net Deferred tax assets	(4,250)	(4,238)	(4,238)	(4,238)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,890	2,121	2,142	2,296
Trade receivables	1,295	1,440	1,615	1,705
Cash & Bank Balance	864	6,917	8,971	11,554
Other Current Assets	-	-	-	-
Total Assets	93,400	1,00,883	1,08,355	1,15,942
Equity				
Equity Share Capital	5,642	5,642	5,642	5,642
Other Equity	78,787	87,090	94,145	1,01,482
Total Network	84,429	92,732	99,787	1,07,124
Non-Current Liabilities				
Long Term borrowings	877	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	654	510	515	552
Other current liabilities	3,189	3,403	3,815	4,028
Total Equity & Liabilities	93,400	1,00,883	1,08,355	1,15,941

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	13,165	12,286	13,471	14,007
Add. Depreciation	1,960	1,939	2,128	2,423
Add. Interest	313	47	6	5
Less Financial Other Income	1,045	1,684	1,198	1,266
Add. Other	(1,448)	(1,592)	(1,198)	(1,266)
Op. profit before WC changes	13,990	12,679	14,407	15,170
Net Changes-WC	(202)	(274)	(130)	(176)
Direct tax	(3,062)	(2,741)	(3,395)	(3,530)
Net cash from Op. activities	10,726	9,664	10,882	11,464
Capital expenditures	(773)	(1,892)	(7,000)	(7,000)
Interest / Dividend Income	56	172	-	-
Others	706	(5,299)	1,198	1,266
Net Cash from Invt. activities	(11)	(7,019)	(5,802)	(5,734)
Issue of share cap. / premium	-	-	-	-
Debt changes	(9,348)	(875)	-	-
Dividend paid	(1,128)	(1,128)	(3,021)	(3,141)
Interest paid	(337)	(7)	(6)	(5)
Others	(6)	(16)	-	-
Net cash from Fin. activities	(10,819)	(2,026)	(3,027)	(3,146)
Net change in cash	(105)	619	2,054	2,583
Free Cash Flow	9,953	7,772	3,882	4,464

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	17.4	16.8	18.4	19.1
CEPS	20.8	20.2	22.2	23.4
BVPS	149.7	164.4	177.1	190.1
FCF	17.6	13.8	6.9	7.9
DPS	2.0	5.0	5.4	5.6
Return Ratio(%)				
RoCE	14.3	12.0	12.8	12.3
ROIC	13.0	11.3	12.4	12.2
RoE	12.2	10.7	10.8	10.4
Balance Sheet				
Net Debt : Equity (x)	-	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	1,070	1,094	1,003	973
Valuation(x)				
PER	15.9	16.5	15.0	14.4
P/B	1.8	1.7	1.6	1.5
P/CEPS	13.2	13.7	12.5	11.8
EV/EBITDA	11.1	11.8	10.2	9.5
EV/Sales	9.4	9.7	8.6	8.0
Dividend Yield (%)	0.7	1.8	1.9	2.0

Source: Company Data, PL Research

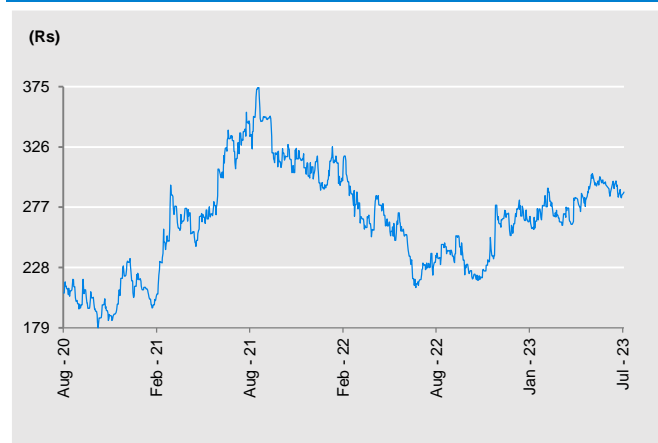
Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	3,850	3,484	3,740	3,937
YoY gr. (%)	(13.9)	(12.7)	0.3	(6.3)
Raw Material Expenses	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
EBITDA	3,338	2,699	2,947	3,364
YoY gr. (%)	(12.3)	(19.8)	(3.7)	(6.6)
Margin (%)	86.7	77.5	78.8	85.5
Depreciation / Depletion	488	489	483	468
EBIT	2,851	2,210	2,464	2,896
Margin (%)	74.0	63.4	65.9	73.6
Net Interest	11	11	10	10
Other Income	1,037	130	476	180
Profit before Tax	3,877	2,329	2,931	3,066
Margin (%)	100.7	66.9	78.4	77.9
Total Tax	735	620	687	773
Effective tax rate (%)	18.9	26.6	23.5	25.2
Profit after Tax	3,142	1,709	2,243	2,293
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,142	1,709	2,243	2,293
YoY gr. (%)	(4.9)	(19.9)	11.0	(2.6)
Margin (%)	81.6	49.1	60.0	58.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,142	1,709	2,243	2,293
YoY gr. (%)	(4.9)	(19.9)	11.0	(2.6)
Margin (%)	81.6	49.1	60.0	58.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,142	1,709	2,243	2,293
Avg. Shares O/s (m)	564	564	564	564
EPS (Rs)	5.6	3.0	4.0	4.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharti Airtel	Accumulate	935	890
2	Clean Science and Technology	Hold	1,206	1,298
3	Gujarat Gas	Accumulate	516	455
4	Hindustan Petroleum Corporation	Hold	264	276
5	Mahanagar Gas	Hold	1,056	1,056
6	NOCIL	Hold	230	228

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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