

February 14, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	548		473	
Sales (Rs. bn)	175	196	186	207
% Chng.	(6.1)	(5.5)		
EBITDA (Rs. bn)	20	22	21	23
% Chng.	(4.1)	(3.1)		
EPS (Rs.)	16.7	18.9	17.7	19.7
% Chng.	(5.6)	(4.2)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	168	157	175	196
EBITDA (Rs. bn)	24	17	20	22
Margin (%)	14.3	10.9	11.5	11.3
PAT (Rs. bn)	15	10	12	13
EPS (Rs.)	22.2	14.1	16.7	18.9
Gr. (%)	18.7	(36.4)	18.5	13.1
DPS (Rs.)	6.7	4.2	5.0	5.7
Yield (%)	1.2	0.8	0.9	1.0
RoE (%)	24.2	13.2	14.2	14.6
RoCE (%)	30.0	16.9	18.6	18.8
EV/Sales (x)	2.3	2.4	2.1	1.9
EV/EBITDA (x)	15.9	22.0	18.7	16.7
PE (x)	25.3	39.8	33.6	29.7
P/BV (x)	5.5	5.0	4.6	4.1

Key Data

GGAS.BO | GUJGA IN

52-W High / Low	Rs.621 / Rs.397
Sensex / Nifty	71,555 / 21,743
Market Cap	Rs.387bn/ \$ 4,658m
Shares Outstanding	688m
3M Avg. Daily Value	Rs.776.15m

Shareholding Pattern (%)

Promoter's	60.89
Foreign	3.34
Domestic Institution	13.99
Public & Others	21.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.1	22.1	15.9
Relative	6.6	11.5	(2.1)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Payal Shah

payalshah@plindia.com |

Industrial volumes continue to disappoint

Quick Pointers:

- EBITDA/scm came in weak at Rs4.8
- Moderation in LNG prices to help the company, however competition with alternate fuels to persist.

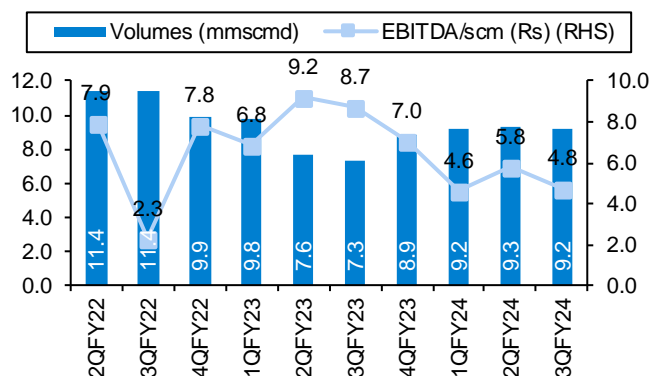
Gujarat Gas (Gujga) reported an EBITDA/PAT of Rs 4bn (-19.3% QoQ, Ple: Rs 4.8bn) and Rs 2.2bn (-26% QoQ, Ple: Rs 2.7bn) respectively. Total volumes grew 26% YoY to 9.2 mmscmd, driven by 36.5% YoY recovery in industrial volumes. However, on a QoQ basis, industrial volumes declined 6.3% as customers switched to propane due to high gas costs. EBITDA/scm also declined sequentially to Rs4.8/scm. Although spot LNG prices have softened to ~US\$9/mmBtu in Q4-TD, propane prices would be a key monitorable due to its competitive intensity in Morbi. We build in 9% CAGR volume growth over FY25-26E and estimate an EBITDA of Rs5.5/scm for FY25/26E. Maintain 'Hold' rating with a TP of Rs548 based on 29x FY26E EPS.

- Total volume increases 26% YoY:** Total sales volume grew significantly by 26% YoY to 9.2 mmscmd. Recovery in volumes was led by the industrial segment which grew by 36.5% YoY to 5.5 mmscmd. Commercial volumes remained flat YoY at 0.1 mmscmd. Domestic PNG volume grew 6% YoY to 0.7 mmscmd while CNG sales increased 14.4% YoY to 2.8 mmscmd. On QoQ basis, total volumes fell 2%. Commercial and domestic PNG volumes remained flat QoQ. While CNG volume grew 6% QoQ, industrial volumes declined by 6% as customers switched to cheaper alternate fuels. Going ahead, we factor in 9% CAGR growth in volume to reach 11 mmscmd for FY26E.
- EBITDA/scm declines sequentially:** EBITDA at Rs 4bn was down 19% QoQ, owing to lower margins due to higher gas cost. EBITDA/scm came in at Rs 4.8/scm, down by Rs1/scm QoQ. PAT came in at Rs 2.2bn, down 26% QoQ. On a YoY basis, EBITDA and PAT fell 31% and 41%, respectively. For 9MFY24, EBITDA stood at Rs 12.9bn, down 29.8% YoY while PAT fell 36.6% YoY to Rs 7.3bn. Going forward, we anticipate an EBITDA/scm of Rs 5.5/scm for FY25/26E
- Company Outlook:** In Q3, ~38,000 domestic customers, 197 commercial and 69 industrial customers were added. InQ4-TD, spot LNG prices have moderated to US\$9/mmBtu which will likely help Gujarat Gas improve its industrial volumes. However, due to the competition it faces from alternate fuels in Morbi, margins may continue to remain weak. Owing to this reason, we estimate an EBITDA/scm of Rs5.5 for FY25/26E and 9% volume growth over FY25-26E. The stock is currently trading at 33.6/29.7x FY25/26 EPS. We value the company at 29x FY26 EPS with a TP of Rs548. Maintain HOLD rating.

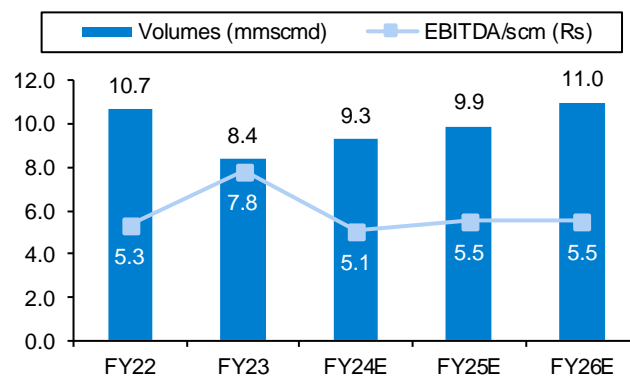
Exhibit 1: Gujarat Gas' Quarterly and 9MFY24 Financials

(Rs bn)	Q3FY24	Q2FY24	QoQ gr.	Q3FY24E	% Var	Q3FY23	YoY gr.	9MFY24	9MFY23	YoY gr.
Net Sales	39.3	38.5	2.2%	45.6	-13.9%	36.8	6.6%	115.6	128.3	-9.9%
Total Expenditure	35.3	33.5	5.4%	40.8	-13.5%	31.0	13.7%	102.7	110.0	-6.6%
EBITDA	4.0	5.0	-19.3%	4.8	-17.0%	5.8	-31.2%	12.9	18.3	-29.8%
<i>Margins (%)</i>	<i>10.2</i>	<i>12.9</i>		<i>10.6</i>		<i>15.8</i>				
Depreciation	1.2	1.2	1.8%	1.2	-3.2%	1.1	9.9%	3.5	3.2	10.7%
Interest	0.1	0.1	-7.6%	0.1	-12.0%	0.1	-5.8%	0.2	0.3	-34.8%
Other Income	0.2	0.3	-22.8%	0.2	15.8%	0.3	-28.0%	0.8	0.7	10.3%
PBT	3.0	4.0	-26.0%	3.7	-20.0%	5.0	-40.4%	9.9	15.5	-36.3%
Tax	0.8	1.0	-26.1%	0.9	-18.5%	1.3	-39.7%	2.5	3.9	-35.4%
<i>Rate (%)</i>	<i>25.7</i>	<i>25.7</i>		<i>25.2</i>		<i>25.4</i>				
Reported PAT	2.2	3.0	-26.0%	2.8	-20.5%	3.7	-40.7%	7.3	11.6	-36.6%
<i>YoY Change (%)</i>	<i>-40.7</i>	<i>-26.3</i>		<i>-25.3</i>		<i>204.5</i>				
<i>Margins (%)</i>	<i>5.6</i>	<i>7.7</i>		<i>6.1</i>		<i>10.1</i>				
EPS	3.2	4.3	-26.0%	4.0	-20.5%	5.4	-40.7%	10.7	16.8	-36.6%
Total volume (mmscmd)	9.2	9.3	-1.7%	9.5	-3.8%	7.3	25.7%	9.2	8.2	12.3%
CNG	2.8	2.6	6.1%	2.7	2.2%	2.4	14.4%	2.7	2.4	11.4%
I/C PNG	5.7	6.0	-5.5%	6.1	-7.0%	4.2	35.3%	5.9	5.2	13.6%
D-PNG	0.7	0.7	1.4%	0.7	1.4%	0.7	6.0%	0.7	0.6	5.2%
EBITDA (Rs/scm)	4.8	5.8	-17.9%	5.5	-13.8%	8.7	-45.2%	5.1	8.1	-37.5%

Source: Company, PL

Exhibit 2: Total volumes grew 26% YoY


Source: Company, PL

Exhibit 3: EBITDA/scm estimated at Rs5.5/scm for FY25/26E


Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	168	157	175	196
YoY gr. (%)	1.8	(6.0)	11.0	12.1
Cost of Goods Sold	133	128	146	164
Gross Profit	35	29	29	32
Margin (%)	20.1	18.1	16.7	16.4
Employee Cost	2	2	2	2
Other Expenses	9	10	7	8
EBITDA	24	17	20	22
YoY gr. (%)	15.2	(28.1)	16.5	10.4
Margin (%)	14.3	10.9	11.5	11.3
Depreciation and Amortization	4	5	5	5
EBIT	20	12	15	17
Margin (%)	11.7	7.9	8.6	8.6
Net Interest	0	0	0	0
Other Income	1	1	1	1
Profit Before Tax	20	13	15	17
Margin (%)	12.1	8.2	8.8	8.9
Total Tax	5	3	4	4
Effective tax rate (%)	24.7	25.2	25.2	25.2
Profit after tax	15	10	12	13
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	15	10	12	13
YoY gr. (%)	18.7	(36.4)	18.5	13.1
Margin (%)	9.1	6.2	6.6	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	15	10	12	13
YoY gr. (%)	18.7	(36.4)	18.5	13.1
Margin (%)	9.1	6.2	6.6	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15	10	12	13
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	22.2	14.1	16.7	18.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	102	105	111	117
Tangibles	102	105	111	117
Intangibles	-	-	-	-
Acc: Dep / Amortization	31	36	41	46
Tangibles	31	36	41	46
Intangibles	-	-	-	-
Net fixed assets	71	70	70	71
Tangibles	71	70	70	71
Intangibles	-	-	-	-
Capital Work In Progress	10	16	21	24
Goodwill	-	-	-	-
Non-Current Investments	3	3	3	3
Net Deferred tax assets	(8)	(8)	(8)	(8)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1	1	1	1
Trade receivables	10	10	11	12
Cash & Bank Balance	7	8	12	18
Other Current Assets	-	-	-	-
Total Assets	109	114	125	138
Equity				
Equity Share Capital	1	1	1	1
Other Equity	69	75	83	93
Total Networkth	70	77	85	94
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7	7	8	9
Other current liabilities	23	22	25	27
Total Equity & Liabilities	109	114	125	138

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	20	13	15	17
Add. Depreciation	4	5	5	5
Add. Interest	0	0	0	0
Less Financial Other Income	1	1	1	1
Add. Other	(1)	(1)	(1)	(1)
Op. profit before WC changes	24	17	20	22
Net Changes-WC	4	0	1	2
Direct tax	(5)	(3)	(4)	(4)
Net cash from Op. activities	24	14	17	19
Capital expenditures	(11)	(10)	(10)	(10)
Interest / Dividend Income	0	-	-	-
Others	1	1	1	1
Net Cash from Inv. activities	(10)	(9)	(9)	(9)
Issue of share cap. / premium	-	-	-	-
Debt changes	(5)	-	-	-
Dividend paid	(1)	(3)	(3)	(4)
Interest paid	0	0	0	0
Others	0	-	-	-
Net cash from Fin. activities	(7)	(3)	(4)	(4)
Net change in cash	7	1	4	6
Free Cash Flow	13	4	7	9

Source: Company Data, PL Research

Key Financial Metrics

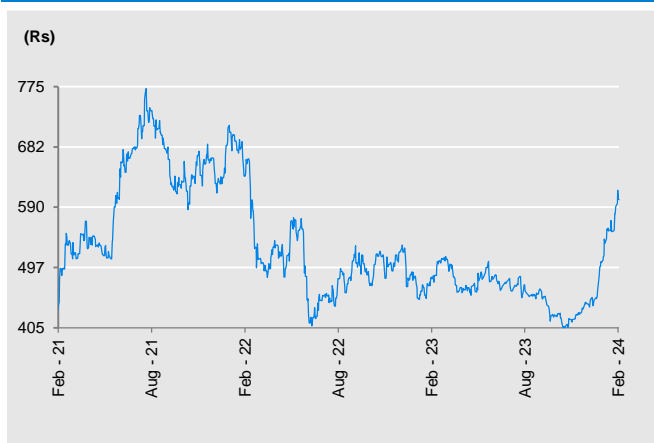
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	22.2	14.1	16.7	18.9
CEPS	28.4	21.1	24.0	26.6
BVPS	101.6	111.5	123.2	136.4
FCF	18.8	5.2	10.7	13.4
DPS	6.7	4.2	5.0	5.7
Return Ratio(%)				
RoCE	30.0	16.9	18.6	18.8
ROIC	19.2	11.7	13.3	14.0
RoE	24.2	13.2	14.2	14.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	(41)	(41)	(41)	(41)
Valuation(x)				
PER	25.3	39.8	33.6	29.7
P/B	5.5	5.0	4.6	4.1
P/CEPS	19.8	26.6	23.4	21.1
EV/EBITDA	15.9	22.0	18.7	16.7
EV/Sales	2.3	2.4	2.1	1.9
Dividend Yield (%)	1.2	0.8	0.9	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	39	38	38	39
YoY gr. (%)	(15.9)	(26.9)	(3.3)	6.6
Raw Material Expenses	31	31	31	32
Gross Profit	8	7	8	7
Margin (%)	21.6	18.2	20.6	18.0
EBITDA	6	4	5	4
YoY gr. (%)	(19.7)	(36.0)	(22.7)	(31.2)
Margin (%)	14.3	10.3	12.9	10.2
Depreciation / Depletion	1	1	1	1
EBIT	5	3	4	3
Margin (%)	11.5	7.2	9.8	7.1
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	5	3	4	3
Margin (%)	12.1	7.7	10.4	7.5
Total Tax	1	1	1	1
Effective tax rate (%)	22.5	25.7	25.7	25.7
Profit after Tax	4	2	3	2
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4	2	3	2
YoY gr. (%)	(101.6)	(43.6)	(26.3)	(40.7)
Margin (%)	9.4	5.7	7.7	5.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4	2	3	2
YoY gr. (%)	(101.6)	(43.6)	(26.3)	(40.7)
Margin (%)	9.4	5.7	7.7	5.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4	2	3	2
Avg. Shares O/s (m)	1	1	1	1
EPS (Rs)	5.4	3.1	4.3	3.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Hold	473	505
2	03-Nov-23	Accumulate	477	419
3	06-Oct-23	Accumulate	480	425
4	04-Aug-23	Accumulate	516	455
5	04-Jul-23	Hold	450	475
6	11-May-23	Hold	450	463
7	08-May-23	Hold	450	461
8	06-Apr-23	Hold	450	462

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	663
2	Bharat Petroleum Corporation	Sell	381	504
3	Bharti Airtel	Accumulate	1,225	1,134
4	Clean Science and Technology	Hold	1,425	1,461
5	Deepak Nitrite	Reduce	1,881	2,451
6	Fine Organic Industries	Hold	4,575	4,496
7	GAIL (India)	Reduce	157	172
8	Gujarat Fluorochemicals	Hold	3,727	3,616
9	Gujarat Gas	Hold	473	505
10	Gujarat State Petronet	Accumulate	374	334
11	Hindustan Petroleum Corporation	Sell	284	432
12	Indian Oil Corporation	Sell	100	143
13	Indraprastha Gas	Hold	382	405
14	Jubilant Ingrevia	Hold	433	439
15	Laxmi Organic Industries	Sell	221	271
16	Mahanagar Gas	Reduce	1,124	1,345
17	Mangalore Refinery & Petrochemicals	Sell	106	134
18	Navin Fluorine International	Accumulate	3,727	3,262
19	NOCIL	Reduce	254	270
20	Oil & Natural Gas Corporation	BUY	259	216
21	Oil India	Hold	379	380
22	Petronet LNG	Sell	212	268
23	Reliance Industries	Accumulate	2,912	2,735
24	SRF	Reduce	2,127	2,320
25	Vinati Organics	Accumulate	1,885	1,741

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)

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Swarnendu Bhushan- IIT, MBA Finance, Ms. Payal Shah- MMS-Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com