

November 7, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	565		646	
Sales (Rs. m)	195	210	208	230
% Chng.	(6.6)	(8.6)		
EBITDA (Rs. m)	21	23	23	25
% Chng.	(6.3)	(8.9)		
EPS (Rs.)	18.9	20.1	20.5	22.6
% Chng.	(7.9)	(11.1)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	157	173	195	210
EBITDA (Rs. bn)	19	21	21	23
Margin (%)	12.0	11.9	11.0	10.9
PAT (Rs. bn)	11	12	13	14
EPS (Rs.)	16.0	18.1	18.9	20.1
Gr. (%)	(27.8)	13.3	4.1	6.4
DPS (Rs.)	5.7	6.2	6.4	6.8
Yield (%)	1.0	1.1	1.2	1.3
RoE (%)	15.0	15.4	14.5	14.1
RoCE (%)	19.1	19.5	18.5	17.9
EV/Sales (x)	2.3	2.1	1.8	1.7
EV/EBITDA (x)	19.3	17.4	16.5	15.2
PE (x)	33.8	29.8	28.7	26.9
P/BV (x)	4.8	4.4	4.0	3.6

Key Data GGAS.BO | GUJGA IN

52-W High / Low	Rs.690 / Rs.412
Sensex / Nifty	79,542 / 24,199
Market Cap	Rs.372bn/ \$ 4,412m
Shares Outstanding	688m
3M Avg. Daily Value	Rs.1251.55m

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	(9.3)	0.4	29.5
Relative	(7.6)	(7.2)	5.7

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Payal Shah

payalshah@plindia.com |

Weak Morbi sales impacts earnings

Quick Pointers:

- Morbi volume stood at 2.86mmscmd in Q2 and is expected to grow to 3.5-4mmscmd in Q3.
- Post the cut in APM allocation for CNG segment, the company is evaluating options to increase CNG prices to offset the rise in procurement cost.

Gujarat Gas (GUJGA) reported EBITDA of Rs5.1bn (down 4% QoQ, PLe: Rs5.2bn, BBGe: Rs5bn) and adj PAT of Rs3.1bn (down 6.9% QoQ, PLe: Rs3.2bn, BBGe: Rs3bn). The company reported weak sales with volume declining 6.1% YoY and 20.3% QoQ primarily due to weak Morbi sales. EBITDA/scm improved 19.1% QoQ to Rs6.4. A couple of long term will expire in mid-2025 and the company is in discussion for securing new LNG contracts to replace these volumes. While volume growth guidance has been cut to 5-7% YoY, EBITDA/scm guidance has risen to Rs5-6. In line with the guidance, we build in 7% CAGR volume growth over FY25-27E and an EBITDA of Rs5.5/scm. Maintain 'Hold' rating with a TP of Rs565 based on 29x avg FY26-27 EPS.

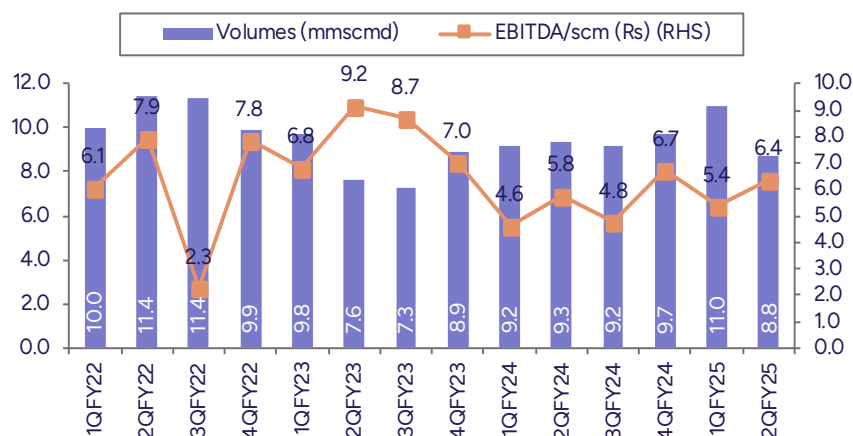
- **Operating performance declines QoQ:** EBITDA came in at Rs5.1bn, down 4% QoQ due to weak sales. EBITDA/scm was above estimates at Rs6.4, up by Rs1/scm QoQ (PLe: Rs6.1/scm). Adj PAT stood at Rs3.1bn, down 6.9% QoQ. On a YoY basis, EBITDA/PAT increased 3.5%/3.1%.
- **Total volume falls 6.1% YoY:** Total sales volume decreased by 6.1% YoY and 20.3% QoQ to 8.8mmscmd. The decline was due to weak Morbi sales, which were impacted by monsoon, festive season and exports being hit. Industrial/commercial volume declined 15.7% YoY to 5.1mmscmd. On a sequential basis, these sales fell sharply by 31.4%. Morbi sales stood at 2.86mmscmd and non-Morbi sales at 2.05mmscmd. The company expects Morbi volume to grow to 3.5-4mmscmd in Q3. Domestic PNG volume grew 8.6% YoY to 0.8mmscmd (up 22.6% QoQ). CNG sales increased 11.8% YoY to 2.9mmscmd. On QoQ basis, CNG volume fell 1.7% due to monsoon impact. Going ahead, we build in a 7% CAGR volume growth over FY25-27E to 11.5mmscmd with an EBITDA/scm of Rs5.6/5.5/5.5 for FY25/26/27E.
- **Concall Highlights:** **1)** GUJGA's gas was priced at Rs44/scm, while propane price was Rs41/scm in Q2. Current gas price is Rs44.7/scm, while propane price has risen to Rs43.6/scm. Propane price is expected to increase next month. **2)** Within the CNG segment, Gujarat's volume grew 12% YoY, while outside Gujarat volume grew 25%. **3)** Post the cut in APM allocation for CNG, the company is evaluating options to increase CNG prices in near future to offset increased cost of gas procurement. **4)** It supplies total 2mmscmd of gas to Surat, Ankleshwar, Bharuch, Vapi and Valsad, which can grow substantially to 3-3.5mmscmd. The company is also focusing on growth from Ahmedabad rural, Silvassa and Dahej. **5)** Capex guidance stands at Rs8-10bn for FY25.

Exhibit 1: Gujarat Gas' Quarterly and Half Yearly Financials

(Rs bn)	Q2FY25	Q1FY25	QoQ gr.	Q2FY25E	% Var	Q2FY24	YoY gr.	H1FY25	H1FY24	YoY gr.
Net Sales	37.8	44.5	-15.0%	42.4	-10.8%	38.5	-1.7%	82.3	76.3	7.9%
YoY Change (%)	-1.7	17.7		10.2		-3.3		7.9		
RM Cost	29.5	35.9	-17.9%	34.4	-14.3%	30.5	-3.5%	65.4	61.5	6.3%
Employee Expenses	0.5	0.5	2.6%	0.5	0.5%	0.5	-1.2%	1.0	1.0	-3.6%
Other Expenses	2.7	2.8	-2.4%	2.3	20.1%	2.4	10.6%	5.5	4.9	11.4%
Total Expenditure	32.7	39.1	-16.5%	37.1	-12.0%	33.5	-2.4%	71.8	67.4	6.5%
EBITDA	5.1	5.4	-4.0%	5.2	-1.9%	5.0	3.5%	10.5	8.8	18.7%
Margins (%)	13.6	12.0		12.4		12.9		12.8	11.6	
Depreciation	1.3	1.2	5.2%	1.2	7.4%	1.2	9.9%	2.5	2.3	8.4%
Interest	0.1	0.1	1.9%	0.1	-0.1%	0.1	2.1%	0.2	0.2	3.8%
Other Income	0.4	0.4	0.0%	0.3	35.9%	0.3	29.4%	0.8	0.5	43.7%
Extra-Ord expense/ (Income)	0.0	0.0		0.0		0.0		0.0	0.0	
PBT	4.2	4.4	-6.3%	4.2	-2.0%	4.0	3.6%	8.6	6.9	24.4%
Tax	1.1	1.1	-4.6%	1.1	1.5%	1.0	5.2%	2.2	1.8	25.2%
Rate (%)	26.1	25.6		25.2		25.7		25.8	25.7	
Reported PAT	3.1	3.3	-6.9%	3.2	-3.2%	3.0	3.1%	6.4	5.1	24.1%
Adj. PAT	3.1	3.3	-6.9%	3.2	-3.2%	3.0	3.1%	6.4	5.1	24.1%
Margins (%)	8.1	7.4		7.5		7.7		7.7	6.7	
Total volume (mmscmd)	8.8	11.0	-20.3%	9.4	-7.1%	9.3	-6.1%	9.9	9.3	6.4%
CNG	2.9	3.0	-1.7%	3.1	-4.9%	2.6	11.8%	3.0	2.6	13.0%
I/C PNG	5.1	7.4	-31.4%	5.7	-10.9%	6.0	-15.7%	6.2	6.0	3.6%
D-PNG	0.8	0.6	22.6%	0.7	16.1%	0.7	8.6%	0.7	0.7	6.2%
EBITDA (Rs/scm)	6.4	5.4	19.1%	6.1	5.6%	5.8	10.3%	5.9	5.2	12.8%

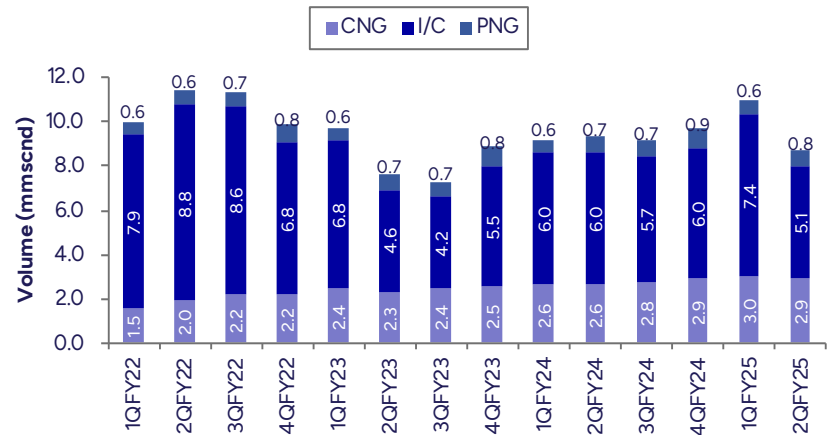
Source: Company, PL

Exhibit 2: Total volume declined 6.1% YoY in Q2



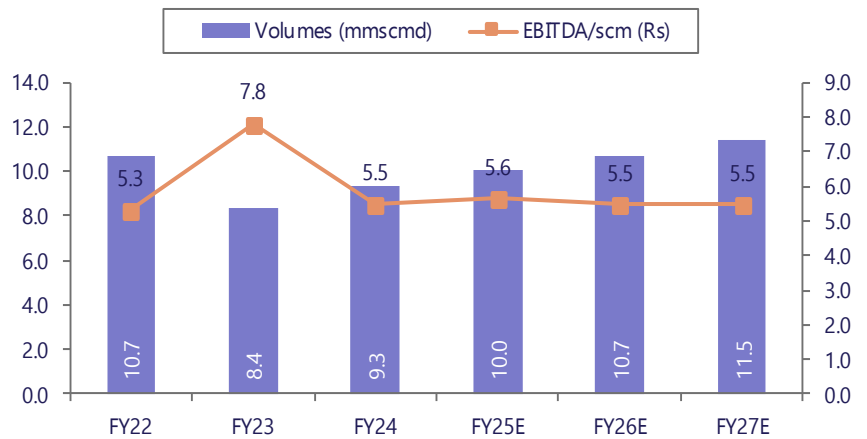
Source: Company, PL

Exhibit 3: Industrial/commercial volume fell 15.7% YoY



Source: Company, PL

Exhibit 4: EBITDA/scm to reach Rs5.5 in FY26/27E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	157	173	195	210
YoY gr. (%)	(6.4)	10.5	12.3	8.0
Cost of Goods Sold	126	141	162	175
Gross Profit	31	33	33	35
Margin (%)	19.2	18.6	17.0	16.7
Employee Cost	2	2	2	2
Other Expenses	11	10	10	10
EBITDA	19	21	21	23
YoY gr. (%)	(21.6)	10.1	3.4	6.9
Margin (%)	12.0	11.9	11.0	10.9
Depreciation and Amortization	5	5	5	5
EBIT	14	16	17	18
Margin (%)	8.9	9.1	8.5	8.4
Net Interest	0	0	0	0
Other Income	1	1	1	1
Profit Before Tax	15	17	17	18
Margin (%)	9.8	9.6	8.9	8.8
Total Tax	4	4	4	5
Effective tax rate (%)	25.6	25.2	25.2	25.2
Profit after tax	11	12	13	14
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	11	12	13	14
YoY gr. (%)	(27.8)	13.3	4.1	6.4
Margin (%)	7.0	7.2	6.7	6.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11	12	13	14
YoY gr. (%)	(25.1)	9.2	4.1	6.4
Margin (%)	7.3	7.2	6.7	6.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11	12	13	14
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	16.0	18.1	18.9	20.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	111	120	130	140
Tangibles	111	120	130	140
Intangibles	-	-	-	-
Acc: Dep / Amortization	35	40	45	50
Tangibles	35	40	45	50
Intangibles	-	-	-	-
Net fixed assets	75	80	85	90
Tangibles	75	80	85	90
Intangibles	-	-	-	-
Capital Work In Progress	9	9	9	9
Goodwill	-	-	-	-
Non-Current Investments	4	4	4	4
Net Deferred tax assets	(9)	(9)	(9)	(9)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1	1	1	1
Trade receivables	10	11	13	14
Cash & Bank Balance	9	14	19	24
Other Current Assets	-	-	-	-
Total Assets	117	128	141	153
Equity				
Equity Share Capital	1	1	1	1
Other Equity	76	84	92	101
Total Networth	77	85	94	103
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	7	8	9	10
Other current liabilities	24	26	29	32
Total Equity & Liabilities	117	128	141	153

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	15	17	17	18
Add. Depreciation	5	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	20	21	21	23
Net Changes-WC	0	1	2	1
Direct tax	(3)	(4)	(4)	(5)
Net cash from Op. activities	16	18	19	19
Capital expenditures	(8)	(10)	(10)	(10)
Interest / Dividend Income	0	-	-	-
Others	0	1	1	1
Net Cash from Invt. activities	(9)	(9)	(9)	(9)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(5)	(4)	(4)	(5)
Interest paid	0	0	0	0
Others	0	-	-	-
Net cash from Fin. activities	(5)	(5)	(5)	(5)
Net change in cash	2	4	5	6
Free Cash Flow	8	8	9	9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	16.0	18.1	18.9	20.1
CEPS	22.9	25.2	25.9	27.7
BVPS	111.7	123.6	136.1	149.3
FCF	11.6	11.1	12.5	13.6
DPS	5.7	6.2	6.4	6.8
Return Ratio(%)				
RoCE	19.1	19.5	18.5	17.9
ROIC	13.1	13.8	13.5	13.7
RoE	15.0	15.4	14.5	14.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	(44)	(44)	(44)	(44)
Valuation(x)				
PER	33.8	29.8	28.7	26.9
P/B	4.8	4.4	4.0	3.6
P/CEPS	23.6	21.5	20.9	19.5
EV/EBITDA	19.3	17.4	16.5	15.2
EV/Sales	2.3	2.1	1.8	1.7
Dividend Yield (%)	1.0	1.1	1.2	1.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	39	41	45	38
YoY gr. (%)	6.6	5.2	17.7	(1.7)
Raw Material Expenses	32	32	36	29
Gross Profit	7	9	9	8
Margin (%)	18.0	23.0	19.4	22.1
EBITDA	4	6	5	5
YoY gr. (%)	(31.2)	5.5	38.1	3.5
Margin (%)	10.2	14.3	12.0	13.6
Depreciation / Depletion	1	1	1	1
EBIT	3	5	4	4
Margin (%)	7.1	11.4	9.3	10.2
Net Interest	-	-	-	-
Other Income	-	-	-	-
Profit before Tax	3	5	4	4
Margin (%)	7.5	13.3	10.0	11.0
Total Tax	1	1	1	1
Effective tax rate (%)	25.7	25.5	25.6	26.1
Profit after Tax	2	4	3	3
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2	4	3	3
YoY gr. (%)	(40.7)	(0.3)	53.3	3.1
Margin (%)	5.6	8.9	7.4	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2	4	3	3
YoY gr. (%)	(40.7)	10.9	53.3	3.1
Margin (%)	5.6	9.9	7.4	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2	4	3	3
Avg. Shares O/s (m)	1	1	1	1
EPS (Rs)	3.2	5.3	4.8	4.5

Source: Company Data, PL Research

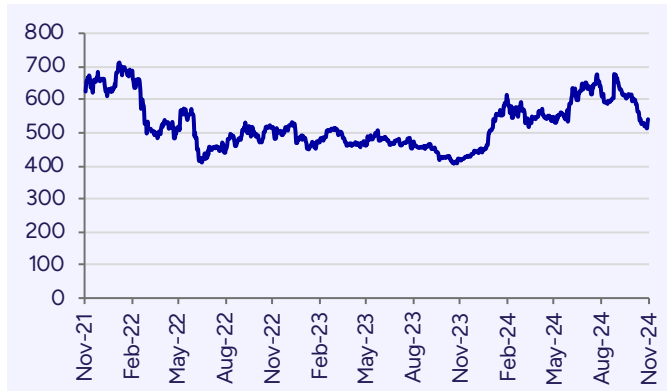
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Volume (mmscmd)	9.3	10.0	10.7	11.5
EBITDA (Rs/scm)	5.5	5.6	5.5	5.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Hold	646	596
2	09-Aug-24	Accumulate	666	622
3	07-Jul-24	Accumulate	623	645
4	16-May-24	Accumulate	589	553
5	08-May-24	Hold	558	546
6	09-Apr-24	Hold	548	565
7	14-Feb-24	Hold	548	562
8	08-Jan-24	Hold	473	505

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,782	1,637
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Hold	204	209
16	Gujarat Fluorochemicals	Reduce	3,770	4,158
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Hold	402	417
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Reduce	240	270
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	14,586	11,046
29	Navin Fluorine International	Accumulate	3,523	3,307

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

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