

# Gujarat State Petronet

Estimate changes	↔
TP change	↔
Rating change	↔

**CMP: INR302**

**TP: INR313 (+4%)**

**Neutral**

Bloomberg	GUJS IN
Equity Shares (m)	564
M.Cap.(INRb)/(USDb)	170.4 / 1.9
52-Week Range (INR)	373 / 261
1, 6, 12 Rel. Per (%)	6/-10/-25
12M Avg Val (INR M)	255

## Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	9.1	10.4	11.2
EBITDA	7.1	8.1	8.7
PAT	7.5	7.5	8.1
EPS (INR)	13.2	13.3	14.3
EPS Gr. (%)	-7.6	0.9	7.4
BV/Sh.(INR)	200.5	209.8	219.8

## Ratios

Net D:E	-0.2	-0.2	-0.2
RoE (%)	6.8	6.5	6.7
RoCE (%)	6.8	6.5	6.7
Payout (%)	30.0	30.0	30.0

## Valuations

P/E (x)	22.8	22.6	21.1
P/BV (x)	1.5	1.4	1.4
EV/EBITDA (x)	20.8	17.8	16.2
Div. Yield (%)	1.3	1.3	1.4
FCF Yield (%)	0.5	0.6	0.8

## Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	37.6	37.6	37.6
DII	27.2	27.7	34.9
FII	15.5	15.1	15.2
Others	19.7	19.6	12.3

FII includes depository receipts

## Merger a key near-term catalyst

- Gujarat State Petronet (GUJS)'s 3QFY26 revenue/EBITDA stood 5%/8% below our estimates at INR2.2b/INR1.7b, as total volumes came 4% below our estimate at 27.5mmscmd. The implied tariff came in line at INR853/mmscm.
- Following the company's announcement of the scheme of amalgamation and arrangement in Sep'24, under which GSPC, GUJS, and GEL will amalgamate with GUJGA, the swap ratio for GUJS was fixed at 10:13. This means 10 shares of GUJGA at an FV of INR2 will be issued for every 13 equity shares of GUJS, at an FV of INR10. The shareholders' approval has been received with respect to the scheme, and the petition has been filed with the MCA. The entire process is expected to be completed in 1QFY27.
- Based on this swap ratio, we derive our TP for GUJS at INR313. **We reiterate our Neutral rating on the stock.**

## Miss led by lower-than-estimated transmission volumes

- GUJS's 3QFY26 revenue/EBITDA stood 5%/8% below our estimate at INR2.2b/INR1.7b. The miss was led by:
  - Total volumes, which were 4% below our est. at 27.5mmscmd, dipped 4% QoQ.
  - The tariff came in line at INR853/mmscm.
  - EBITDA was also lower due to higher-than-estimated opex.
- CGD/ref-petchem/power/other volumes declined YoY, while fertilizer volumes inched up YoY.
- PAT came in 8% below our estimate at INR1.1b.

## Valuation and view

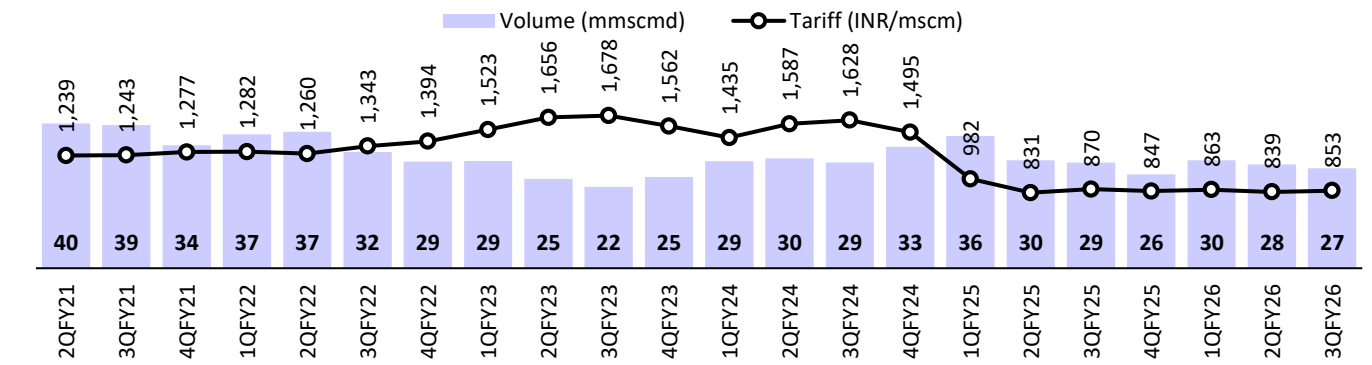
- We believe the company will post a 5% CAGR in transmission volumes over FY25-28. We expect volumes to jump to ~32.5/35mmscmd in FY27/28, as it is a beneficiary of: a) the upcoming LNG terminals in Gujarat and b) an improved demand owing to the focus on reducing industrial pollution (Gujarat has five geographical areas identified as severely/critically polluted).
- Based on the announced share swap ratio of 10:13 (GUJS:GUJGA), we arrive at our TP of INR313. **We reiterate our Neutral rating on the stock.**

**Standalone - Quarterly Earnings Model**

(INR m)

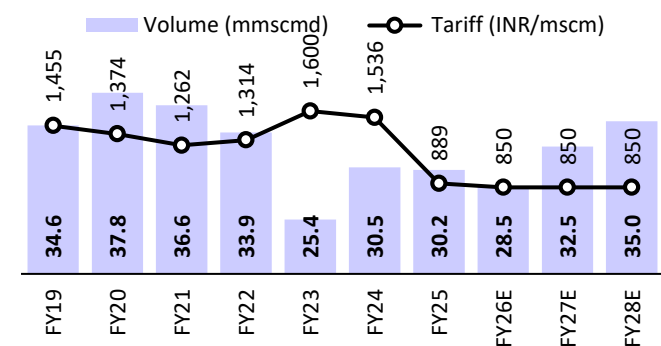
Y/E March	FY25				FY26				FY26 3QE	Var. (%)	YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>3,354</b>	<b>2,379</b>	<b>2,361</b>	<b>2,017</b>	<b>2,426</b>	<b>2,275</b>	<b>2,188</b>	<b>2,258</b>	<b>2,313</b>	-5%	-7%	-4%
<i>YoY Change (%)</i>	-14.8	-47.5	-48.2	-55.7	-27.7	-4.4	-7.3	12.0	-2.1			
<b>EBITDA</b>	<b>3,010</b>	<b>1,929</b>	<b>1,925</b>	<b>1,247</b>	<b>2,024</b>	<b>1,732</b>	<b>1,656</b>	<b>1,703</b>	<b>1,795</b>	-8%	-14%	-4%
<i>YoY Change (%)</i>	-10.5	-53.0	-49.3	-67.0	-32.8	-10.2	-14.0	36.6	-6.8			
<i>Margin (%)</i>	89.7	81.1	81.5	61.8	83.4	76.2	75.7	75.4	77.6			
Depreciation	490	511	512	522	539	547	549	571	558			
Interest	13	11	9	52	11	10	10	14	11			
Other Income	328	2,939	412	362	433	3,060	433	282	428			
<b>PBT</b>	<b>2,835</b>	<b>4,346</b>	<b>1,816</b>	<b>1,035</b>	<b>1,907</b>	<b>4,235</b>	<b>1,530</b>	<b>1,401</b>	<b>1,655</b>	-8%	-16%	-64%
Tax	715	453	460	328	482	411	387	353	416			
<i>Rate (%)</i>	25.2	10.4	25.3	31.7	25.3	9.7	25.3	25.2	25.2			
<b>Reported PAT</b>	<b>2,120</b>	<b>3,893</b>	<b>1,356</b>	<b>707</b>	<b>1,425</b>	<b>3,825</b>	<b>1,143</b>	<b>1,048</b>	<b>1,238</b>	-8%	-16%	-70%
<i>YoY Change (%)</i>	-7.5	-26.8	-48.3	-72.9	-32.8	-1.8	-15.7	48.2	-8.7			
<i>Margin (%)</i>	63.2	163.6	57.4	35.1	58.8	168.1	52.2	46.4	53.5			
<b>Key Operating Parameters</b>												
Transmission Volume (mmscmd)	36.4	29.7	29.0	25.8	29.7	28.5	27.5	28.4	28.6	-4%	-5%	-4%
Implied Tariff (INR/mmscm)	982	831	870	847	863	839	853	845	850	0%	-2%	2%

**Exhibit 1: Transmission volumes down 5% YoY, while tariff was flat**



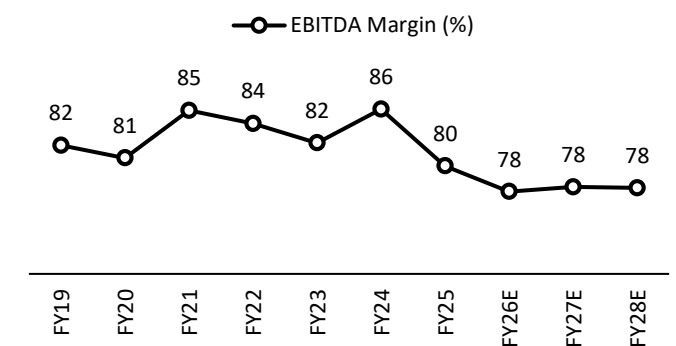
Source: MOFSL, Company

**Exhibit 2: GUJS's volume snapshot**



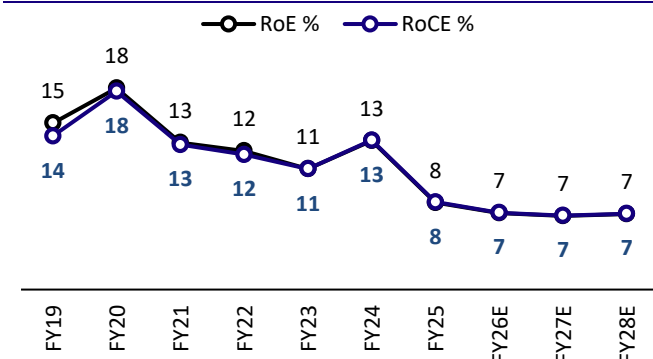
Source: Company, MOFSL

**Exhibit 3: EBITDA margin to remain at 78%**



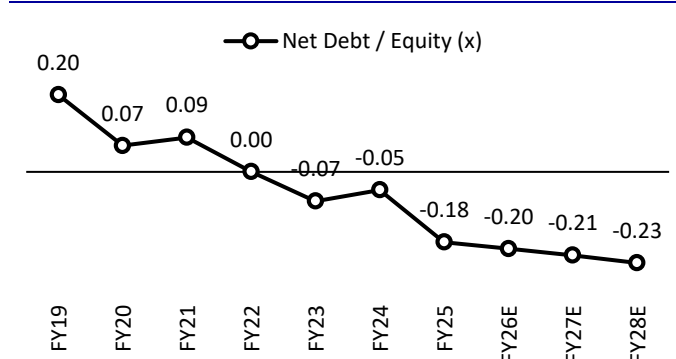
Source: Company, MOFSL

**Exhibit 4: Return ratio profile**



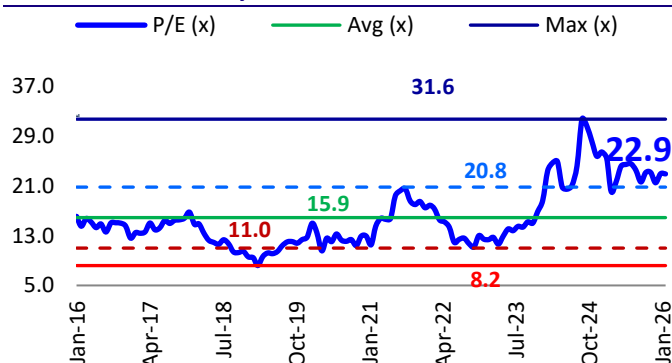
Source: Company, MOFSL

**Exhibit 5: GUJS' net debt/equity profile**



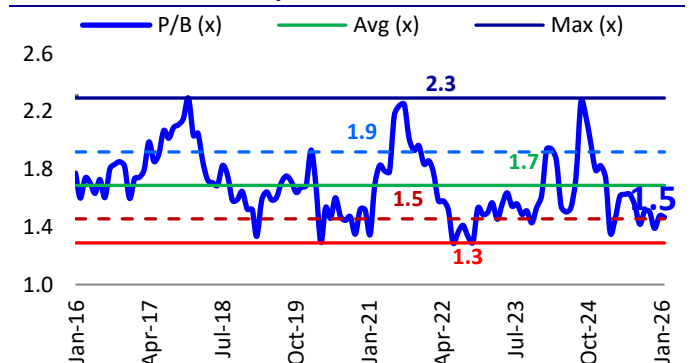
Source: Company, MOFSL

**Exhibit 6: GUJS' one-year forward P/E...**



Source: Company, MOFSL

**Exhibit 7: ...and its one-year forward P/B**



Source: Company, MOFSL

## Financials and valuations

Standalone - Income Statement						(INR m)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>15,275</b>	<b>17,572</b>	<b>10,111</b>	<b>9,146</b>	<b>10,387</b>	<b>11,163</b>
Change (%)	-7.9	15.0	-42.5	-9.5	13.6	7.5
<b>EBITDA</b>	<b>12,587</b>	<b>15,041</b>	<b>8,112</b>	<b>7,115</b>	<b>8,126</b>	<b>8,722</b>
Margin (%)	82.4	85.6	80.2	77.8	78.2	78.1
Depreciation	1,939	1,920	2,035	2,205	2,387	2,562
<b>EBIT</b>	<b>10,648</b>	<b>13,121</b>	<b>6,077</b>	<b>4,909</b>	<b>5,739</b>	<b>6,160</b>
Int. and Finance Charges	47	50	85	44	44	46
Other Income	1,684	3,351	4,041	4,207	4,363	4,688
<b>PBT after EO Exp.</b>	<b>12,286</b>	<b>16,422</b>	<b>10,033</b>	<b>9,072</b>	<b>10,058</b>	<b>10,803</b>
Total Tax	2,836	3,576	1,957	1,610	2,532	2,719
Tax Rate (%)	23.1	21.8	19.5	17.8	25.2	25.2
<b>Reported PAT</b>	<b>9,450</b>	<b>12,846</b>	<b>8,076</b>	<b>7,462</b>	<b>7,526</b>	<b>8,084</b>
<b>Adjusted PAT</b>	<b>9,450</b>	<b>12,846</b>	<b>8,076</b>	<b>7,462</b>	<b>7,526</b>	<b>8,084</b>
Change (%)	-3.5	35.9	-37.1	-7.6	0.9	7.4
Margin (%)	61.9	73.1	79.9	81.6	72.5	72.4

Standalone - Balance Sheet						(INR m)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	5,642	5,642	5,642	5,642	5,642	5,642
Total Reserves	87,090	97,059	1,02,191	1,07,416	1,12,686	1,18,346
<b>Net Worth</b>	<b>92,732</b>	<b>1,02,701</b>	<b>1,07,833</b>	<b>1,13,058</b>	<b>1,18,328</b>	<b>1,23,988</b>
Total Loans	0	0	0	0	0	0
Deferred Tax Liabilities	4,238	4,159	4,324	4,324	4,324	4,324
<b>Capital Employed</b>	<b>96,970</b>	<b>1,06,860</b>	<b>1,12,157</b>	<b>1,17,382</b>	<b>1,22,652</b>	<b>1,28,312</b>
Gross Block	46,636	47,357	54,442	58,950	63,452	67,952
Less: Accum. Deprn.	15,085	17,005	19,040	21,246	23,632	26,195
<b>Net Fixed Assets</b>	<b>31,551</b>	<b>30,353</b>	<b>35,402</b>	<b>37,705</b>	<b>39,819</b>	<b>41,757</b>
Capital WIP	4,248	7,618	2,822	2,814	2,813	2,813
<b>Total Investments</b>	<b>51,700</b>	<b>53,297</b>	<b>53,388</b>	<b>53,388</b>	<b>53,388</b>	<b>53,388</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>13,384</b>	<b>19,541</b>	<b>28,312</b>	<b>30,589</b>	<b>34,693</b>	<b>39,022</b>
Inventory	2,121	2,108	2,571	2,612	2,907	3,137
Account Receivables	1,440	1,412	1,096	992	1,126	1,210
Cash and Bank Balance	6,917	4,734	19,307	22,158	25,176	28,781
Cash	1,357	83	409	3,260	6,278	9,883
Bank Balance	5,560	4,652	18,898	18,898	18,898	18,898
Loans and Advances	2,906	11,285	5,338	4,829	5,484	5,893
<b>Curr. Liability &amp; Prov.</b>	<b>3,913</b>	<b>3,949</b>	<b>7,768</b>	<b>7,114</b>	<b>8,061</b>	<b>8,667</b>
Account Payables	510	375	791	803	894	965
Other Current Liabilities	3,141	3,253	6,628	5,996	6,809	7,318
Provisions	262	321	349	315	358	385
<b>Net Current Assets</b>	<b>9,471</b>	<b>15,592</b>	<b>20,545</b>	<b>23,475</b>	<b>26,632</b>	<b>30,355</b>
<b>Appl. of Funds</b>	<b>96,970</b>	<b>1,06,860</b>	<b>1,12,157</b>	<b>1,17,382</b>	<b>1,22,652</b>	<b>1,28,312</b>

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>						
<b>EPS</b>	<b>16.8</b>	<b>22.8</b>	<b>14.3</b>	<b>13.2</b>	<b>13.3</b>	<b>14.3</b>
Cash EPS	20.2	26.2	17.9	17.1	17.6	18.9
BV/Share	164.4	182.1	191.2	200.5	209.8	219.8
DPS	5.0	5.0	5.0	4.0	4.0	4.3
Payout (%)	29.8	21.9	34.9	30.0	30.0	30.0
<b>Valuation (x)</b>						
P/E	18.0	13.3	21.1	22.8	22.6	21.1
Cash P/E	15.0	11.5	16.8	17.6	17.2	16.0
P/BV	1.8	1.7	1.6	1.5	1.4	1.4
EV/Sales	10.7	9.4	14.9	16.2	14.0	12.7
EV/EBITDA	13.0	11.0	18.6	20.8	17.8	16.2
Dividend Yield (%)	1.7	1.7	1.7	1.3	1.3	1.4
FCF per share	13.8	13.4	12.7	1.6	1.7	2.5
<b>Return Ratios (%)</b>						
RoE	10.7	13.1	7.7	6.8	6.5	6.7
RoCE	10.7	13.2	7.7	6.8	6.5	6.7
RoIC	23.9	27.3	12.6	10.7	10.7	10.9
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	0.3	0.4	0.2	0.2	0.2	0.2
Asset Turnover (x)	0.2	0.2	0.1	0.1	0.1	0.1
Inventory (Days)	51	44	93	104	102	103
Debtor (Days)	34	29	40	40	40	40
Creditor (Days)	12	8	29	32	31	32
<b>Leverage Ratio (x)</b>						
Current Ratio	3.4	4.9	3.6	4.3	4.3	4.5
Interest Cover Ratio	227.5	262.8	71.6	111.0	131.0	134.2
Net Debt/Equity	-0.1	0.0	-0.2	-0.2	-0.2	-0.2

### Standalone - Cash Flow Statement

(InR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	12,286	16,422	10,033	9,072	10,058	10,803
Depreciation	1,939	1,920	2,035	2,205	2,387	2,562
Interest & Finance Charges	47	49	85	44	44	46
Direct Taxes Paid	-2,741	-3,534	-1,979	-1,610	-2,532	-2,719
(Inc)/Dec in WC	-274	109	3,117	-80	-138	-118
Others	-1,592	-3,242	-3,906	-4,207	-4,363	-4,688
<b>CF from Operations</b>	<b>9,664</b>	<b>11,724</b>	<b>9,385</b>	<b>5,424</b>	<b>5,456</b>	<b>5,886</b>
(Inc)/Dec in FA	-1,892	-4,164	-2,229	-4,500	-4,500	-4,500
<b>Free Cash Flow</b>	<b>7,772</b>	<b>7,561</b>	<b>7,155</b>	<b>924</b>	<b>956</b>	<b>1,386</b>
(Pur)/Sale of Investments	0	-1,660	-94	0	0	0
Others	-5,127	-4,332	-3,891	4,207	4,363	4,688
<b>CF from Investments</b>	<b>-7,019</b>	<b>-10,156</b>	<b>-6,214</b>	<b>-293</b>	<b>-137</b>	<b>188</b>
Inc/(Dec) in Debt	-875	0	0	0	0	0
Interest Paid	-7	-5	0	-44	-44	-46
Dividend Paid	-1,128	-2,821	-2,821	-2,237	-2,256	-2,423
<b>CF from Fin. Activity</b>	<b>-2,026</b>	<b>-2,843</b>	<b>-2,844</b>	<b>-2,281</b>	<b>-2,300</b>	<b>-2,469</b>
<b>Inc/Dec of Cash</b>	<b>619</b>	<b>-1,274</b>	<b>327</b>	<b>2,850</b>	<b>3,018</b>	<b>3,605</b>
Opening Balance	738	1,357	83	409	3,260	6,278
<b>Closing Balance</b>	<b>1,357</b>	<b>83</b>	<b>409</b>	<b>3,260</b>	<b>6,278</b>	<b>9,883</b>

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## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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