

Gujarat Gas

Estimate changes

TP change

Rating change



Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USDb)	296.7 / 3.4
52-Week Range (INR)	690 / 360
1, 6, 12 Rel. Per (%)	-8/-12/-36
12M Avg Val (INR M)	548

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	164.9	155.1	174.4
EBITDA	18.8	19.6	21.9
PAT	11.5	11.6	13.3
EPS (INR)	16.6	16.8	19.3
EPS Gr. (%)	4.0	1.1	14.9
BV/Sh.(INR)	122.8	133.9	146.7

Ratios

Net D:E	0.0	-0.1	-0.1
RoE (%)	14.2	13.1	13.8
RoCE (%)	19.6	17.9	18.7
Payout (%)	34.0	34.0	34.0

Valuations

P/E (x)	25.8	25.6	22.3
P/BV (x)	3.5	3.2	2.9
EV/EBITDA (x)	15.6	14.8	13.0
Div. Yield (%)	1.3	1.3	1.5
FCF Yield (%)	3.6	1.9	2.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	60.9	60.9	60.9
DII	22.0	21.8	21.8
FII	3.9	4.0	4.3
Others	13.3	13.3	13.0

FII Includes depository receipts

CMP: INR431

TP: INR500 (+16%)

Buy

Near-term pressure; volume uptick crucial

- GUJGA's volumes came in ~0.6mmscmd below our estimate at 8.9mmscmd in 1QFY26, as I&C-PNG volumes stood 7% below estimate. Morbi volumes declined by ~0.4mmscmd QoQ to 2.5mmscmd, primarily due to a shift by customers toward cheaper alternate fuel. EBITDA/scm margin improved by ~INR1.1 QoQ to INR6.4 (in line with estimates), largely supported by a reduction in raw material costs.
- Industrial volumes would remain under pressure in the near term, as Propane prices soften and spot LNG prices remain high. Hence, we cut our I&C-PNG volume assumption for FY26/27 by 0.6/0.9mmscmd to 4.9/5.4mmscmd. We maintain our EBITDA/scm margin assumption at INR5.9 for both FY26/27. Overall, we cut our EPS estimates by 8%/9% for FY26/27. While we have not factored in any earnings contribution from the newly announced initiative of selling propane in Morbi and other industrial areas, this remains a key upside risk to our current estimates.
- GUJGA currently trades at 22.8x 1yr fwd. P/E, below its LTA of 25.3x. The stock could be under pressure in the near term due to a clouded volume growth outlook. We value the stock at 26x FY27E EPS of INR19.3 to arrive at a TP of INR500/sh.

Other key takeaways from the conference call

- 2Q volumes will be lower QoQ due to geopolitical tensions and Janmashtami festival (current volumes: 2.3-2.5mmscmd).
- GUJGA is targeting 1.2-1.3mmscmd of propane sales by FY26end, and then plans to scale this up in FY27.
- CNG volumes grew 10%/27% YoY in Gujarat/other areas.
- In 1QFY26, the gas sourcing split for total volumes was 38%/34%/28% of long-term/spot LNG/domestic gas. APM allocation to CNG stood at 41%.
- INR1.2b capex was incurred in 1QFY26. Management maintained its FY26 capex guidance of INR8-10b.
- GSPC clocked volumes of ~12.5mmscmd in FY25.
- The scheme of amalgamation and merger is expected to be completed in 3QFY26. The scheme was filed with MCA for approval in Feb'25.

EBITDA miss attributed to soft volume performance

- Total volumes declined 19% YoY to 8.9mmscmd, below our est. of 9.5mmscmd.
- CNG volumes were in line with our estimate, whereas I&C-PNG volumes came in 7% below estimates.
- EBITDA/scm came in marginally below our est. at INR6.4.
- Realization fell INR1.1/scm QoQ, while gas cost/opex declined by INR1.7/INR0.5 per scm QoQ, leading to ~INR1.1/scm QoQ increase in EBITDA/scm margin.
- Resultant EBITDA stood 8% below our estimate at INR5.2b (flat YoY).
- PAT came in line with our est. at INR3.3b (flat YoY), driven by higher-than-estimated other income.

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GUJGA press release KTAs:

■ GUJGA expands into propane/LPG sales:

- With a vision to become a comprehensive energy solutions provider and a strong focus on empowering communities, businesses, and industries, the board of GUJGA has approved the sourcing and sale of propane/LPG to industrial customers. This move reinforces the company's customer-centric approach and commitment to meeting diverse energy needs.

■ Quarterly operational performance:

- CNG segment maintained strong growth momentum, with volumes rising 12% YoY to a record 3.33mmcmd in 1QFY26, supported by a network of 830 CNG stations.
- GUJGA is actively expanding through the FDODO model, having signed 69 agreements with various dealers to date, which is expected to further accelerate growth.
- In 1Q, the company added over 35,000 new D-PNG connections, taking the total number of households served to more than 2.3m.

Valuation and view

- The company's long-term volume growth prospects remain robust, with the addition of new industrial units and expansion of existing units. It is aggressively investing in infrastructure to push industrial gas adoption in Thane rural, Ahmedabad rural, and newly acquired areas in Rajasthan.
- The stock is trading at a P/E of 22.3x FY27E and EV/EBITDA of 13x for FY27E. **We reiterate our BUY rating on the stock with a TP of INR500, valuing it at 26x FY27E EPS.**

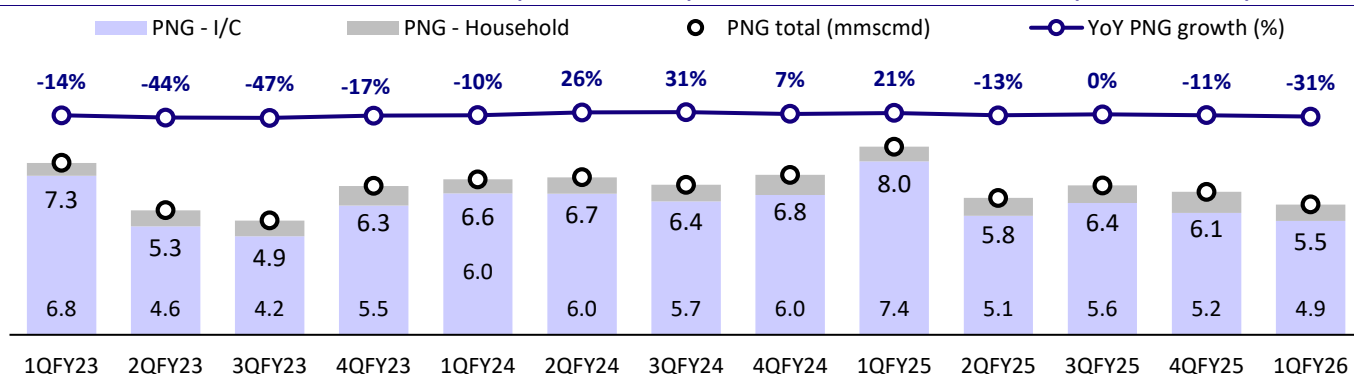
Standalone - Quarterly Earning Model

Y/E March	FY25				FY26E				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY25	FY26E	FY26	Var (%)
Net Sales	44,503	37,818	41,529	41,020	38,709	37,636	38,700	40,044	164,870	155,089	41,963	-8%
YoY Change (%)	17.7	-1.7	5.7	-0.8	-13.0	-0.5	-6.8	-2.4	5.1	-5.9	-5.7	
EBITDA	5,356	5,142	3,805	4,495	5,199	4,641	4,808	4,912	18,798	19,560	5,628	-8%
Margin (%)	12.0	13.6	9.2	11.0	13.4	12.3	12.4	12.3	11.4	12.6	13.4	
Depreciation	1,231	1,295	1,294	1,286	1,314	1,357	1,355	1,321	5,106	5,348	1,289	
Interest	78	80	93	74	79	75	87	64	325	305	73	
Other Income	386	386	585	744	594	288	438	251	2,100	1,571	254	
PBT	4,433	4,152	3,002	3,878	4,399	3,498	3,803	3,778	15,466	15,478	4,520	-3%
Rate (%)	25.6	26.1	26.2	26.0	25.7	25.2	25.2	24.5	25.9	25.2	25.2	
Adj. PAT	3,298	3,069	2,216	2,872	3,268	2,617	2,845	2,853	11,455	11,582	3,381	-3%
YoY Change (%)	53.3	3.1	0.6	-22.0	-0.9	-14.7	28.4	-0.6	4.0	1.1	2.5	
Total volume (mmcmd)	11.0	8.8	9.5	9.3	8.9	8.8	9.1	9.6	9.6	9.1	9.5	-7%
CNG	3.0	2.9	3.1	3.2	3.3	3.4	3.5	3.6	3.1	3.2	3.4	-3%
PNG – Industrial/Commercial	7.4	5.1	5.6	5.2	4.9	4.7	4.9	5.2	5.8	5.2	5.2	-7%
PNG – Households	0.6	0.8	0.7	0.9	0.7	0.7	0.7	0.8	0.8	0.8	0.9	-25%
EBITDA (INR/scm)	5.4	6.4	4.4	5.4	6.4	5.7	5.7	5.7	5.4	5.6	6.6	-2%

Operational Highlights

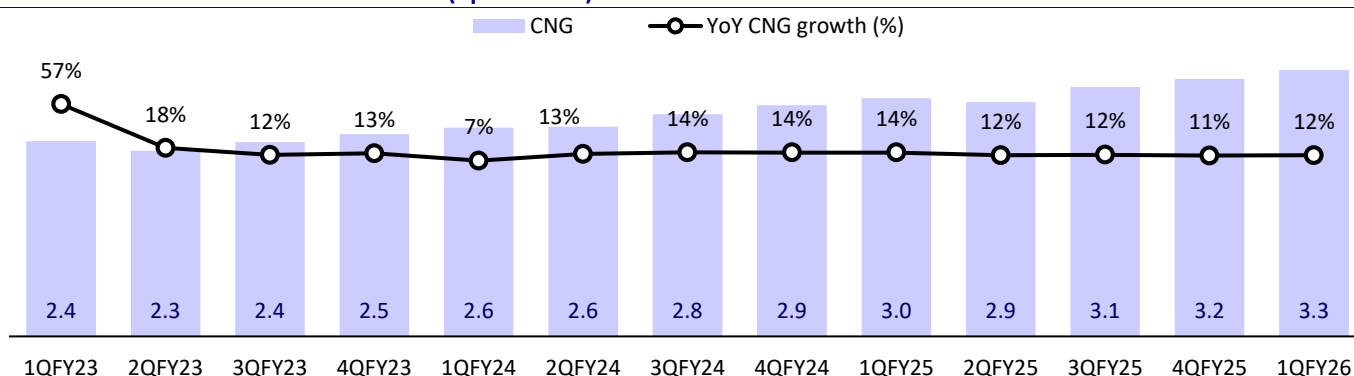
Particulars	FY23				FY24				FY25				FY26	1QFY26	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY (%)	QoQ (%)
Net sales (INR m)	51,701	39,765	36,843	39,286	37,815	38,454	39,291	41,342	44,503	37,818	41,529	41,020	38,709	-13%	-6%
Realization (INR/scm)	58.3	56.7	54.9	49.3	45.1	44.8	46.6	46.9	44.5	47.0	47.7	49.0	48.3	9%	-1%
Total raw material (INR m)	43,015	30,654	28,313	30,781	30,931	30,546	32,248	31,829	35,902	29,473	34,295	32,529	30,022	-16%	-8%
Gas cost (INR/scm)	48.5	43.7	42.2	38.6	36.9	35.6	38.3	36.1	35.9	36.6	39.4	38.9	37.5	4%	-4%
Gross margin (INR m)	8,686	9,111	8,530	8,505	6,884	7,908	7,043	9,513	8,601	8,344	7,234	8,491	8,687	1%	2%
Gross margin (INR/scm)	9.8	13.0	12.7	10.7	8.2	9.2	8.4	10.8	8.6	10.4	8.3	10.1	10.8	26%	7%
EBITDA (INR m)	6,066	6,427	5,823	5,603	3,880	4,966	4,007	5,911	5,356	5,142	3,805	4,495	5,199	-3%	16%
EBITDA (INR/scm)	6.8	9.2	8.7	7.0	4.6	5.8	4.8	6.7	5.4	6.4	4.4	5.4	6.4	20%	20%
PAT	3,811	4,039	3,713	3,692	2,151	2,978	2,203	4,095	3,298	3,069	2,216	2,872	3,268	-1%	14%
PAT (INR/scm)	4.3	5.8	5.5	4.6	2.6	3.5	2.6	4.6	3.3	3.8	2.5	3.4	4.0	23%	18%
Volumes (mmscmd)															
CNG	2.4	2.3	2.4	2.5	2.6	2.6	2.8	2.9	3.0	2.9	3.1	3.2	3.3	12%	3%
PNG - Household	0.6	0.7	0.7	0.8	0.6	0.7	0.7	0.9	0.6	0.8	0.7	0.9	0.7	11%	-22%
PNG - I/C	6.8	4.6	4.2	5.5	6.0	6.0	5.7	6.0	7.4	5.1	5.6	5.2	4.9	-34%	-7%
Total	9.8	7.6	7.3	8.9	9.2	9.3	9.2	9.7	11.0	8.8	9.5	9.3	8.9	-19%	-5%

Exhibit 1: Total PNG volumes were 5.5mmscmd (down 31% YoY), with I/C volumes at 4.9mmscmd (down 34% YoY)

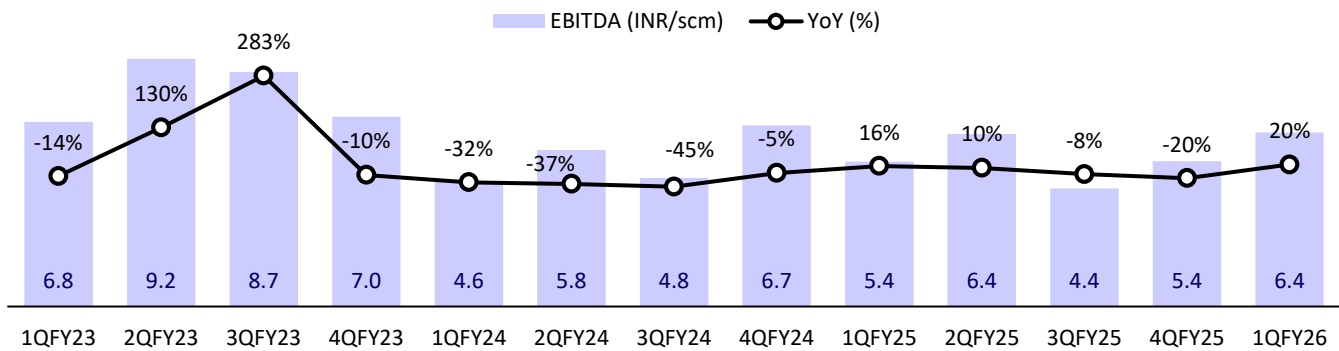


Source: Company, MOFSL

Exhibit 2: CNG volumes were 3.3mmscmd (up 12% YoY)



Source: Company, MOFSL

Exhibit 3: EBITDA/scm stood at INR6.4 (up 20% YoY)


Source: Company, MOFSL



Highlights from the management commentary

Update on merger scheme:

- No objection certificate was received from BSE/NSE earlier, and the scheme was filed with MCA in Feb'25.
- The company is in touch with MCA and scheme is under their active consideration. **Approval is expected in 3QFY26.** Approval from other regulatory authorities is also underway.

GUJGA expands into propane/LPG sales:

- The current Morbi gas market size is 7-7.5mmscmd (2/3rd is Propane).
- It is targeting 25% of this market by FY26 end (1.2-1.3mmscmd), and then scale this up.
- GUJGA can reduce working capital requirement of customers.
- The company will source Propane from international market on a spot basis, and believes that it will have pricing advantage over competitors.
- No capex is involved apart from booking capacity at terminals. No margin guidance was stated by GUJGA.

Industrial segment:

- Total volumes of I&C-PNG stood at 4.71mmscmd in 1Q.
- Morbi volumes: 2.51mmscmd (2.87mmscmd in previous quarter)
- **2Q volumes will be lower QoQ** due to geopolitical tensions and Janmashtami festival (**current volumes: 2.3-2.5mmscmd**).
- ~1-1.5mmscmd customers can use only PNG.
- Non-Morbi 1Q volumes: 2.20mmscmd (2.16mmscmd in previous quarter, up 8% YoY)
- GUJGA is targeting long-term contracts and is also getting in touch with bulk customers.
- Current Propane vs. I-PNG price difference is INR3.5-4/scm (Current I-PNG price: INR43.3/scm).
- Due to a decline in R-LNG costs, GUJGA cut industrial gas prices in 1Q.
- The company can reach 6/2.5mmscmd volumes in Morbi/Non-Morbi if R-LNG pricing turns favorable over Propane.

CNG segment:

- Robust 12% YoY CNG volume growth in the quarter.
- Volumes grew 10%/27% YoY in Gujarat/other areas.
- GUJGA added three new CNG stations in 1Q. ~70 CNG stations are under construction (F-DODO scheme), and CNG station additions by Sep'25 will be in double digits.
- CNG vehicles grew 15% in relevant GAs. With rapid CNG infrastructure expansion, management expects CNG vehicle addition to increase at a higher pace YoY.
- CNG remains 45%/23% cheaper than MS/HSD.

Domestic segment:

- GUJGA signed an agreement with Bhatinda Military Centre (11,300 residential quarters).
- 35k new D-PNG connections were made in 1Q.

Capex:

- INR1.2b capex was incurred in 1Q. FY26 capex is expected to be INR8-10b.

Gas sourcing mix during the quarter:

- APM allocation: 41%/100% for CNG/D-PNG (51% in total for priority segment sale).
- HP-HT gas volume stood at 0.7mmscmd.
- Out of total volumes (8.9mmscmd):
 - 38%: LT contracts.
 - 34%: ST contracts.
 - Rest is domestic gas.

Dealer commission paid by GUJGA:

- OMC and existing franchisee stations: INR3-4/kg
- F-DODO scheme stations: INR8-10/kg (as the capex is entirely incurred by station owner).
- The dealer commission forms part of operational cost in financials.

Impact of change in zonal tariff regulation:

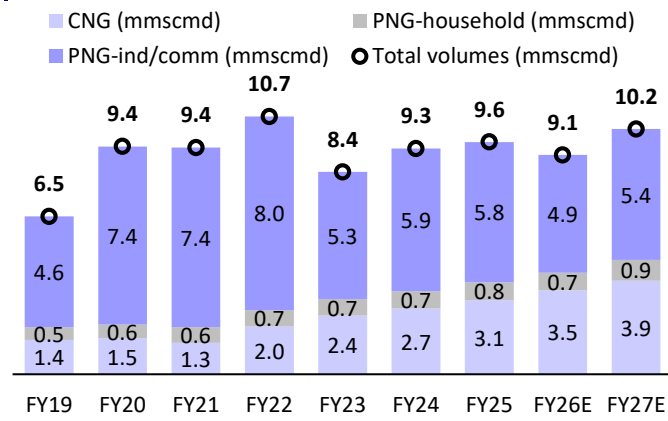
- As per management, GUJGA will benefit from the development.

Others:

- Hydrogen blending pilot project was completed with 8% blending.
- GSPC FY25 volumes: ~12.5mmscmd.
- ~50% was sold to GUJGA. Sourcing: ~65%/35% gas was R-LNG/domestic gas.

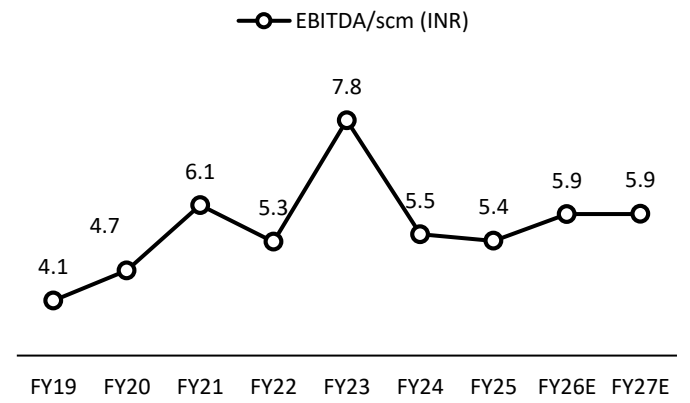
Story in charts

Exhibit 4: Volume snapshot for GUJGA



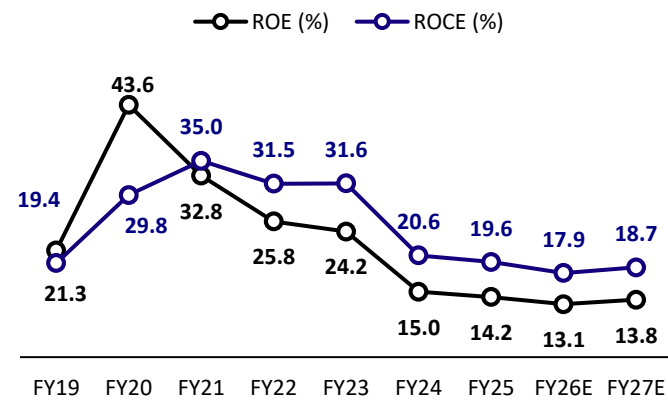
Source: Company, MOFSL

Exhibit 5: EBITDA/scm to be ~INR5.9 in FY26/27



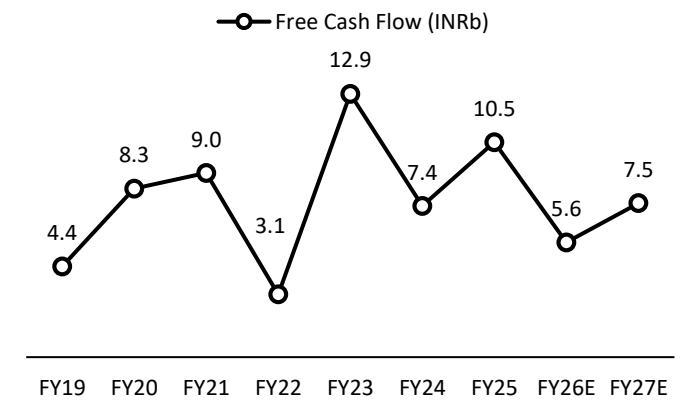
Source: Company, MOFSL

Exhibit 6: Return ratios



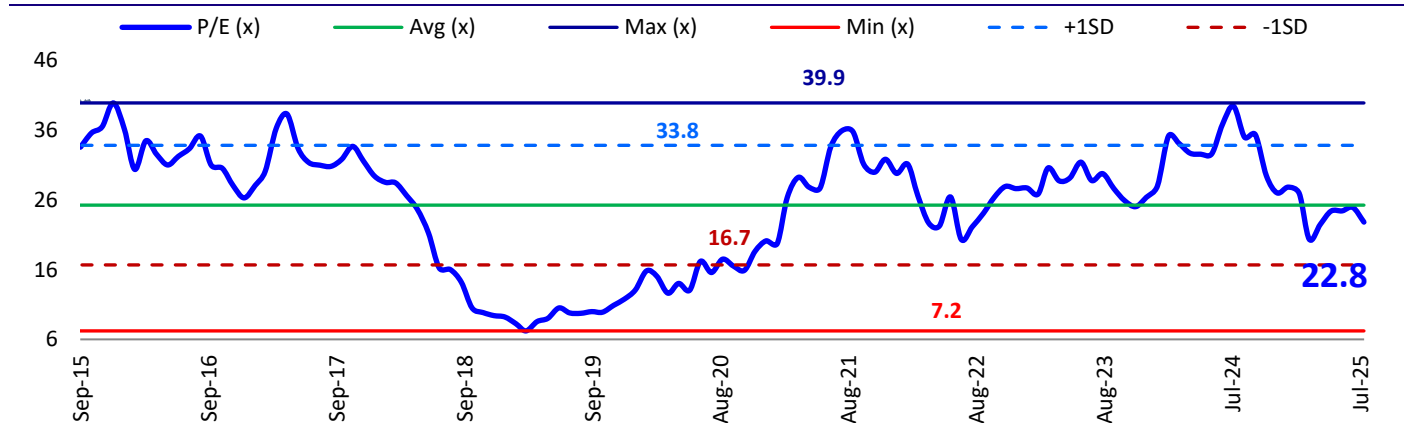
Source: Company, MOFSL

Exhibit 7: Free cash flow



Source: Company, MOFSL

Exhibit 8: One-year forward P/E trades at 22.8x vs. its LT average of 25.3x



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	167,594	156,902	164,870	155,089	174,403
Change (%)	1.8	-6.4	5.1	-5.9	12.5
EBITDA	23,920	18,764	18,798	19,560	21,881
Margin (%)	14.3	12.0	11.4	12.6	12.5
Depreciation	4,283	4,743	5,106	5,348	5,533
EBIT	19,637	14,021	13,691	14,212	16,348
Int. and Finance Charges	404	293	325	305	312
Other Income	1,013	1,078	2,100	1,571	1,742
PBT bef. EO Exp.	20,247	14,805	15,466	15,478	17,777
EO Items	0	557	0	0	0
PBT after EO Exp.	20,247	15,362	15,466	15,478	17,777
Current Tax	4,992	3,934	4,011	3,896	4,475
Tax Rate (%)	24.7	25.6	25.9	25.2	25.2
Reported PAT	15,255	11,428	11,455	11,582	13,303
Adjusted PAT	15,255	11,013	11,455	11,582	13,303
Change (%)	17.8	-27.8	4.0	1.1	14.9
Margin (%)	9.1	7.0	6.9	7.5	7.6

Standalone - Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	1,377	1,377	1,377	1,377	1,377
Total Reserves	68,579	75,516	83,160	90,802	99,580
Net Worth	69,956	76,893	84,537	92,179	100,957
Deferred Tax Liabilities	8,461	9,108	9,589	9,589	9,589
Total Loans	0	0	0	0	0
Capital Employed	78,417	86,000	94,125	101,768	110,546
Gross Block	104,085	113,079	122,526	126,203	131,146
Less: Accum. Deprn.	30,721	35,464	40,571	45,918	51,451
Net Fixed Assets	73,364	77,615	81,955	80,285	79,694
Capital WIP	9,831	9,180	8,389	14,711	19,769
Total Investments	317	1,364	1,477	1,477	1,477
Curr. Assets, Loans, and Adv.	25,439	28,425	34,330	35,448	43,499
Inventory	612	587	619	574	646
Account Receivables	10,212	10,298	10,240	9,632	10,832
Cash and Bank Balance	6,810	9,261	3,594	6,542	10,994
Cash balance	6,747	9,160	3,269	6,217	10,668
Bank balance	63	101	325	325	325
Loans and Advances	7,806	8,279	19,878	18,699	21,028
Curr. Liability and Prov.	30,534	30,583	32,026	30,153	33,894
Account Payables	7,156	7,002	7,199	6,680	7,517
Other Current Liabilities	22,554	22,787	24,076	22,648	25,468
Provisions	824	794	750	825	908
Net Current Assets	-5,095	-2,158	2,305	5,294	9,605
Appl. of Funds	78,417	86,000	94,125	101,768	110,546

Financials and valuations

Ratios

Y/E March (INR)	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	22.2	16.0	16.6	16.8	19.3
Cash EPS	28.4	22.9	24.1	24.6	27.4
BV/Share	101.6	111.7	122.8	133.9	146.7
DPS	6.7	5.7	5.7	5.7	6.6
Payout (%)	30.0	34.1	34.0	34.0	34.0
Valuation (x)					
P/E	19.4	26.9	25.8	25.6	22.3
Cash P/E	15.2	18.8	17.9	17.5	15.7
P/BV	4.2	3.8	3.5	3.2	2.9
EV/Sales	1.7	1.8	1.8	1.9	1.6
EV/EBITDA	12.1	15.3	15.6	14.8	13.0
Dividend Yield (%)	1.5	1.3	1.3	1.3	1.5
FCF per share	18.8	10.8	15.3	8.2	11.0
Return Ratios (%)					
RoE	24.2	15.0	14.2	13.1	13.8
RoCE	31.6	20.6	19.6	17.9	18.7
Working Capital Ratios					
Asset Turnover (x)	2.1	1.8	1.8	1.5	1.6
Inventory (Days)	1	1	1	1	1
Debtor (Days)	22	24	23	23	23
Creditor (Days)	16	16	16	16	16
Working Cap. Turnover (Days)	-26	-27	-3	-3	-3
Leverage Ratio (x)					
Current Ratio	0.8	0.9	1.1	1.2	1.3
Debt/Equity ratio	-0.1	-0.1	0.0	-0.1	-0.1

Standalone - Cash Flow Statement

(InR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	20,247	15,362	15,466	15,478	17,777
Depreciation	4,283	4,743	5,106	5,348	5,533
Interest and Finance Charges	404	293	325	305	312
Direct Taxes Paid	-4,608	-3,227	-3,115	-3,896	-4,475
(Inc.)/Dec. in WC	4,052	-201	1,544	-42	140
Others	-597	-630	-1,267	-1,571	-1,742
CF from Operations	23,780	16,340	18,059	15,622	17,547
(Inc.)/Dec. in FA	-10,867	-8,371	-7,517	-10,000	-10,000
Free Cash Flow	12,912	7,412	10,541	5,622	7,547
Others	454	584	-11,695	1,571	1,742
CF from Investments	-10,413	-8,787	-19,213	-8,429	-8,258
Inc./(Dec.) in Debt	-4,779	0	0	0	0
Interest Paid	-381	-273	-299	-305	-312
Dividend Paid	-1,379	-4,575	-3,891	-3,940	-4,525
CF from Fin. Activity	-6,784	-5,141	-4,737	-4,244	-4,837
Inc./Dec. in Cash	6,583	2,413	-5,891	2,949	4,451
Opening Balance	164	6,747	9,159	3,268	6,217
Closing Balance	6,747	9,159	3,268	6,217	10,668

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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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