



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

Gujarat State Petronet

08 February 2025

Result below expectations; Maintain HOLD

RESULT UPDATE

Sector: Natural Gas Rating: HOLD

CMP: Rs 332 Target Price: Rs353

Stock Info

Sensex/Nifty 77,860/23,560

Bloomberg GUJS IN

Equity shares (mn) 564

52-wk High/Low Rs 470/260

Face value Rs 10

M-Cap Rs189bn/ USD 2.2bn

3-m Avg value Rs11bn

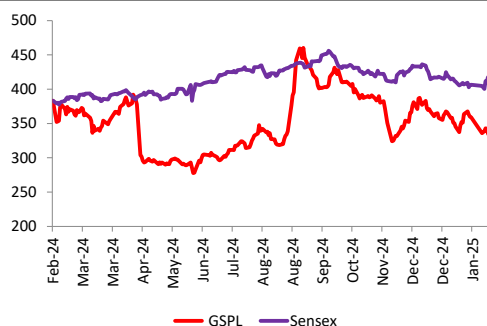
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	20	12	12
EBITDA	15	9	10
PAT	13	9	10
EPS (Rs)	23	16	17
PE (x)	14.6	20.9	19.6
EV/EBITDA (x)	14.3	12.1	19.3
RoE (%)	12.5	8.3	8.4
RoCE (%)	12.1	6.2	6.3
Dividend yield (%)	1.5	1.4	1.5

Shareholding Pattern (%)

	Jun'24	Sep'24	Dec'24
Promoter	37.6	37.6	37.6
FII	15.8	15.2	14.7
DII	23.6	24.8	25.8
Others	23.0	22.4	21.9

Stock Performance (1-year)



Gujarat State Petronet's (GSPL) Q3FY25 operating profit was below our expectation due to lower-than-expected volume partially offset by a marginal better tariff. However, net profit was in line with estimates owing to higher other income. The company's revenue declined 53% YoY (1% QoQ) to Rs2.6 bn (vs our Est. of Rs2.8bn). Volume dipped to 29mmscmd, flattish YoY/-2.2% QoQ owing to lower offtake from Power (-45.7% YoY) and Fertilizer (-10% YoY) while offtake improved from the Refinery, CGD and Others (5.3%/3.2%/19.6% YoY). The reported tariff moderately improved by 6.2% QoQ to Rs0.96/scm. GSPL's EBITDA/scm rose 2% QoQ to Rs0.72 (-49% YoY) where higher tariff was offset by increased opex. Absolute EBITDA dropped 49.3% YoY/-0.2% QoQ to Rs1.9bn. Due to below-than-expected numbers, we cut volume estimates from 33mmscmd to 31mmscmd for FY25 and assume 5% growth for FY26E. Consequently, we cut revenue/EBITDA estimates by 7.4%/9.1% for FY25E and keep FY26E estimates largely unchanged. Consequently, we retain our TP to Rs353 from earlier Rs364. Maintain HOLD.

Resilient growth in Petchem & CGD, while Power sector struggles

GSPL's gas volume has shown notable fluctuations, peaking at 36.4mmscmd in Q1FY25 before dropping to 29mmscmd in Q3FY25, marking a 2.2% decline QoQ but remaining flat YoY. Among key segments, CGD witnessed steady growth, climbing 3.2% YoY/7.8% QoQ, indicating rising demand. Refinery/Petchem also grew 5.3% YoY and 4.3% QoQ, suggesting a rebound in industrial consumption. However, Fertilizer demand dipped 10% YoY, maintaining stability QoQ, signaling industry challenges. The most dramatic decline came from Power, plunging 45.7% YoY/-58.0% QoQ, reflecting a potential shift in energy sourcing. Meanwhile, the others category surged 19.6% YoY, highlighting diversified demand. We expect transmission volume to jump from 30.5mmscmd in FY24 to 31mmscmd/32.6mmscmd in FY25E/FY26E.

Valuation and Outlook

Few months back, GSPC group announced plans to restructure GSPL into Gujarat Gas (merger ratio 10:13) and a pure play gas transmission unit named "GSPL Transmission" to be carved out separately. This move is designed to provide a streamlined and focused operational outlook, ensuring transparency and delivering added value for shareholders. We expect the spot LNG price to decline in coming months boosting its volume from 33mmscmd to 31mmscmd for FY25 and assume 5% growth for FY26E. Consequently, we cut revenue/EBITDA estimates by 7.4%/9.1% for FY25E and keep FY26E estimates largely unchanged. Consequently, we retain our TP to Rs353 from earlier Rs364. Maintain HOLD.

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Investors are advised to refer disclosures made at the end of the research report.

Exhibit 1: Actual vs Estimates

(Rs mn)	Actual	Estimates	%Variance
Net sales	2,604	2,790	(6.7)
EBITDA	1,925	2,150	(10.5)
EBITDA margin (%)	73.9	77.1	(314)
Net income	1,356	1,384	(2.0)
FDEPS (Rs)	2.4	2.5	(2.0)

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Highlights

Rs mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% Chg YoY	% Chg QoQ
Net sales	5,543	5,068	3,543	2,580	2,604	-53.0%	1.0%
Expenditure	1,746	1,288	533	650	679	-61.1%	4.5%
EBITDA	3,796	3,780	3,010	1,929	1,925	-49.3%	-0.2%
EBITDA margin (%)	68.5	74.6	84.9	74.8	73.9	543	(88)
Depreciation	488	486	490	511	512	4.9%	0.3%
Interest	12	19	13	11	9	-25.0%	-21.0%
Other income	211	296	328	2,939	412	95.5%	-86.0%
PBT	3,507	3,571	2,835	4,346	1,816	-48.2%	-58.2%
Tax	884	960	715	453	460	-47.9%	1.6%
Effective tax rate (%)	25.2	26.9	25.2	10.4	25.3	13	1,492
PAT	2,622	2,611	2,120	3,893	1,356	-48.3%	-65.2%
EPS (Rs)	4.6	4.6	3.8	6.9	2.4	-48.3%	-65.2%
Volume (mmscmd)	29.0	33.4	36.4	29.7	29.0	0.0%	-2.2%
CGD	10.9	11.4	12.6	10.4	11.2	3.2%	7.8%
Refinery/Petchem	6.4	8.7	7.5	6.5	6.8	5.3%	4.3%
Fertilizer	4.7	4.6	4.5	4.2	4.2	-10.0%	0.0%
Power	2.5	2.9	6.4	3.2	1.3	-45.7%	-58.0%
Others	4.6	5.6	5.4	5.4	5.5	19.6%	2.0%
Reported tariff (Rs/scm)	2.00	1.65	1.04	0.90	0.96	-51.9%	6.2%
Implied tariff (Rs/scm)	1.63	1.48	0.98	0.83	0.87	-46.6%	4.7%
Opex (Rs/scm)	0.65	0.42	0.16	0.24	0.25	-61.1%	6.8%
EBITDA (Rs/scm)	1.42	1.24	0.91	0.71	0.72	-49.3%	2.0%

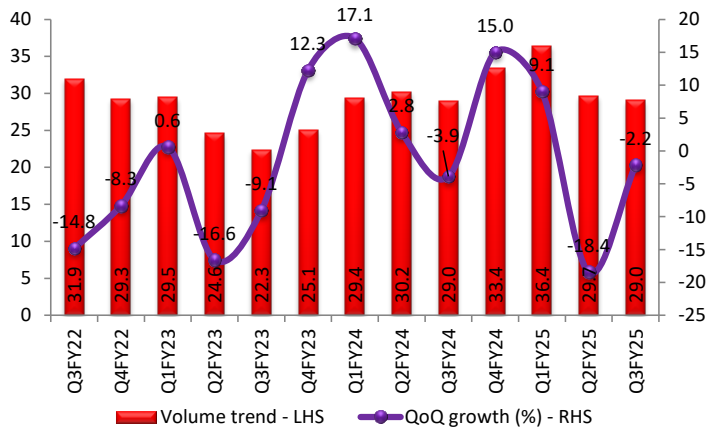
Source: Company, Systematix Institutional Research

Exhibit 3: Change in Estimates

Key Parameters (Rs mn)	FY25E			FY26E		
	Old	New	%Chg	Old	New	%Chg
Volume (mmscfd)	33.0	31.0	(6.1)	34.7	32.6	(6.1)
Revenue	12,428	11,514	(7.4)	12,432	12,203	(1.8)
EBITDA	10,053	9,138	(9.1)	10,023	9,795	(2.3)
Net Profit	8,881	8,971	1.0	9,315	9,574	2.8
EPS (Rs)	15.7	15.9	1.0	16.5	17.0	2.8

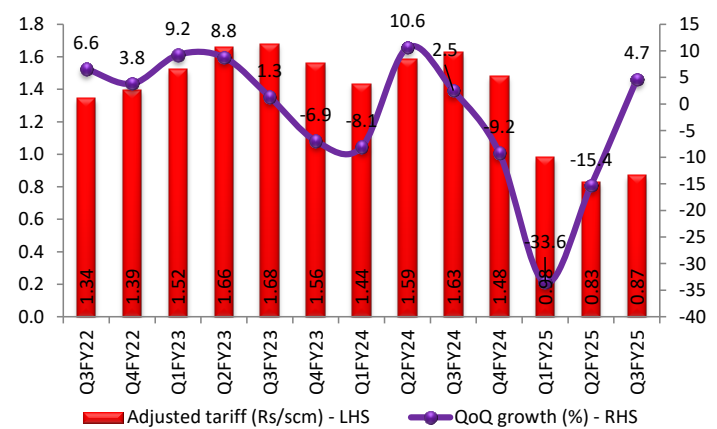
Source: Company, Systematix Institutional Research

Exhibit 4: Volume (mmscmd) and QoQ growth



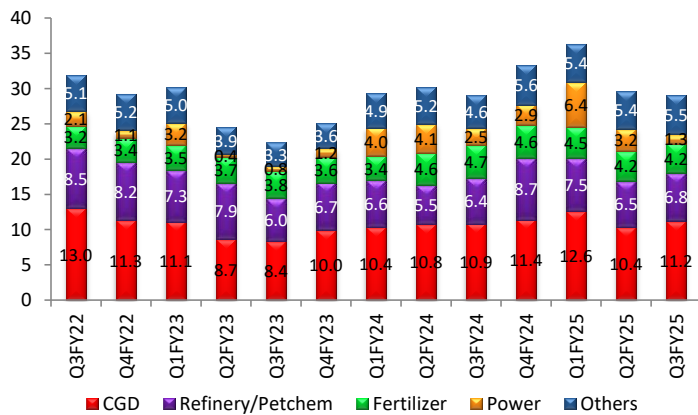
Source: Company, Systematix Institutional Research

Exhibit 5: Adjusted tariff (Rs/scm) and QoQ growth



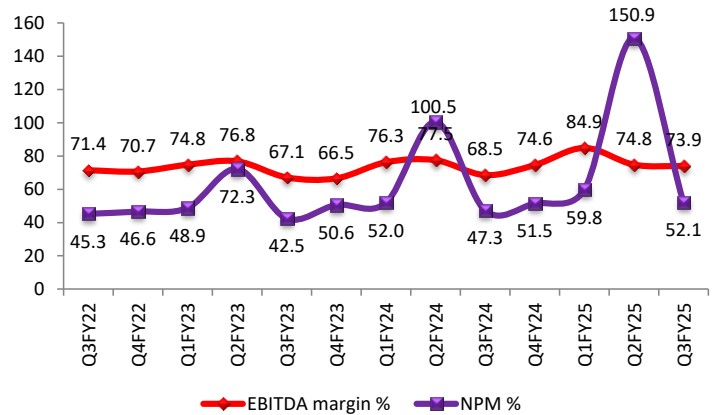
Source: Company, Systematix Institutional Research

Exhibit 6: Segmental Volume Split (mmscmd)



Source: Company, Systematix Institutional Research

Exhibit 7: EBITDA and Net Profit Margin (%)



Source: Company, Systematix Institutional Research, *Higher other income in Q2FY25

FINANCIALS (STANDALONE)

Profit & Loss Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenue	20,200	17,618	20,315	11,514	12,203
Employee cost	653	722	803	810	862
Op. & maintenance exp	3,609	2,502	2,909	628	618
Other expenses	1,962	1,807	1,563	938	928
EBITDA	13,976	12,587	15,041	9,138	9,795
Depreciation	1,960	1,939	1,920	2,043	2,166
EBIT	12,016	10,648	13,121	7,095	7,629
Interest Cost	313	47	49	40	20
Other Income	1,045	1,684	3,351	4,021	4,825
PBT Before Exceptionals	12,748	12,286	16,422	11,075	12,434
Exceptional Items	0	0	0	0	0
PBT	12,748	12,286	16,422	11,075	12,434
Tax	2,958	2,836	3,576	2,104	2,860
Reported PAT	9,791	9,450	12,846	8,971	9,574
Adjusted PAT	9,791	9,450	12,846	8,971	9,574
Reported EPS (Rs)	17.4	16.7	22.8	15.9	17.0
Adjusted EPS (Rs)	17.4	16.7	22.8	15.9	17.0

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Pre-Tax Profit	13,165	12,286	16,422	11,075	12,434
Depreciation	1,960	1,939	1,920	2,043	2,166
Change in Working Capital	-202	-274	109	1,097	-346
Tax Paid	-3,062	-2,741	-3,534	-2,139	-2,893
Other Operating Activities	-1,135	-1,546	-3,192	-3,981	-4,805
Operating Cash Flow	10,727	9,664	11,724	8,096	6,556
Capital Expenditure	-773	-1,892	-4,157	-3,000	-3,000
Change in Investments	-149	-830	-10,155	0	0
Other Investing Activities	912	1,137	3,249	4,021	4,825
Investing Cash Flow	-11	-1,585	-11,064	1,021	1,825
Free Cash Flow	10,716	8,079	660	9,116	8,381
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	-9,348	-875	0	0	0
Other Financing Activities	-1,380	-1,151	-2,843	-3,270	-3,467
Financing Cash Flow	-10,729	-2,026	-2,843	-3,270	-3,467
Change in Cash	-13	6,053	-2,182	5,847	4,914
Opening Cash Balance	877	864	6,917	4,734	10,581
Closing Cash Balance	864	6,917	4,734	10,581	15,495

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Transmission vol. (mmcmd)	33.9	25.4	30.5	31.0	32.6
Average Tariff (Rs/mmbtu)	38.4	44.4	42.5	23.0	23.2

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share Capital	5,642	5,642	5,642	5,642	5,642
Reserves & Surplus	78,787	87,090	97,059	1,02,800	1,08,928
Networth	84,429	92,732	1,02,701	1,08,442	1,14,570
Short + Long Term Debt	877	0	0	0	0
Capital Employed	90,887	98,435	1,08,399	1,14,133	1,20,255
Net Block	33,255	31,552	30,353	31,233	31,990
Capital WIP	2,531	4,257	7,618	7,694	7,771
Total Fixed Assets	35,785	35,809	37,971	38,928	39,762
Long Term Inv. & Others	53,383	53,248	54,758	54,831	54,907
Current Assets	4,231	11,825	18,080	22,598	27,831
Short Term Investments	0	0	0	0	0
Inventories	1,890	2,121	2,108	1,195	1,267
Sundry Debtors	1,295	1,440	1,412	800	848
Cash & Bank Balance	864	6,917	4,734	10,581	15,495
Short Term Loans & Adv.	14	15	14	14	14
Others	168	1,333	9,811	10,007	10,207
Current Liab. & Provisions	2,513	2,448	2,409	2,223	2,246
Creditors	654	510	375	169	171
Other Current Liabilities	1,859	1,938	2,034	2,054	2,075
Net Current Assets	1,718	9,378	15,671	20,374	25,585
Total Assets	90,887	98,435	1,08,399	1,14,133	1,20,255

Source: Company, Systematix Institutional Research

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
EBITDA growth	-5.1%	-9.9%	19.5%	-39.2%	7.2%
Adjusted PAT growth	5.2%	-3.5%	35.9%	-30.2%	6.7%
PBT margin	63.1%	69.7%	80.8%	96.2%	101.9%
Effective Tax rate	23.2%	23.1%	21.8%	19.0%	23.0%
Adjusted PAT margin	48.5%	53.6%	63.2%	77.9%	78.5%
Operating Cycle					
Inventory days	34	44	38	38	38
Debtor days	23	30	25	25	25
Creditor days	38	37	26	26	26
Working Capital Cycle	19	37	37	37	37
Return Ratios					
ROE	11.6%	10.2%	12.5%	8.3%	8.4%
Pre-tax ROCE	13.2%	10.8%	12.1%	6.2%	6.3%
Capex/revenue	-2.5%	11.1%	20.1%	26.1%	24.6%
Net debt / Equity	0.0	-0.1	0.0	-0.1	-0.1
Yield Analysis					
CFO Yield	5.7%	5.2%	6.3%	4.3%	3.5%
FCF Yield	6.0%	4.1%	4.1%	2.9%	2.4%
Dividend Yield	0.6%	1.5%	1.5%	1.4%	1.5%
Valuation					
P/E (x)	19.1	19.8	14.6	20.9	19.6
P/B (x)	2.2	2.0	1.8	1.7	1.6
EV/EBITDA (x)	13.4	13.4	14.3	12.1	19.3

Source: Company, Systematix Institutional Research

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