

10 March 2024

India | Equity Research | Sector Update

## Oil & Gas

### CGD price cut and ministry/regulator comments – storm in a tea cup

A Petroleum and Natural Gas Regulatory Board (PNGRB) member and the Oil Ministry ([link](#)), recently flagged execution delays and profit margins of city gas distribution companies (CGD). We believe the comments, in conjunction with the price cuts taken in the CNG segment – INR 2.5/kg by MGL and IGL, effective 6<sup>th</sup> Mar'24 and 7<sup>th</sup> Mar'24, respectively, have combined to steeply impact CGD stocks negatively. That said, we do find comfort in PNGRB clarifying that they do not intend to regulate margins for CGDs, coupled with the fact that gross margins for both IGL/MGL remain above historical levels and FY25 estimates despite the price cut. With valuations at comfortable levels and no material threat to margins, we maintain BUY on MGL, ADD on IGL and SELL on GUJGA at these levels.

#### Imperceptible margin hit from price cut

MGL and IGL announced price cuts of INR 2.5/kg each (6-7<sup>th</sup> Mar'24) based on the recent softening of LNG prices – trading below USD 9/mmbtu (Q4FY24TD average of 9.2/MMbtu) vs. average of ~USD 15.2/MMbtu in Q3FY24. We believe these cuts are in line with the recent ebb in spot LNG prices and would hardly pinch margins/profitability for these CGDs. Also, recently, GUJGA reduced its Morbi industrial prices by INR 3.9/scm to pass on the benefit of a lower LNG price to customers and shore up volume growth ([link](#)). Even post the price cut, IGL's gross margin is likely to see upside risk to our FY25E of INR 13.6/scm and MGL should see little impact vs. our estimates of INR 19.2/scm. After these cuts on CNG prices, CNG trades at ~50% discount to petrol whereas ~40% to diesel. These should help boost CNG vehicle conversion and drive volumes momentum.

#### Mandate to grow penetration; lower margins likely untenable

We are puzzled by the need articulated by the regulator to increase penetration and invest aggressively to expand the CGD sector, while in the same breath it appeals for lower profit margins. Although the mandate to fulfil capex requirements by new players is laudable, reducing the incentives to do so directionally will deter investment in the space in the near term. Also, the comment by the PNGRB member ([link](#)) that profit margins are in the range of 20% for CGDs is a bit optimistic – IGL's profit margins for the last four years have been in the tune of ~15-16% (well in line with "reasonable profit margins" mentioned by the regulator; MGL has clocked 19-20% only in the last two years – given that the Supreme Court judgement in IGL vs. PNGRB had clearly stated that end-user prices cannot be regulated by the PNGRB Act, we are unsure of how profitability is sought to be reduced by the Regulator.

#### PNGRB public notice impact unclear

The regulator, in a recent filing ([link](#)), reiterated the CY21 expiry of the network exclusivity for MGL, implying that eventually, third-party access to MGL network will be regularised. We note that competition may find it difficult to penetrate in MMR even with the right to access the Network, owing to: 1) scarce land availability for CNG stations; 2) scarce domestic gas availability; and 3) threat of MGL reciprocating by entering competition's authorised areas.

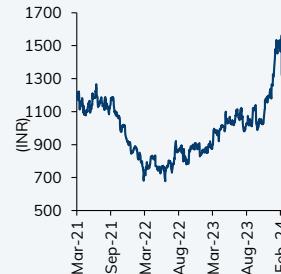
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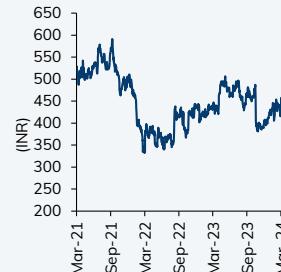
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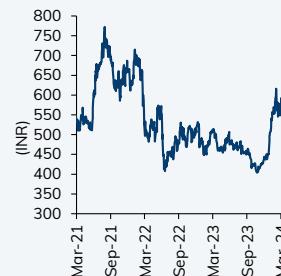
#### Mahanagar Gas



#### Indraprastha Gas



#### Gujarat Gas



**Exhibit 1: Even after CNG price cut, IGL likely to report higher margin vs. base case (FY24E) and Q3FY24**

		Q3FY24	FY25E Base case	Scenario 1	Scenario 2	Scenario 3
IGL						
Spot LNG	USD/mmbtu	15.81	16.00	9.00	10.00	11.00
CNG Realisation	INR/kg	75.2	74.0	74.1	74.1	74.1
Net CNG Realisation	INR/scm	45.8	47.1	45.9	45.9	45.9
Gas Cost	INR/scm	30.5	30.7	26.0	26.7	27.5
<b>Gross margin</b>	<b>INR/scm</b>	<b>15.4</b>	<b>16.3</b>	<b>19.9</b>	<b>19.1</b>	<b>18.4</b>
Gross margin	INR mn	8,945.9	40,511.6	12,033.0	11,574.2	11,115.5
PNG Realisation	INR/scm	48.4	47.6	48.6	48.6	48.6
Gas Cost	INR/scm	30.5	30.7	26.0	26.7	27.5
<b>Gross margin</b>	<b>INR/scm</b>	<b>17.9</b>	<b>16.8</b>	<b>22.6</b>	<b>21.9</b>	<b>21.1</b>
Gross margin	INR mn	1,017.0	3,801.9	1,332.6	1,287.9	1,243.2
<b>Total Gross Margin</b>	<b>INR mn</b>	<b>10,103.4</b>	<b>44,900.3</b>	<b>13,510.5</b>	<b>13,007.0</b>	<b>12,503.5</b>
<b>Gross Margin</b>	<b>INR/scm</b>	<b>12.9</b>	<b>13.6</b>	<b>16.7</b>	<b>16.1</b>	<b>15.4</b>

Source: Company data, I-Sec research

**Exhibit 2: MGL margins likely to remain intact post price cut**

		Q3FY24	FY25E Base case	Scenario 1	Scenario 2	Scenario 3
MGL						
Spot LNG	USD/mmbtu	16.2	16.6	9.1	10.0	10.4
Volume	mmscmd	2.6	2.7	2.7	2.7	2.7
CNG Realisation	INR/kg	76.0	79.3	73.5	73.5	73.5
Net CNG Realisation	INR/scm	45.8	47.8	43.6	43.6	43.6
Gas Cost	INR/scm	23.3	25.0	22.5	23.1	23.4
<b>Gross margin</b>	<b>INR/scm</b>	<b>22.5</b>	<b>22.8</b>	<b>21.1</b>	<b>20.5</b>	<b>20.2</b>
Gross margin	INR mn	5,390.4	22,647.3	5,101.1	4,955.7	4,883.1
Volume	mmscmd	0.5	0.5	0.5	0.5	0.5
PNG Realisation	INR/scm	47.0	47.0	47.0	47.0	47.0
Gas Cost	INR/scm	23.3	25.0	22.5	23.1	23.4
<b>Gross margin</b>	<b>INR/scm</b>	<b>23.7</b>	<b>22.0</b>	<b>24.5</b>	<b>23.9</b>	<b>23.6</b>
Gross margin	INR mn	1,143.2	4,389.5	1,204.6	1,175.1	1,160.3
<b>Total Gross Margin</b>	<b>INR mn</b>	<b>6,495.2</b>	<b>26,575.9</b>	<b>6,588.2</b>	<b>6,371.7</b>	<b>6,263.5</b>
<b>Gross Margin</b>	<b>INR/scm</b>	<b>19.4</b>	<b>19.2</b>	<b>19.5</b>	<b>18.9</b>	<b>18.5</b>

Source: Company data, I-Sec research

**Exhibit 3: Sensitivity on GUJGA earnings with decline in spot LNG prices**

		Q3FY24	FY25E Base case	Scenario 1	Scenario 2	Scenario 3
GUJGA						
Spot LNG Price		15.39	11.6	9.0	10.5	11.3
CNG Realisation	INR/kg	75.0	74.3	74.3	74.3	74.3
Net CNG Realisation	INR/scm	48.0	48.0	48.0	48.0	48.0
Gas Cost	INR/scm	27.7	27.7	26.8	27.4	27.7
Gross margin	INR/scm	20.3	20.3	21.2	20.6	20.3
<b>Gross Margin</b>	<b>INR mn</b>	<b>5,184</b>	<b>21,489</b>	<b>5,639</b>	<b>5,482</b>	<b>5,399</b>
Net PNG Realisation	INR/scm	45.0	46.0	45.0	45.0	45.0
Gas Cost	INR/scm	27.7	27.7	26.8	27.4	27.7
<b>Gross margin</b>	<b>INR/scm</b>	<b>17.3</b>	<b>18.3</b>	<b>18.2</b>	<b>17.6</b>	<b>17.3</b>
Gross Margin	INR mn	1,128	5,121	1,295	1,253	1,231
I/C						
Net Morbi Relaisation	INR/scm	44.3	45.0	40.4	40.4	40.4
Gross Margin	INR/scm	1.4	4.1	8.1	5.7	4.4
Gross Margin	INR mn	746	11,122	5,019	3,530	2,746
<b>Total Gross Margin</b>	<b>INR mn</b>	<b>7,059</b>	<b>37,733</b>	<b>11,953</b>	<b>10,265</b>	<b>9,377</b>
<b>Gross Margin</b>	<b>INR/scm</b>	<b>8.4</b>	<b>9.3</b>	<b>12.5</b>	<b>10.7</b>	<b>9.8</b>

Source: Company data, I-Sec research

**Exhibit 4: Margins profile of CGDs**

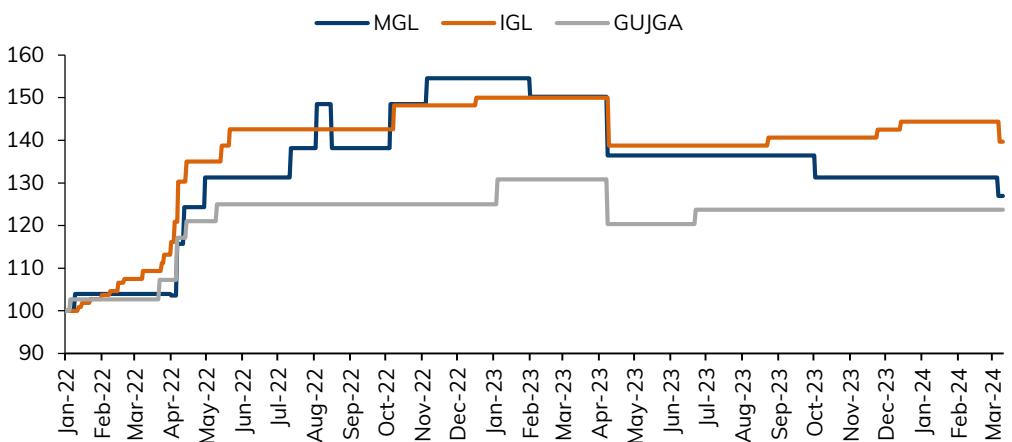
	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>MGL</b>									
EBITDA Margin	35%	32%	35%	43%	26%	19%	31%	28%	26%
PAT Margins	22%	20%	27%	29%	17%	13%	21%	20%	18%
<b>IGL</b>									
EBITDA Margin	25%	22%	23%	30%	24%	14%	17%	16%	15%
PAT Margins	15%	14%	18%	20%	17%	10%	12%	11%	11%
<b>GUJGA</b>									
EBITDA Margin	14%	13%	16%	21%	13%	14%	13%	13%	12%
PAT Margins	5%	5%	12%	13%	8%	9%	8%	8%	7%

Source: Company data, I-Sec research

**Exhibit 5: CNG at discount of 50%/40% vs. petrol/diesel**

	INR per ltr/kg	Mumbai			Delhi			Gujarat		
		Petrol	Diesel	CNG	Petrol	Diesel	CNG	Petrol	Diesel	CNG
Retail price	INR per ltr/kg	106.3	94.3	73.5	96.7	89.6	74.1	96.5	92.2	74.3
Retail price	INR/kg	150.0	114.1	73.5	136.5	108.4	74.1	136.1	111.6	74.3
Calorific Value	Kcal/kg	11,110	11,000	11,950	11,110	11,000	11,950	11,110	11,000	11,950
Retail price per 10k Kcal	INR/10k Kcal	135.0	103.7	61.5	122.8	98.6	62.0	122.5	101.5	62.1
CNG price benefit over others		-54%	-41%		-50%	-37%		-49%	-39%	

Source: Company data, I-Sec research

**Exhibit 6: Index CNG price movement**


Source: Company data, I-Sec research

## Valuations and view

### MGL: Remain positive

The plan of Maharashtra State Transport (MSRTC) to add ~800 new buses, higher conversion run rates of CNG and stronger price competitiveness vs. alternate fuels should drive stronger volume growth going forward. We factor in 5–6% volume growth for MGL over the medium term. We see some moderation in margins over the next two-three years, and estimate EBITDA/scm of INR 14.6/13.6/13.1 for FY24/25/26.

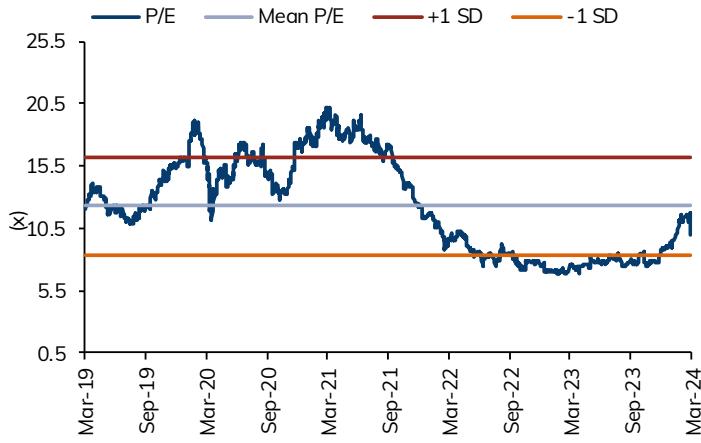
At current market price, MGL trades at 9.9x FY25E and 9.7x FY26E EPS, which is at a steep discount to peers. The current correction provides an attractive opportunity to enter the stock, with our TP of INR 1,550 implying an 18% upside.

### Exhibit 7: Valuation summary

	Assumption
Cost of Equity	13.0%
Cost of Debt	7.3%
Post tax cost of debt	4.8%
Average D/E ratio	35.0%
WACC	10.9%
Terminal Growth rate	3.1%
Total NPV potential INR mn	1,44,911
TP MGL Standalone (INR.sh)	1,467
UEPL (INR.sh)	83
TP (INR.sh)	1,550
CMP (INR.sh)	1,316
Upside/(downside)	18%

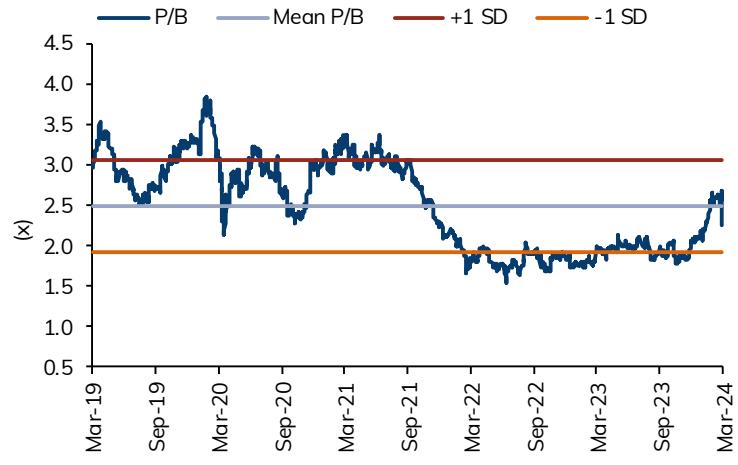
Source: Company data, I-Sec research

### Exhibit 8: MGL's P/E trading well below 5-year band



Source: Company data, I-Sec research

### Exhibit 9: MGL's P/B trading well below 5-year band



Source: Company data, I-Sec research

### IGL: Maintain ADD

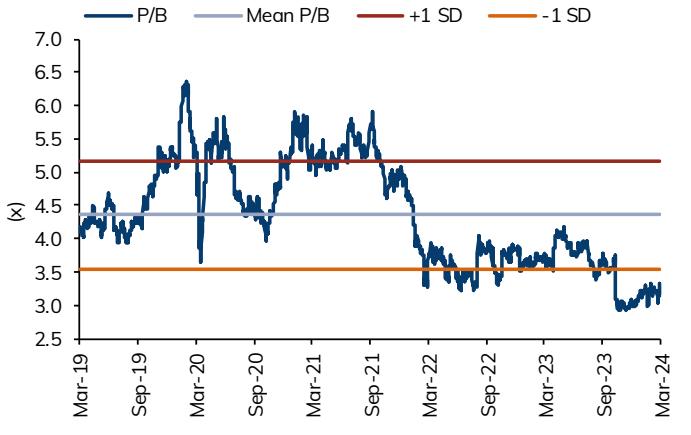
Basis our estimates, even with favourable pricing, aggressive pursuit of new opportunities in commercial vehicles and long haul LNG retail, growth of 5-6% over FY25-30E and ~3% thereafter seems quite probable – well below IGL's 5-year average. The impact of EV policy in Delhi (50% of new 4W vehicle registration have to be EVs by year 3 and 100% by years 5, and all vehicles by Apr'30) cannot be minimised (even if pace of implementation and extent remains uncertain). At these earnings, the stock trades at 16.2x FY26E PER and 9.5x EV/EBITDA, which we believe fairly values the risk-reward and leaves limited upside on the table. Maintain **ADD**.

### Exhibit 10: Valuation summary

	Assumption
Cost of Equity	13.2%
Cost of Debt	8.0%
Average D/E ratio	35.0%
WACC	11.1%
Terminal Growth rate	3.1%
Average NPV potential (INR mn)	2,72,291
IGL Standalone DCF	389
Rewari and MNGL/CUGL	87
Target Price	476
CMP	430
Upside	11%

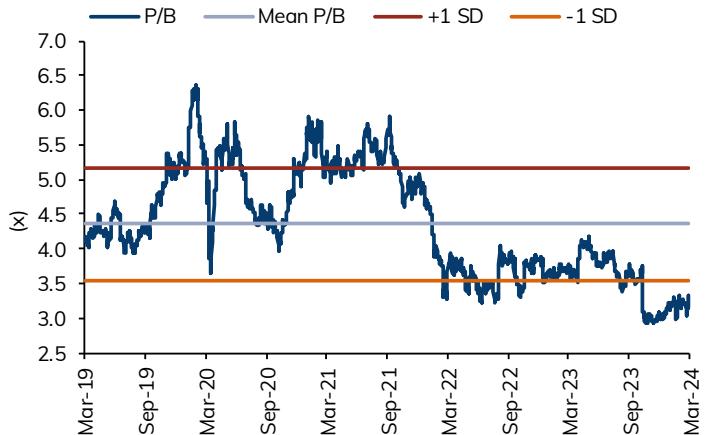
Source: Company data, I-Sec research

### Exhibit 11: P/E band trading below 5-year average



Source: Company data, I-Sec research

### Exhibit 12: P/B band trading below 5-year average



Source: Company data, I-Sec research

## GUJGA: Maintain SELL

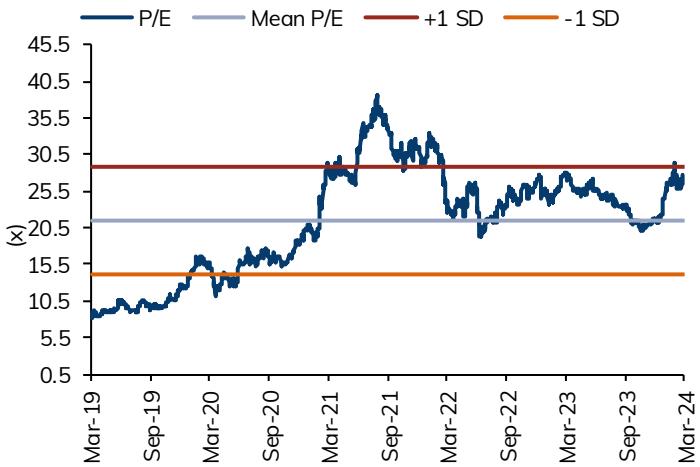
Valuations at the current price are at a peer-leading 26.5x FY25E and 23.8x FY26E EPS – this more than adequately factors in the tactical upside over the short term and does not really factor in the: 1) volatility in propane prices, with a reduction of even USD 50/t bringing propane prices back to a discount of INR 1-2/scm (vs. a premium of INR 1.9/scm post-mentioned price cut of GUJGA); and 2) lower return ratios, owing to high capex and less-than-expected delta from the relatively newer areas developed over the last five years. Reiterate **SELL**.

### Exhibit 13: Valuation summary

	Assumption
Cost of Equity	13.0%
Cost of Debt	6.5%
Average D/E ratio	25.0%
WACC	11.4%
Terminal Growth rate	3.1%
Total NPV potential (INR/sh)	2,51,053
Target Price (INR/sh)	365
CMP (INR/sh)	571
Upside (downside) %	-36%

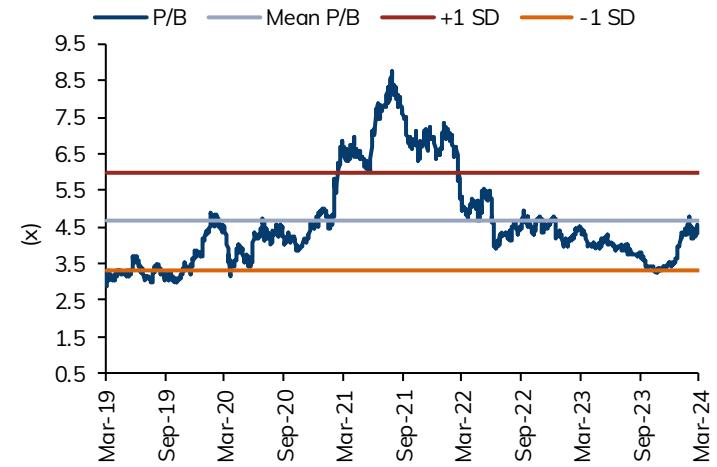
Source: Company data, I-Sec research

### Exhibit 14: GUJGA's P/E trades near higher band



Source: Company data, I-Sec research

### Exhibit 15: GUJGA's P/B trades near 5-year average band



Source: Company data, I-Sec research

## Financial Summary- Mahanagar Gas

### Exhibit 16: Profit & Loss

(INR Mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>62,773</b>	<b>61,718</b>	<b>67,136</b>	<b>72,942</b>
<b>EBITDA</b>	<b>11,842</b>	<b>18,968</b>	<b>18,881</b>	<b>19,274</b>
EBITDA Margin (%)	18.9	30.7	28.1	26.4
Depreciation & Amortization	2,311	2,930	3,350	3,770
<b>EBIT</b>	<b>9,531</b>	<b>16,038</b>	<b>15,531</b>	<b>15,504</b>
Interest expenditure	94	50	50	50
Other Non-operating Income	1,119	1,653	2,019	2,513
<b>PBT</b>	<b>10,556</b>	<b>17,641</b>	<b>17,500</b>	<b>17,967</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	2,655	4,437	4,401	4,519
<b>PAT</b>	<b>7,901</b>	<b>13,204</b>	<b>13,098</b>	<b>13,448</b>
Less: Minority Interest	-	-	-	-
<b>Net Income (Reported)</b>	<b>7,901</b>	<b>13,204</b>	<b>13,098</b>	<b>13,448</b>
Extraordinaries (Net)	-	-	-	-
<b>Recurring Net Income</b>	<b>7,901</b>	<b>13,204</b>	<b>13,098</b>	<b>13,448</b>

Source Company data, I-Sec research

### Exhibit 17: Balance sheet

(INR Mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	6,964	15,226	21,477	28,151
of which cash & bank	2,279	11,640	17,676	24,125
Total Current Liabilities & Provisions	15,612	20,671	23,499	26,246
<b>Net Current Assets</b>	<b>(8,648)</b>	<b>(5,445)</b>	<b>(2,022)</b>	<b>1,904</b>
Other Non Current Assets	2,918	2,918	2,918	2,918
Net Fixed Assets	30,257	34,327	37,977	41,207
Other Fixed Assets	-	-	-	-
Capital Work in Progress	7,086	7,086	7,086	7,086
Non Investment	-	-	-	-
Current Investment	13,098	14,408	15,849	17,434
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>44,711</b>	<b>53,294</b>	<b>61,808</b>	<b>70,549</b>
<b>Liabilities</b>				
<b>Borrowings</b>	-	-	-	-
<b>Deferred Tax Liability</b>	<b>2,086</b>	<b>2,086</b>	<b>2,086</b>	<b>2,086</b>
Lease Liability	-	-	-	-
Other Liabilities	1,283	1,283	1,283	1,283
Equity Share Capital	988	988	988	988
Reserves & Surplus	40,354	48,937	57,451	66,192
<b>Total Net Worth</b>	<b>41,342</b>	<b>49,925</b>	<b>58,438</b>	<b>67,180</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>44,711</b>	<b>53,294</b>	<b>61,808</b>	<b>70,549</b>

Source Company data, I-Sec research

### Exhibit 18: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-23	Sep-23	Dec-23
Net Sales	16,031	15,332	15,651	15,632
% growth (YOY)	-3.8%	-4.4%	2.1%	-0.1%
EBITDA	3,897	5,213	4,789	4,487
Margin %	24.3%	34.0%	30.6%	28.7%
Other Income	336	390	437	481
Extraordinaries				
<b>Adjusted Net Profit</b>	<b>2,688</b>	<b>3,684</b>	<b>3,385</b>	<b>3,172</b>

Source Company data, I-Sec research

### Exhibit 19: Cashflow statement

(INR Mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Cash Flow from operation before working Capital</b>	<b>12,197</b>	<b>18,968</b>	<b>18,881</b>	<b>19,274</b>
Working Capital Changes	134	6,159	2,612	2,523
Tax	(2,638)	(4,437)	(4,401)	(4,519)
<b>Operating Cashflow</b>	<b>9,693</b>	<b>20,690</b>	<b>17,092</b>	<b>17,277</b>
Capital Commitments	(7,127)	(7,000)	(7,000)	(7,000)
<b>Free Cashflow</b>	<b>2,566</b>	<b>13,690</b>	<b>10,092</b>	<b>10,277</b>
Others CFI	(2,092)	343	578	928
<b>Cashflow from Investing Activities</b>	<b>(9,218)</b>	<b>(6,657)</b>	<b>(6,422)</b>	<b>(6,072)</b>
Inc (Dec) in Borrowings	-	-	-	-
Interest Cost	-	(50)	(50)	(50)
Others	(2,848)	(4,621)	(4,584)	(4,707)
<b>Cash flow from Financing Activities</b>	<b>(2,848)</b>	<b>(4,671)</b>	<b>(4,634)</b>	<b>(4,757)</b>
Chg. in Cash & Bank balance	(2,373)	9,362	6,036	6,449
Closing cash & balance	2,279	11,640	17,676	24,125

Source Company data, I-Sec research

### Exhibit 20: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Recurring EPS	80.0	133.7	132.6	136.1
Diluted EPS	80.0	133.7	132.6	136.1
Recurring Cash EPS	103.4	163.3	166.5	174.3
Dividend per share (DPS)	26.0	46.8	46.4	47.6
Book Value per share (BV)	418.5	505.4	591.6	680.1
Dividend Payout (%)	32.5	35.0	35.0	35.0
<b>Growth (%)</b>				
Net Sales	77.5	(1.7)	8.8	8.6
EBITDA	28.1	60.2	(0.5)	2.1
EPS	32.4	67.1	(0.8)	2.7
<b>Valuation Ratios (x)</b>				
P/E	16.5	9.8	9.9	9.7
P/CEPS	12.7	8.1	7.9	7.5
P/BV	3.1	2.6	2.2	1.9
EV / EBITDA	9.7	5.5	5.1	4.6
EV / Operating Income	10.8	5.9	5.5	4.9
Dividend Yield (%)	2.0	3.6	3.5	3.6
<b>Operating Ratios</b>				
EBITDA Margins (%)	18.9	30.7	28.1	26.4
Effective Tax Rate (%)	25.2	25.2	25.2	25.2
Net Profit Margins (%)	12.6	21.4	19.5	18.4
NWC / Total Assets (%)	(19.3)	(10.2)	(3.3)	2.7
Fixed Asset Turnover (x)	1.6	1.4	1.3	1.2
Working Capital Days	(0.6)	(11.3)	(48.0)	(58.4)
Net Debt / Equity %	(37.2)	(52.2)	(57.4)	(61.9)
<b>Profitability Ratios</b>				
RoCE (%)	18.5	26.3	21.5	18.5
RoCE (Pre-tax) (%)	24.7	35.1	28.7	24.7
RoE (%)	20.4	28.9	24.2	21.4

Source Company data, I-Sec research

## Financial Summary - Indraprastha Gas

### Exhibit 21: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>1,41,459</b>	<b>1,44,233</b>	<b>1,60,070</b>	<b>1,70,628</b>
<b>EBITDA</b>	<b>20,398</b>	<b>24,282</b>	<b>25,458</b>	<b>25,381</b>
EBITDA Margin (%)	14.4	16.8	15.9	14.9
Depreciation & Amortization	3,634	4,385	5,040	5,708
<b>EBIT</b>	<b>16,764</b>	<b>19,898</b>	<b>20,419</b>	<b>19,673</b>
Interest expenditure	106	78	28	3
Other Non-operating Income	2,619	2,687	3,794	5,060
<b>PBT</b>	<b>19,277</b>	<b>22,507</b>	<b>24,184</b>	<b>24,729</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	4,827	5,636	6,056	6,192
<b>PAT</b>	<b>14,450</b>	<b>16,871</b>	<b>18,128</b>	<b>18,537</b>
Less: Minority Interest	-	-	-	-
<b>Net Income (Reported)</b>	<b>14,450</b>	<b>16,871</b>	<b>18,128</b>	<b>18,537</b>
Extraordinaries (Net)	-	-	-	-
<b>Recurring Net Income</b>	<b>14,450</b>	<b>16,871</b>	<b>18,128</b>	<b>18,537</b>

Source Company data, I-Sec research

### Exhibit 22: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	38,088	43,908	54,777	65,425
of which cash & bank	26,332	32,908	43,625	54,520
Total Current Liabilities & Provisions	42,791	43,631	48,421	51,615
<b>Net Current Assets</b>	<b>(4,704)</b>	<b>277</b>	<b>6,356</b>	<b>13,809</b>
Other Non Current Assets	-	-	-	-
Net Fixed Assets	57,335	64,611	71,731	78,183
Other Fixed Assets	-	-	-	-
Capital Work in Progress	14,337	14,337	14,337	14,337
Non Investment	3,807	3,807	3,807	3,807
Current Investment	4,191	4,191	4,191	4,191
Deferred Tax assets	(3,168)	(3,168)	(3,168)	(3,168)
<b>Total Assets</b>	<b>71,800</b>	<b>84,056</b>	<b>97,255</b>	<b>1,11,161</b>
<b>Liabilities</b>				
Borrowings	828	428	28	28
Deferred Tax Liability	-	-	-	-
Lease Liability	-	-	-	-
Other Liabilities	107	110	112	115
Equity Share Capital	1,400	1,400	1,400	1,400
Reserves & Surplus	69,466	82,119	95,715	1,09,618
<b>Total Net Worth</b>	<b>70,866</b>	<b>83,519</b>	<b>97,115</b>	<b>1,11,018</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>71,800</b>	<b>84,056</b>	<b>97,255</b>	<b>1,11,161</b>

Source Company data, I-Sec research

### Exhibit 23: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-23	Sep-23	Dec-23
Net Sales	36,872	34,070	34,585	35,562
% growth (YOY)	-0.6%	-7.6%	1.5%	2.8%
EBITDA	4,663	6,424	6,569	5,641
Margin %	12.6%	18.9%	19.0%	15.9%
Other Income	654	457	1,340	550
Extraordinaries				
<b>Adjusted Net Profit</b>	<b>3,298</b>	<b>4,384</b>	<b>5,348</b>	<b>3,921</b>

Source Company data, I-Sec research

### Exhibit 24: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Cash Flow from operation before working Capital</b>	<b>20,670</b>	<b>24,282</b>	<b>25,458</b>	<b>25,381</b>
Working Capital Changes	6,469	1,598	4,641	3,443
Tax	(4,833)	(5,636)	(6,056)	(6,192)
<b>Operating Cashflow</b>	<b>22,306</b>	<b>20,245</b>	<b>24,044</b>	<b>22,632</b>
Capital Commitments	(11,221)	(11,660)	(12,160)	(12,160)
<b>Free Cashflow</b>	<b>11,085</b>	<b>8,585</b>	<b>11,884</b>	<b>10,472</b>
Others CFI	15,217	2,687	3,794	5,060
<b>Cashflow from Investing Activities</b>	<b>3,996</b>	<b>(8,973)</b>	<b>(8,366)</b>	<b>(7,100)</b>
Inc (Dec) in Borrowings	-	-	-	-
Interest Cost	-	(78)	(28)	(3)
Others	(13,586)	(4,618)	(4,932)	(4,634)
<b>Cash flow from Financing Activities</b>	<b>(13,586)</b>	<b>(4,696)</b>	<b>(4,961)</b>	<b>(4,638)</b>
Chg. in Cash & Bank balance	12,716	6,576	10,717	10,894
Closing cash & balance	26,332	32,908	43,625	54,520

Source Company data, I-Sec research

### Exhibit 25: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Recurring EPS	20.6	24.1	25.9	26.5
Diluted EPS	20.6	24.1	25.9	26.5
Recurring Cash EPS	25.8	30.4	33.1	34.6
Dividend per share (DPS)	13.0	6.0	6.5	6.6
Book Value per share (BV)	101.2	119.3	138.7	158.6
Dividend Payout (%)	63.0	25.0	25.0	25.0
<b>Growth (%)</b>				
Net Sales	83.5	2.0	11.0	6.6
EBITDA	8.4	19.0	4.8	(0.3)
EPS	9.9	16.8	7.5	2.3
<b>Valuation Ratios (x)</b>				
P/E	20.8	17.8	16.6	16.2
P/CEPS	16.6	14.2	13.0	12.4
P/BV	4.2	3.6	3.1	2.7
EV / EBITDA	13.3	10.9	9.9	9.5
EV / Operating Income	14.0	11.7	10.5	9.8
Dividend Yield (%)	3.0	1.4	1.5	1.5
<b>Operating Ratios</b>				
EBITDA Margins (%)	14.4	16.8	15.9	14.9
Effective Tax Rate (%)	25.0	25.0	25.0	25.0
Net Profit Margins (%)	10.2	11.7	11.3	10.9
NWC / Total Assets (%)	(6.6)	0.3	6.5	12.4
Fixed Asset Turnover (x)	2.1	1.8	1.7	1.6
Working Capital Days	(4.5)	(9.3)	(11.3)	(11.5)
Net Debt / Equity %	(41.9)	(43.9)	(49.2)	(52.9)
<b>Profitability Ratios</b>				
RoCE (%)	17.7	19.2	16.9	14.2
RoCE (Pre-tax) (%)	23.6	25.6	22.6	18.9
RoE (%)	20.6	21.9	20.1	17.8

Source Company data, I-Sec research

## Financial Summary - Gujarat Gas

### Exhibit 26: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>1,67,594</b>	<b>1,58,443</b>	<b>1,93,721</b>	<b>2,21,239</b>
<b>EBITDA</b>	<b>23,920</b>	<b>20,489</b>	<b>24,277</b>	<b>27,109</b>
EBITDA Margin (%)	14.3	12.9	12.5	12.3
Depreciation & Amortization	4,283	4,787	5,291	5,795
<b>EBIT</b>	<b>19,637</b>	<b>15,702</b>	<b>18,987</b>	<b>21,315</b>
Interest expenditure	404	82	42	2
Other Non-operating Income	1,013	878	757	649
<b>PBT</b>	<b>20,247</b>	<b>16,499</b>	<b>19,702</b>	<b>21,962</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	4,992	4,068	4,857	5,415
<b>PAT</b>	<b>15,255</b>	<b>12,431</b>	<b>14,844</b>	<b>16,547</b>
Less: Minority Interest	-	-	-	-
<b>Net Income (Reported)</b>	<b>15,255</b>	<b>12,431</b>	<b>14,844</b>	<b>16,547</b>
Extraordinaries (Net)	-	-	-	-
<b>Recurring Net Income</b>	<b>15,255</b>	<b>12,431</b>	<b>14,844</b>	<b>16,547</b>

Source Company data, I-Sec research

### Exhibit 27: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	19,792	18,230	26,099	34,055
of which cash & bank	6,810	6,675	13,405	20,843
Total Current Liabilities & Provisions	27,750	25,053	29,473	32,197
<b>Net Current Assets</b>	<b>(7,958)</b>	<b>(6,823)</b>	<b>(3,373)</b>	<b>1,858</b>
Other Non Current Assets	-	-	-	-
Net Fixed Assets	73,364	80,577	87,287	93,492
Other Fixed Assets	-	-	-	-
Capital Work in Progress	9,831	9,831	9,831	9,831
Non Investment	-	-	-	-
Current Investment	5,964	6,464	6,964	7,464
Deferred Tax assets	(8,461)	(8,461)	(8,461)	(8,461)
<b>Total Assets</b>	<b>72,740</b>	<b>81,588</b>	<b>92,247</b>	<b>1,04,184</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>1,523</b>	<b>1,023</b>	<b>523</b>	<b>23</b>
<b>Deferred Tax Liability</b>	-	-	-	-
Lease Liability	-	-	-	-
Other Liabilities	1,261	1,286	1,312	1,338
Equity Share Capital	1,377	1,377	1,377	1,377
Reserves & Surplus	68,579	77,902	89,036	1,01,446
<b>Total Net Worth</b>	<b>69,956</b>	<b>79,279</b>	<b>90,412</b>	<b>1,02,823</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>72,740</b>	<b>81,588</b>	<b>92,247</b>	<b>1,04,184</b>

Source Company data, I-Sec research

### Exhibit 28: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-23	Sep-23	Dec-23
Net Sales	39,286	37,815	38,454	39,291
% growth (YOY)	-15.9%	-26.9%	-3.3%	6.6%
EBITDA	5,603	3,880	4,966	4,007
Margin %	14.3%	10.3%	12.9%	10.2%
Other Income	320	239	298	230
Extraordinaries				
Adjusted Net Profit	3,694	2,151	2,978	2,203

Source Company data, I-Sec research

### Exhibit 29: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Cash Flow from operation before working Capital</b>	<b>24,336</b>	<b>20,489</b>	<b>24,277</b>	<b>27,109</b>
Working Capital Changes	4,052	(1,244)	3,306	2,233
Tax	(4,608)	(4,068)	(4,857)	(5,415)
<b>Operating Cashflow</b>	<b>23,780</b>	<b>15,177</b>	<b>22,726</b>	<b>23,928</b>
Capital Commitments	(10,915)	(12,000)	(12,000)	(12,000)
<b>Free Cashflow</b>	<b>34,694</b>	<b>27,177</b>	<b>34,726</b>	<b>35,928</b>
Others CFI	518	378	257	149
<b>Cashflow from Investing Activities</b>	<b>(10,397)</b>	<b>(11,622)</b>	<b>(11,743)</b>	<b>(11,851)</b>
Inc (Dec) in Borrowings	(4,779)	(500)	(500)	(500)
Interest Cost	(381)	(82)	(42)	(2)
Others	(1,624)	(3,108)	(3,711)	(4,137)
<b>Cash flow from Financing Activities</b>	<b>(6,784)</b>	<b>(3,690)</b>	<b>(4,253)</b>	<b>(4,639)</b>
Chg. in Cash & Bank balance	6,599	(134)	6,730	7,438
Closing cash & balance	6,810	6,675	13,405	20,843

Source Company data, I-Sec research

### Exhibit 30: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Recurring EPS	22.2	18.1	21.6	24.0
Diluted EPS	22.2	18.1	21.6	24.0
Recurring Cash EPS	28.4	25.0	29.2	32.5
Dividend per share (DPS)	6.6	4.5	5.4	6.0
Book Value per share (BV)	101.6	115.2	131.3	149.4
Dividend Payout (%)	30.0	25.0	25.0	25.0
<b>Growth (%)</b>				
Net Sales	1.8	(5.5)	22.3	14.2
EBITDA	15.2	(14.3)	18.5	11.7
EPS	17.8	(18.5)	19.4	11.5
<b>Valuation Ratios (x)</b>				
P/E	25.8	31.6	26.5	23.7
P/CEPS	20.1	22.8	19.5	17.6
P/BV	5.6	5.0	4.3	3.8
EV / EBITDA	16.0	18.6	15.4	13.5
EV / Operating Income	18.5	23.0	18.9	16.6
Dividend Yield (%)	1.2	0.8	0.9	1.1
<b>Operating Ratios</b>				
EBITDA Margins (%)	14.3	12.9	12.5	12.3
Effective Tax Rate (%)	24.7	24.7	24.7	24.7
Net Profit Margins (%)	9.1	7.8	7.7	7.5
NWC / Total Assets (%)	(10.9)	(8.4)	(3.7)	1.8
Fixed Asset Turnover (x)	1.7	1.5	1.6	1.7
Working Capital Days	5.8	17.2	19.7	18.8
Net Debt / Equity %	(16.1)	(15.3)	(22.0)	(27.5)
<b>Profitability Ratios</b>				
RoCE (%)	22.0	15.6	16.7	16.6
RoCE (Pre-tax) (%)	29.3	20.7	22.2	22.0
RoE (%)	24.2	16.7	17.5	17.1

Source Company data, I-Sec research

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