

Gujarat State Petronet

09 May 2024

RESULT UPDATE

Sector: Natural Gas	Rating: HOLD
CMP: Rs 294	Target Price: Rs 327

Stock Info

Sensex/Nifty	73,466/22,303
Bloomberg	GUJS IN
Equity shares (mn)	564
52-wk High/Low	Rs 407/255
Face value	Rs 10
M-Cap	Rs166bn/ USD 2bn
3-m Avg value	USD 5.4mn

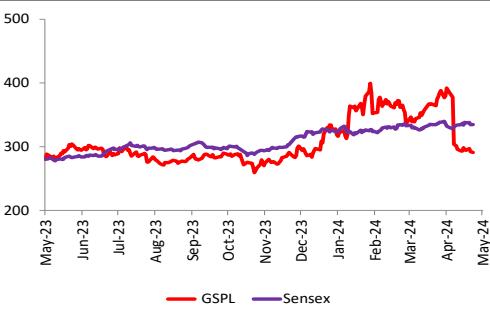
Financial Snapshot (Rs bn)

Y/E Mar	FY24	FY25E	FY26E
Sales	20	16	16
EBITDA	15	10	10
PAT	13	9	9
EPS (Rs)	23	16	16
PE (x)	12.9	18.5	18.0
EV/EBITDA (x)	12.6	10.7	15.4
RoE (%)	12.5	8.3	8.0
RoCE (%)	12.1	7.1	6.5
Dividend yield (%)	1.7	1.6	1.7

Shareholding Pattern (%)

	Sep'23	Dec'23	Mar'24
Promoter	37.6	37.6	37.6
FII	16.0	16.0	15.7
DII	25.2	24.8	24.7
Others	21.2	21.6	22.0

Stock Performance (1-year)



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Volume growth surprised positively; Upgrade to HOLD

Gujarat State Petronet (GSPL) Q4FY24 result was largely in line with our expectation where strong volume growth was offset by lower implied tariff. The company reported a strong volume growth of 33% YoY/15% QoQ to 33.4 mmscmd led by a sharp uptick in volume offtake from refinery/petchem sector (+35% QoQ), power sector (+20%), and other industry (+23%). CGD saw an offtake growth of 5% QoQ to 11.4mmscmd. However, due to recent tariff cut from PNGRB, the company's implied tariff dipped to Rs1.33/scm from earlier Rs1.63/scm. Consequently, Revenue declined 9% to Rs5.1 bn while EBITDA was flattish QoQ to Rs3.8 bn, supported by a sharp decline in the gas transmission cost. Led by strong volume growth, we are raising our volume estimates by 6.5% for both FY25E/FY26E which led to a 11% increase in the EBITDA estimates. We forecast EBITDA/PAT to see a decline of 34%/28% over FY24-FY26E led by recent tariff cut. On the back of higher EBITDA estimates, we are raising our SOTP-based TP to Rs327, valuing its core business at Rs130, its 54% stake in Gujarat Gas at Rs181 (with 50% holding discount) and its investment in GIGL and Sabarmati Gas at Rs17. However, the stock has seen a sharp correction of 20% since our last report on the tariff cut. Therefore, we are upgrading the stock to HOLD from SELL.

Volume growth saw a sharp uptick while tariff moved down

The company witnessed a strong surge in demand from the Power and Refinery/Petchem sectors on the back of lower gas cost and favourable pricing. Offtake from these sectors grew 20%/35% QoQ to 2.9/8.7mmscmd. CGD saw a marginal uptick of 5% during the quarter to 11.4mmscmd while Other sector's offtake grew 23% to 5.6mmscmd. Overall, the company reported a strong volume growth of 15% QoQ to 33.4mmscmd. This positive was offset by lower tariff on the back of recent tariff cut by PNGRB. GSPL's implied tariff dipped to Rs1.33/scm from earlier Rs1.63/scm.

Valuation and Outlook

PNGRB came out with a new tariff order for the GSPL's high-pressure pipeline which has seen a massive cut of 46.8% from the current tariff to Rs18.1/mmbtu (GSPL's expectation of Rs50.8/mmbtu). New tariff has seen a two-year delay and would be effective from 1st May 2024. We expect the valuation to remain muted on the back of lower tariff while we would await to see the stability in the volume growth. Led by strong volume growth, we are raising our volume estimates by 6.5% for both FY25E/FY26E which led to a 11% increase in the EBITDA estimates. We forecast EBITDA/PAT to see a decline of 34%/28% over FY24-FY26E led by recent tariff cut. On the back of higher EBITDA estimates, we are raising our SOTP-based TP to Rs327 from earlier Rs309. We value its core business at a PER of 10x FY26E and valuing its 54.2% stake in Gujarat gas at Rs181/sh by giving 50% holding discount. The stock has corrected by nearly 20% since our last downgrade post tariff cut. Therefore, we upgrade the stock to HOLD from earlier SELL.

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	5,068	5,634	(10.0)
EBITDA	3,780	4,164	(9.2)
EBITDA margin (%)	74.6	73.9	67
Net income	2,611	2,925	(10.7)
FDEPS (Rs)	4.6	5.2	(10.7)

Source: Company, Systematix Institutional Research

Exhibit 2: Quarterly Highlights

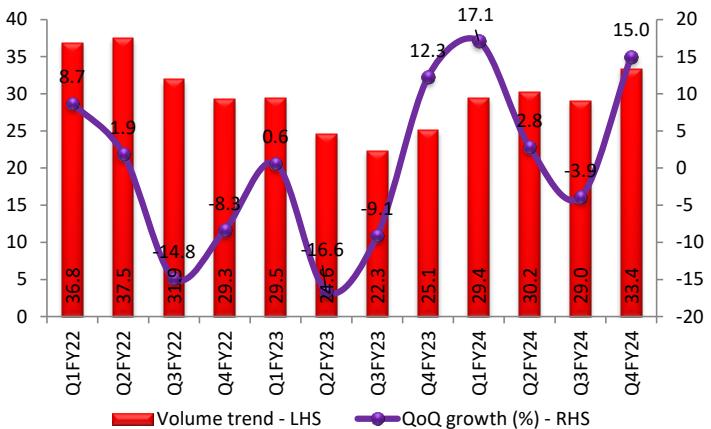
Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% Chg YoY	% Chg QoQ
Net sales	4,430	4,412	5,293	5,543	5,068	14.4%	-8.6%
Expenditure	1,483	1,047	1,190	1,746	1,288	-13.1%	-26.2%
EBITDA	2,947	3,364	4,103	3,796	3,780	28.2%	-0.4%
EBITDA margin (%)	66.5	76.3	77.5	68.5	74.6	805	609
Depreciation	483	468	477	488	486	0.7%	-0.4%
Interest	10	10	10	12	19	88.0%	58.5%
Other income	476	180	2,663	211	296	-37.8%	40.5%
PBT	2,931	3,066	6,278	3,507	3,571	21.8%	1.8%
Tax	687	773	958	884	960	39.6%	8.5%
Effective tax rate (%)	23.5	25.2	15.3	25.2	26.9	342	165
PAT	2,243	2,293	5,320	2,622	2,611	16.4%	-0.4%
EPS (Rs)	4.0	4.1	9.4	4.6	4.6	16.4%	-0.4%
Volume (mmscmd)	25.1	29.4	30.2	29.0	33.4	33.1%	15.0%
CGD	10.0	10.9	10.8	10.9	11.4	14.8%	5.2%
Refinery/Petchem	6.7	9.0	5.5	6.4	8.7	29.8%	35.2%
Fertilizer	3.6	3.3	4.6	4.7	4.6	28.6%	-0.3%
Power	1.2	1.7	4.1	2.5	2.9	135.4%	19.6%
Others	3.6	4.4	5.2	4.6	5.6	58.8%	22.9%
Reported tariff (Rs/scm)	1.87	1.61	1.86	2.00	1.65	-11.6%	-17.4%
Implied tariff (Rs/scm)	1.56	1.44	1.59	1.63	1.33	-15.2%	-18.6%
Opex (Rs/scm)	0.66	0.39	0.43	0.65	0.42	-35.4%	-35.1%
EBITDA (Rs/scm)	1.31	1.26	1.48	1.42	1.24	-4.7%	-12.5%

Source: Company, Systematix Institutional Research

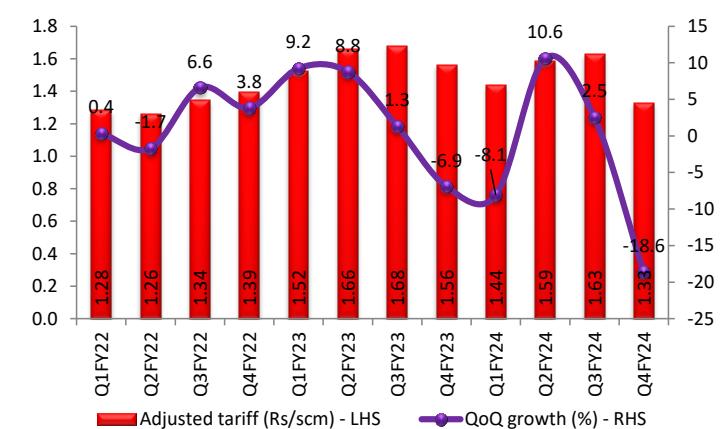
Exhibit 3: Change in Estimates

Key Parameters (Rs mn)	FY25E			FY26E		
	Old	New	%Chg	Old	New	%Chg
Volume (mmscfd)	31.0	33.0	6.5	32.6	34.7	6.5
Revenue	14,598	15,639	7.1	14,596	15,634	7.1
EBITDA	9,119	10,139	11.2	8,847	9,863	11.5
Net Profit	8,157	8,947	9.7	9,212	9,192	(0.2)
EPS (Rs)	14.5	15.9	9.7	16.3	16.3	(0.2)

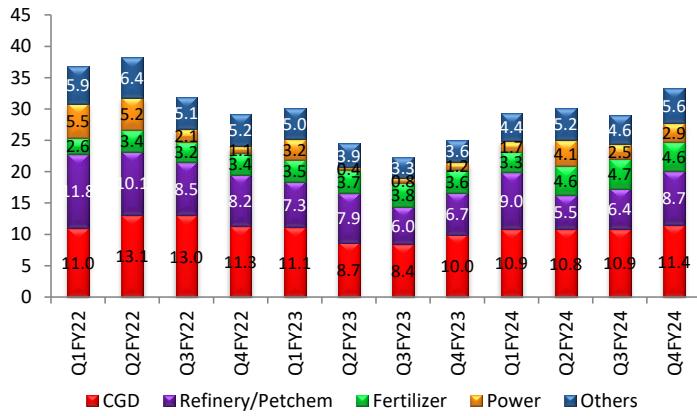
Source: Company, Systematix Institutional Research

Exhibit 4: Volume (mmscmd) and QoQ growth

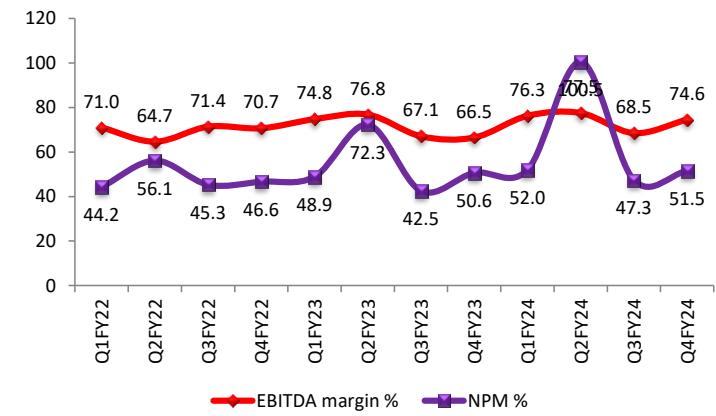
Source: Company, Systematix Institutional Research

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

FINANCIALS (STANDALONE)

Profit & Loss Statement

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenue	20,200	17,618	20,315	15,639	15,634
Employee cost	653	722	803	817	870
Op. & maintenance exp	3,609	2,502	2,909	2,595	2,709
Other expenses	1,962	1,807	1,563	2,088	2,192
EBITDA	13,976	12,587	15,041	10,139	9,863
Depreciation	1,960	1,939	1,920	1,995	2,114
EBIT	12,016	10,648	13,121	8,144	7,749
Interest Cost	313	47	49	30	20
Other Income	1,045	1,684	3,351	3,518	4,222
PBT Before Exceptionals	12,748	12,286	16,422	11,632	11,951
Exceptional Items	0	0	0	0	0
PBT	12,748	12,286	16,422	11,632	11,951
Tax	2,958	2,836	3,576	2,685	2,759
Reported PAT	9,791	9,450	12,846	8,947	9,192
Adjusted PAT	9,791	9,450	12,846	8,947	9,192
Reported EPS (Rs)	17.4	16.7	22.8	15.9	16.3
Adjusted EPS (Rs)	17.4	16.7	22.8	15.9	16.3

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	1,02,785	1,08,668
Networth	84,429	92,732	1,02,701	1,08,427	1,14,310
Short + Long Term Debt	877	0	0	0	0
Capital Employed	90,887	98,435	1,08,399	1,14,117	1,19,995
Net Block	33,255	31,552	30,353	31,282	32,091
Capital WIP	2,531	4,257	7,618	7,694	7,771
Total Fixed Assets	35,785	35,809	37,971	38,976	39,862
Long Term Inv. & Others	53,383	53,248	54,758	54,831	54,907
Current Assets	4,231	11,825	18,080	22,756	27,710
Short Term Investments	0	0	0	0	0
Inventories	1,890	2,121	2,108	1,623	1,623
Sundry Debtors	1,295	1,440	1,412	1,087	1,087
Cash & Bank Balance	864	6,917	4,734	10,024	14,779
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	2,446	2,485
Creditors	654	510	375	391	411
Other Current Liabilities	1,859	1,938	2,034	2,054	2,075
Net Current Assets	1,718	9,378	15,671	20,310	25,225
Total Assets	90,887	98,435	1,08,399	1,14,117	1,19,995

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	11,632	11,951
Depreciation	1,960	1,939	1,920	1,995	2,114
Change in Working Capital	-202	-274	109	604	-209
Tax Paid	-3,062	-2,741	-3,534	-2,720	-2,792
Other Operating Activities	-1,135	-1,546	-3,192	-3,488	-4,202
Operating Cash Flow	10,727	9,664	11,724	8,023	6,863
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	3,518	4,222
Investing Cash Flow	-11	-1,585	-11,064	518	1,222
Free Cash Flow	10,716	8,079	660	8,541	8,084
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	-3,251	-3,329
Financing Cash Flow	-10,729	-2,026	-2,843	-3,251	-3,329
Change in Cash	-13	6,053	-2,182	5,290	4,755
Opening Cash Balance	877	864	6,917	4,734	10,024
Closing Cash Balance	864	6,917	4,734	10,024	14,779

Source: Company, Systematix Institutional Research

Ratios (Consolidated)

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
EBITDA growth	-5.1%	-9.9%	19.5%	-32.6%	-2.7%
Adjusted PAT growth	5.2%	-3.5%	35.9%	-30.4%	2.7%
PBT margin	63.1%	69.7%	80.8%	74.4%	76.4%
Effective Tax rate	23.2%	23.1%	21.8%	23.1%	23.1%
Adjusted PAT margin	48.5%	53.6%	63.2%	57.2%	58.8%
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%	8.0%
Pre-tax ROCE	13.2%	10.8%	12.1%	7.1%	6.5%
Capex/revenue	-2.5%	11.1%	20.1%	19.2%	19.2%
Net debt / Equity	0.0	-0.1	0.0	-0.1	-0.1
Yield Analysis					
CFO Yield	6.5%	5.8%	7.1%	4.8%	4.1%
FCF Yield	6.8%	4.6%	4.7%	3.4%	2.8%
Dividend Yield	0.7%	1.7%	1.7%	1.6%	1.7%
Valuation					
P/E (x)	16.9	17.6	12.9	18.5	18.0
P/B (x)	2.0	1.8	1.6	1.5	1.5
EV/EBITDA (x)	11.9	11.9	12.6	10.7	15.4

Source: Company, Systematix Institutional Research

Key Assumptions

Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
Transmission vol. (mmscmd)	33.9	25.4	30.5	33.0	34.7
Average Tariff (Rs/mmbtu)	38.4	44.4	42.5	29.8	28.3

Source: Company, Systematix Institutional Research

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Disclosure of Interest Statement	Update
Analyst holding in the stock	No
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