

HOLD

TP: Rs 480 | ▲ 4%

**GUJARAT STATE
PETRONET**

| Oil & Gas

| 02 September 2024

Reorganisation to unlock investment value; maintain HOLD

- GSPL stock's driver to be value of GUJGA and GTL post transaction with a specified swap ratio of 10+3.33 to 13 shares
- Based on transaction disclosures, we arrive at a value for GUJGA of Rs 615 and GTL of Rs 236, translating to Rs 534 for GUJS
- We maintain HOLD on GUJS with an increased TP of Rs 480 assuming 15% discount on transaction value of GUJGA's CGD business

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Reorganisation: GSPC Group has announced the merger of GSPC (Not Rated), GUJGA and GUJS and then the demerger of the transmission business into GTL. The proposed transaction simplifies the group's structure, adds the competitive gas trading business and consolidates all investments except transmission under GUJGA, partially unlocking the holding discount on GUJGA for GUJS investors.

GUJGA value as per transaction: Based on the implied transaction value of GUJGA (Not Rated) at Rs 443bn and collective value of gas trading business and consolidation of investments at Rs 134bn as per transaction details given by management, we arrive at potential value of Rs 577bn. On an expanded equity base after 36% dilution, this results in a potential value of Rs 615/sh. While GUJGA's transaction value implies a FY26 P/E of 27x on consensus estimates, actual market value can vary depending on consensus assumptions of investors.

GTL value as per transaction details: Going by indicated transaction value details, GTL's (Not Rated) implied value works out to Rs 73.8bn and translates to a per share value of Rs 236. GTL's total number of shares works out to 312.7mn based on the 1:3 demerger ratio on GUJGA's expanded equity base of 938.2mn shares.

GUJS valuation levers: GUJS shareholders will get 10 shares of GUJGA and 3.33 shares of GTL for every 13 shares of GUJS upon the completion of the transaction. Based on the post transaction implied per share value of Rs 615 for GUJGA and Rs 236 for GTL, GUJGA effective value works out to Rs 694/sh prior to the merger and translates to a value of Rs 534 for GUJS. However, till the completion of the transaction, actual arbitrage will lower GUJS's value by cost of holding as well as transaction cost.

HOLD with an increased TP of Rs 480: We raise our SOTP-based TP for GUJS to Rs 480 from Rs 370, factoring in the reorganisation announcement. Our TP is below the transaction implied value of Rs 534, as we conservatively assume 15% discount on transaction value of GUJGA keeping in view relatively high implied FY26 P/E of 26.8x for the existing business. Given 4% upside; maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	GUJS IN/Rs 460
Market cap	US\$ 3.1bn
Free float	51%
3M ADV	US\$ 16.2mn
52wk high/low	Rs 447/Rs 255
Promoter/FPI/DII	38%/16%/24%

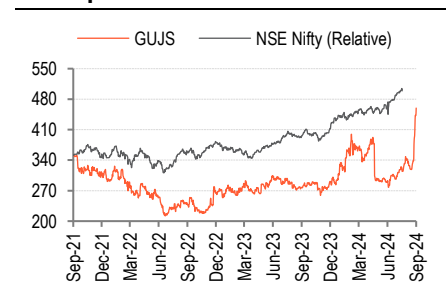
Source: NSE | Price as of 2 Sep 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	20,148	13,925	14,793
EBITDA (Rs mn)	14,875	8,829	9,309
Adj. net profit (Rs mn)	12,679	7,448	7,676
Adj. EPS (Rs)	22.5	13.2	13.6
Consensus EPS (Rs)	22.5	15.0	17.0
Adj. ROAE (%)	13.0	7.1	6.9
Adj. P/E (x)	20.4	34.8	33.8
EV/EBITDA (x)	17.2	28.7	27.4
Adj. EPS growth (%)	36.5	(41.3)	3.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Reorganisation proposal

GSPC Group announced the restructuring of the group operations to simplify overall structure and unlock value of holding company discount, particularly for shareholders of GUJS.

- **Step 1: Merger:** The proposal involves merging the operations of Gujarat State Petroleum Corporation (GSPC – unlisted parent) and Gujarat State Petronet (GUJS – listed) with Gujarat Gas (GUJGA – listed). The proposed share swap ratio is 10:305 for GUJGA:GSPC and 10:13 for GUJGA:GUJS.
- **Step 2: Demerger:** In the second step, the GSPC Group would demerge the regulated gas transmission business from GUJGA under a separate entity – Gujarat Transmission Limited (GTL). The stakes in GSPL India Gasnet (GIGL) and GSP India Transco (GITL) will also be transferred to GTL.
- **Timeline:** The GSPC Group aims to complete this restructuring by Aug'25.

Benefit to GUJGA shareholders

For Gujarat Gas shareholders, this would result in the following:

- **Improvement in profitability and returns** with addition of competitive gas trading business from the parent GSPC.
- **Merger will not be earnings dilutive.** While the proposed merger will result in equity dilution of 36%, EBITDA increase was more than 50% with addition of trading EBITDA of Rs 11bn as per FY24 financials.
- **Tax savings** on account of transfer of unabsorbed tax loss of Rs 72bn from GSPC to GUJGA post-merger u/s 72A of Income Tax Act. Tax savings can be claimed over eight years from the merger date.
- **Elimination of related party transactions** as GUJGA was sourcing c5mmscmd of gas from GSPC, which resulted in EBITDA earnings of ~Rs 3bn for GSPC in FY24.
- **Consolidation of all investments** under GUJGA. This would include Mundra RLNG terminal (14% stake), related group CGD company (Sabarmati Gas – 27.47% stake), gas-based power plants (GSPC Pipavav – 98% stake, GSEG Hazira – 53% stake) and renewable power investments.

Benefit to GUJS shareholders

The proposed restructuring will give GSPL shareholders 10 shares of GUJGA and 3.33 shares of GTL for every 13 shares in GUJS. This will help unlock the holding discount on underlying GUJGA investments.

Transaction value disclosures

During the analyst call on 31 Aug'24, GUJGA and GUJS management shared the following details on proposed transaction and details on underlying valuation.

Fig 1 – Transaction value as disclosed on analyst call

Company	Rs bn	Basis
GUJGA	443-462	Valuation of 54.17% stake in GUJGA by GUJS is valued at Rs 240bn-250bn
GUJS	260	Average of DCF value of Rs 300bn and comparable multiple of Rs 220bn
GSPC	210	Value of trading business plus stakes in GUJS, Sabarmati Gas, GSPC LNG and gas-based power plants

Source: Company, BOBCAPS Research

GUJS – Transaction value details

Management indicated that it considers GSPL's value as Rs 260bn for the purpose of the proposed transaction as – the average of DCF valuation of Rs 300bn and Comparable Market Multiple-based valuation of Rs 220bn. The valuation is based on value of core transmission business at Rs 35bn and cash of Rs 17bn, implying total value of investments at Rs 208bn.

Management has separately shared the value of GSPL's investments, which add up to Rs 262bn and imply that the holding company discount has been considered at ~20% while arriving at a final transaction value of GUJS.

Fig 2 – GUJS transaction value details

Parameter	Rs bn	Basis
(a) Core transmission business	35	-
(b) Investments	-	-
GUJGA (54.17% stake)	240	Disclosed at Rs 240bn-250bn
GIGL (52% stake)	20	Company confirmed that valuation has accounted for potential contingent liabilities for debt servicing
GITL (52% stake)	1.8	Company confirmed that valuation has accounted for potential contingent liabilities for debt servicing
Other investments	NA	Not disclosed
Subtotal	262	-
Holding company discount (implied) (%)	(21)	-
Value of investments (implied) (b)	208	Worked out as Total less Core transmission less cash
(c) Cash	17	-
Total (a+b+c)	260	-

Source: Company, BOBCAPS Research

GSPC (Parent) – Transaction value details

For GSPC, management has indicated total value of Rs 210bn comprising value of gas trading at Rs 75bn, value of investments at Rs 106bn and cash at Rs 23bn as on the valuation date.

- **Gas trading:** Management attributed 35% of GSPC's value to gas trading. Based on underlying trading EBITDA of Rs 11bn for FY24, the underlying transaction multiple works out to 6.7x.
- **Investments:** Management clarified that while GSPC's stake accounted for 89% of investment value, it attributed 7.3% of value to its stake in Sabarmati Gas.

Fig 3 – GSPC transaction value details

Parameter	Rs bn	Basis
(a) Gas Trading business	74	-
(b) Investments	-	-
GSPL (37.63% stake)	94	Indicated at 89% of total investment value. This works out to lower than Rs 98bn arrived by GSPC valuation of Rs 260bn and stake of 37.63%
Sabarmati Gas (27.47% stake)	8	Indicated @8% of total investment value
Other investments	4	Value of investments in GSPC LNG (14% stake), GSPC Pipavav (98% stake) and GSEG Hazira (53% stake)
Total investments	106	-
(c) Cash	23	-
(d) Delta unexplained	8	-
Total GSPC transaction value (a+b+c+d)	210	-

Source: Company, BOBCAPS Research

Incremental business update from the analyst call

Gas trading business update

- **Earnings:** The gas trading business earned EBITDA of Rs 11bn excluding investment income with a trading volume of 11mmscmd in FY24. While GSPC sold 5mmscmd of gas to GUJGA, GSPC may have earned ~30% of its trading EBITDA from GUJGA.
- **Gas trading margins were significantly high:** Based on the indications from management, underlying gas trading margin works out to US\$1.1/MMBtu on sale to external customers other than GSPC, US\$0.5/MMBtu on sale to GUJGA and US\$0.8/MMBtu on combined trading portfolio for FY24.
- **Earnings growth potential:** Management indicates 9-10% annual growth ahead. With a global LNG glut, LNG consumption in India can grow faster opening up more opportunity for trading, in our view.

Fig 4 – Calculation of gas trading margin for FY24

Parameter	Unit	External customers	GUJGA	Total
Volume	MMscmd	6	5	11
Volume	MMmcm	2,190	1,825	4,015
EBITDA	Rs mn	7,700	3,300	11,000
EBITDA margin	Rs/scm	3.5	1.8	2.7
EBITDA margin	US\$/MMBtu	1.1	0.5	0.8

Source: Company, BOBCAPS Research

- **Gas sourcing arrangements:** While GSPC sources 60% on a long-term basis, the balance 40% is sourced on a short-term basis. Within the long-term basket, GSPC has two oil-linked LNG contracts –1.5mmtpa LT contract valid till 2030 and another 0.3mm-0.4mmtpa contract valid till Apr'28. GSPC also has two contracts for domestic gas with Vedanta (1.5mmscmd till Mar'25) and RIL-BP consortium (0.5mmscmd with Dec'24 and May'26 expiry).

Other business updates

- **Core Transmission Business:** Management indicated that it is progressing with its capex plan of Rs 35bn of which 60% has already been approved by the regulator and the balance 40% is at an advanced stage of approval. New network expansion entailing new capex could help avert a further decline in transmission tariff.
- **GSPC E&P Business update:** GSPC has a limited portfolio of 11 operating marginal onshore blocks after farming out all loss-making E&P Blocks. Of this portfolio, GSPC is the operator in six onshore fields. Collectively, this portfolio has 5mmbbl of oil reserves and 4.4bcm of gas reserves. GSPC has made total investments of Rs 7bn in its E&P portfolio and sees limited capex requirement every two to three years to maintain ongoing production levels.
- **GSPC's stakes in power plant:** GSPC has stakes in two power plants with a 98% stake in 700MW GSPC Pipavav and a 53% stake in the 507MW GSEG Hazira plant. While operational plant load factor (PLF) was low in FY24 due to the unavailability of competitive gas, PLF improved to 44% in Q1FY25 under government directions to operate in summer months to bridge the gap in meeting peak load demand.
- **GSPC LNG (Mundra RLNG terminal):** The GSPC Group has a 14% stake in the Mundra RLNG terminal. GSPC LNG earned EBITDA of Rs 2.35bn in FY24 and Rs 1.37bn in Q1FY25. Utilisation improved to 29% in Q1 on the back of higher demand from Gujarat Gas as well as power plants.

GUJGA valuation lever post announcement of transaction

While we do not cover GUJGA at this point, we compile below the valuation details provided by management to arrive at a potential value of GUJGA post merger. With the addition of new gas trading business and consolidation of investments, total value works out to Rs 577bn, translating into a value of Rs 615 per share on an expanded share base after 36% equity dilution.

- **GUJGA:** Considered at the transaction value of Rs 443bn implied from the breakdown of GSPC value. Based on Reuters consensus FY26 PAT of Rs 16.5bn, this translates to an implied FY26 P/E of 27x.
- **Addition of portfolio:** The addition of the gas trading business and other investments add a value of Rs 134bn as per indications from management on details of transaction value.

Fig 5 – GUJGA value post transaction completion (currently guided at Aug'25) – as per disclosed details

Components	Unit	Value	Basis
Gujarat Gas CGD value	Rs bn	443.0	Implied from GSPL's transacted investment value
Addition from merger			
GSPC Gas Trading	Rs bn	73.5	Rs 11bn at 6.7x multiple
Sabarmati Gas	Rs bn	15.5	Stakes previously held by GSPC and GUJS
Mundra R-LNG terminal	Rs bn	1.8	GUJGA had invested Rs 1bn in Mundra LNG terminal for 7.87% stake
GSPC Pipavav (98% stake)+ GSEG Hazira (53% stake)	Rs bn	2.1	Balance value excluding value of stake in Mundra R-LNG terminal
Cash added from GSPC	Rs bn	23.0	
Cash added from GSPL	Rs bn	0.0	Assumed that it will be passed on to GTL
Benefit of tax loss	Rs bn	18.1	Benefit of unabsorbed tax loss of Rs 72bn
Total addition from merger	Rs bn	134.0	
GUJGA value post-merger	Rs bn	577.1	
No of shares	Mn	938.2	Post 36% equity dilution
GUJGA share value (Implied)	Rs	615.1	

Source: Company, BOBCAPS Research

GTL valuation level post announcement of transaction

We also compile the value of businesses and investments transferred to GTL, which adds up to Rs 74bn and translates into a per share value of Rs 236. Besides the value of investment in GUJGA, the start-up of Mehsana-Bhatinda pipeline, and ramp-up of GIGL volume could have a positive impact on GUJS, in our view.

Fig 6 – GTL value post transaction completion (currently guided for Aug'25) – as per disclosed details

Parameter	Unit	Value	Basis
Core transmission	Rs bn	35	Indicated as part of GUJS valuation breakdown
GIGL stake	Rs bn	20	Indicated as part of GUJS valuation breakdown
GITL stake	Rs bn	1.8	Indicated as part of GUJS valuation breakdown
Cash with GSPL	Rs bn	17	Indicated as part of GUJS valuation breakdown
Total	Rs bn	73.8	-
No of shares - 1 share for every 3 shares of expanded equity base of GUJGA post-merger	mn	312.7	Demerger ratio
Implied share value	Rs	236.0	-

Source: Company, BOBCAPS Research

GUJGA valuation levers prior to merger

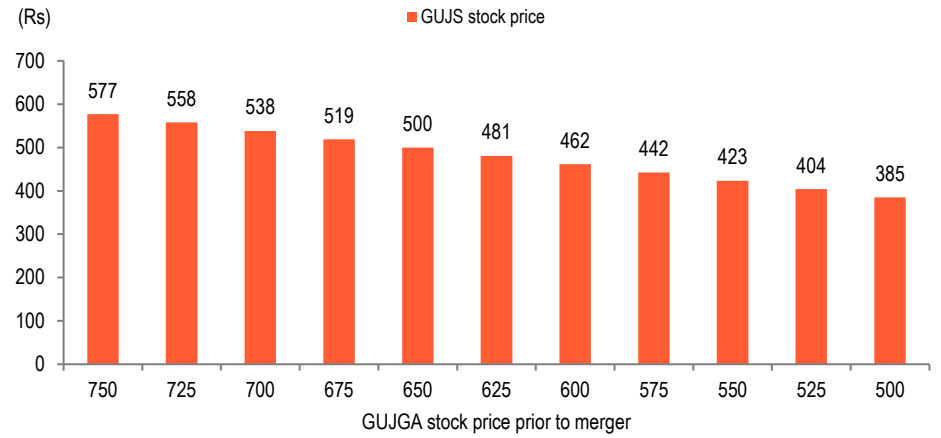
Prior to the merger, GUJGA's valuation will include the benefit of GTL as well. Based on the given transaction value details, GUJGA's value inclusive of the benefit of GTL at Rs 79/share of GUJGA works out to Rs 694/share.

GSPL valuation lever post announcement of transaction

With the announcement of swap ratio of 10 shares of GUJGA against 13 shares of GUJS, GUJGA's stock price will become the key driver for GUJS. Based on the implied value of GUJGA and GTL post completion of transaction at Rs 615 and Rs 236, respectively, GUJS's value works out to Rs 534. However, as the transaction is likely to conclude by Aug'25 as per the company's guidance, GSPL's stock price could trade

below this ratio to allow for the cost of holding GSPL for the intervening period and related transaction costs under the arbitrage.

Fig 7 – Sensitivity of GUJS’s stock price to GUJGA’s based on share swap ratio (price as on the date of conversion)



Source: BOBCAPS Research

Valuation methodology

Forecasts

We build in a 40% YoY cut in EBITDA in FY25E on tariff cut, and then assume a 6% EBITDA CAGR over FY25-FY27E driven primarily by volume growth. We have maintained our forecasts.

- Tariff cut:** We have incorporated a 46% tariff cut for HP Gas's grid to Rs 18.1/MMBtu from 1 May 2024. We arrive at the blended tariff by factoring in YoY reduction in revenues assessed by the regulator for both the HP and LP Gas grids and assume that other recovery components remain unchanged in FY25.
- Volume increase:** We factor in volume growth of 10.9%/ 6.4%/ 7.7% for FY25E/ FY26E/ FY27E assuming growth in gas consumption in India with moderation in global LNG prices. With a recent sharp cut in the tariff for the HP Gas grid sharply lowering transmission costs for consumers, we believe that the risk of shift-out of customers to dedicated pipelines has fallen significantly.
- Realisation drivers:** Besides transmission tariff, blended realisation depends on other revenue elements such as ship or pay, pay out to PIL (Pipeline Infrastructure) from compressor usage charge, revenue collection on behalf of other pipelines under the zonal tariff mechanism as well as opportunistic gas trading. However, we believe most of these components contribute little to EBITDA and are less relevant for forecasting profitability.

Fig 8 – Our estimates

(Rs mn)	Provisional	New		
	FY24P	FY25E	FY26E	FY27E
Revenue	20,148	13,925	14,793	15,907
EBITDA	14,875	8,829	9,309	9,944
EBITDA growth YoY	19.7	(40.6)	5.4	6.8
Net income	12,679	7,448	7,676	10,441

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

Parameter	FY24P	FY25E	FY26E	FY27E
Transmission volume (mmscmd)	30.5	33.8	36.0	38.8
Blended tariff (Rs/mscm)	1,777	1,101	1,101	1,101
EBITDA (Rs/scm)	1.3	0.7	0.7	0.7
Capex (Rs bn)	4,082	6,709	6,830	6,932
Growth				
Transmission volume (% YoY)	20.3	10.9	6.4	7.7
Blended tariff (% YoY)	(3.8)	(38.0)	0.0	-
EBITDA/scm (% YoY)	(0.7)	(46.3)	(0.9)	(0.8)

Source: Company, BOBCAPS Research

Maintain HOLD with a revised TP of Rs 480

We raise our SOTP-based TP to Rs 480 from Rs 370, factoring in the announcement of restructuring transaction as per the announced share swap ratios. For every 13 shares of GUJS, investors will get 10 shares of GUJGA and 3.33 shares of GTL. Our TP of Rs 480 is below the transaction implied value of Rs 534, as we conservatively assume 15% discount on transaction value assumption of GUJGA. With the transaction closure guided for Aug'25, this works as a 12-month forward TP. Given 4% upside, we maintain our HOLD rating on GUJS.

GUJS CGD value: We are assuming 15% discount on the transaction value of GUJGA as we believe the relative premium of GUJGA to other CGD players, assumed under the transaction is significantly higher keeping in view growth constraints. We believe propane competition in Morbi and the time required to stabilise new CNG distribution model with complete investment by franchisee dealers will constrain growth over the next one to two years. As per Reuters consensus, GUJGA FY26 P/E works out to 26.8x, which is higher than that of IGL at 17.0x and MAHGL at 15.2x.

GUJGA new additions: We assume value of gas trading business, addition of other investments, tax shield based on indications by the management.

GTL business value: We also assume the value of core transmission business, stakes in GIGL and GITL as per the transaction value details given by management.

Fig 10 – GUJS Valuation basis

Parameter	Unit	Value
Value of Gujarat Gas post merger and demerger of GTL	-	-
(a) Value of CGD business	-	-
Transaction value	Rs bn	443.0
Discount to transaction value	-	15%
Value of GUJGA for setting GUJS fair value	Rs bn	376.6
(b) Value of gas trading, tax shield, cash and other investments	Rs bn	134.0
Value of GUJGA excluding GTL	Rs bn	510.6
GUJGA shares after equity dilution	mn	938.2
Value of GUJGA excluding GTL	Rs/share	544.3
Value of GTL post demerger	-	-
Value of core transmission	Rs bn	35
Value of investments and cash	Rs bn	38.8
Value of GTL	Rs bn	73.8
GTL shares after equity dilution	mn	312.7
Value of GTL	Rs/share	236.0
Effective value of GUJGA prior to merger (inclusive of GUJGA and GTL values)	Rs/share	622.9
Value of GSPL as per share swap (10 shares of GUJGA and 3.33 shares of GTL for every share of GUJS)	Rs/share	479
Target price rounded to nearest Rs 5 as of Aug'25	Rs/share	480

Source: BOBCAPS Research

Key risks

Key upside/downside risks to our estimates and TP are:

- **Regulations:** Petroleum and Natural Gas Regulatory Board (PNGRB) regulates GUJS's pipeline tariffs. Any subsequent reduction in tariffs due to a change in guidelines could impact the value of the transmission pipeline. Any upward revision in the HP Gas grid tariff against a potential appeal on review of the recently approved tariff could impact the value positively.
- **Below-expected volume growth:** Slower recovery in transmission volumes below the level of 32.67mmscmd assumed by the regulator for setting the HP Gas grid tariff could impact revenues and returns for GUJS. However, the regulator has mentioned in the Tariff Order that it would review the tariff next year if volume falls significantly below the assumptions used by the regulator. The company is exposed to delays in obtaining regulatory clearances for new pipelines.
- **Above-expected debt coverage support for two JV pipelines:** Slower volume ramp-up than our current assumptions could result in higher support for debt service coverage from project sponsors.
- **Penalty on GTIL:** PNGRB is yet to finalise the penalty for non-completion of the GTIL pipeline, which is no longer financially viable. At this stage, we do not incorporate any value for GUJS's investment in GTIL.
- **Upside or downside risk to value of GUJGA:** As GUJGA's value is material to the value of GUJS, any upside/downside risk to GUJGA's volume and margin will also impact the value of GUJS.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Bharat Petroleum Corp	BPCL IN	18.5	358	315	HOLD
Gujarat State Petronet	GUJS IN	3.1	460	480	HOLD
Hindustan Petroleum Corp	HPCL IN	10.6	419	460	BUY
Indian Oil Corp	IOCL IN	29.8	177	165	SELL
Indraprastha Gas	IGL IN	4.6	553	600	HOLD
Mahanagar Gas	MAHGL IN	2.1	1,792	1,875	HOLD
Petronet LNG	PLNG IN	6.6	367	325	SELL
Reliance Industries	RIL IN	243.6	3,019	3,585	BUY

Source: BOBCAPS Research, NSE | Price as of 2 Sep 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Total revenue	17,458	20,148	13,925	14,793	15,907
EBITDA	12,427	14,875	8,829	9,309	9,944
Depreciation	(1,939)	(1,920)	(2,001)	(2,173)	(2,426)
EBIT	10,488	12,955	6,828	7,137	7,518
Net interest inc./(exp.)	(47)	(51)	0	0	0
Other inc./(exp.)	1,684	3,351	2,895	2,885	2,923
Exceptional items	0	0	0	0	0
EBT	12,125	16,254	9,723	10,021	10,441
Income taxes	(2,836)	(3,576)	(2,275)	(2,345)	0
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	9,289	12,679	7,448	7,676	10,441
Adjustments	0	0	0	0	0
Adjusted net profit	9,289	12,679	7,448	7,676	10,441

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Accounts payables	510	375	382	405	436
Other current liabilities	1,914	1,991	1,991	1,991	1,991
Provisions	262	321	321	321	321
Debt funds	0	0	0	0	0
Other liabilities	5,465	5,421	5,399	5,376	5,353
Equity capital	5,642	5,642	5,642	5,642	5,642
Reserves & surplus	87,090	97,059	1,02,272	1,07,646	1,14,954
Shareholders' fund	92,732	1,02,701	1,07,914	1,13,288	1,20,596
Total liab. and equities	1,00,883	1,10,809	1,16,006	1,21,381	1,28,696
Cash and cash eq.	6,917	4,734	4,477	4,315	5,995
Accounts receivables	1,440	1,412	1,490	1,585	1,707
Inventories	2,121	2,108	2,235	2,377	2,561
Other current assets	2,896	11,285	11,829	12,471	13,295
Investments	51,700	53,297	53,297	53,297	53,297
Net fixed assets	31,552	30,353	36,395	41,004	45,470
CWIP	4,257	7,618	6,284	6,332	6,373
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	1,00,883	1,10,809	1,16,006	1,21,381	1,28,696

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Cash flow from operations	8,148	2,830	5,791	6,086	8,821
Capital expenditures	(1,952)	(4,082)	(6,709)	(6,830)	(6,932)
Change in investments	37	(1,597)	0	0	0
Other investing cash flows	1,684	3,377	2,895	2,885	2,923
Cash flow from investing	(231)	(2,303)	(3,814)	(3,945)	(4,009)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(877)	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(1,128)	(2,821)	(2,234)	(2,303)	(3,132)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(2,006)	(2,821)	(2,234)	(2,303)	(3,132)
Chg in cash & cash eq.	5,911	(2,294)	(257)	(163)	1,680
Closing cash & cash eq.	6,775	4,623	4,477	4,315	5,995

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
Reported EPS	16.5	22.5	13.2	13.6	18.5
Adjusted EPS	16.5	22.5	13.2	13.6	18.5
Dividend per share	2.0	5.0	4.0	4.1	5.6
Book value per share	164.4	182.0	191.3	200.8	213.7

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
EV/Sales	15.1	12.7	18.2	17.2	16.0
EV/EBITDA	21.2	17.2	28.7	27.4	25.6
Adjusted P/E	27.9	20.4	34.8	33.8	24.8
P/BV	2.8	2.5	2.4	2.3	2.1

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	76.6	78.0	76.6	76.6	100.0
Interest burden (PBT/EBIT)	115.6	125.5	142.4	140.4	138.9
EBIT margin (EBIT/Revenue)	60.1	64.3	49.0	48.2	47.3
Asset turnover (Rev./Avg TA)	18.0	19.0	12.3	12.5	12.7
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.1	1.1	1.1
Adjusted ROAE	10.5	13.0	7.1	6.9	8.9

Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	(13.6)	15.4	(30.9)	6.2	7.5
EBITDA	(11.1)	19.7	(40.6)	5.4	6.8
Adjusted EPS	(5.1)	36.5	(41.3)	3.1	36.0
Profitability & Return ratios (%)					
EBITDA margin	71.2	73.8	63.4	62.9	62.5
EBIT margin	60.1	64.3	49.0	48.2	47.3
Adjusted profit margin	53.2	62.9	53.5	51.9	65.6
Adjusted ROAE	10.5	13.0	7.1	6.9	8.9
ROCE	9.0	10.3	5.0	4.9	6.4
Working capital days (days)					
Receivables	29	26	38	38	38
Inventory	293	265	322	322	320
Payables	42	31	27	26	26
Ratios (x)					
Gross asset turnover	0.4	0.4	0.3	0.3	0.2
Current ratio	5.0	7.3	7.4	7.6	8.6
Net interest coverage ratio	224.1	252.9	0.0	0.0	0.0
Adjusted debt/equity	(0.1)	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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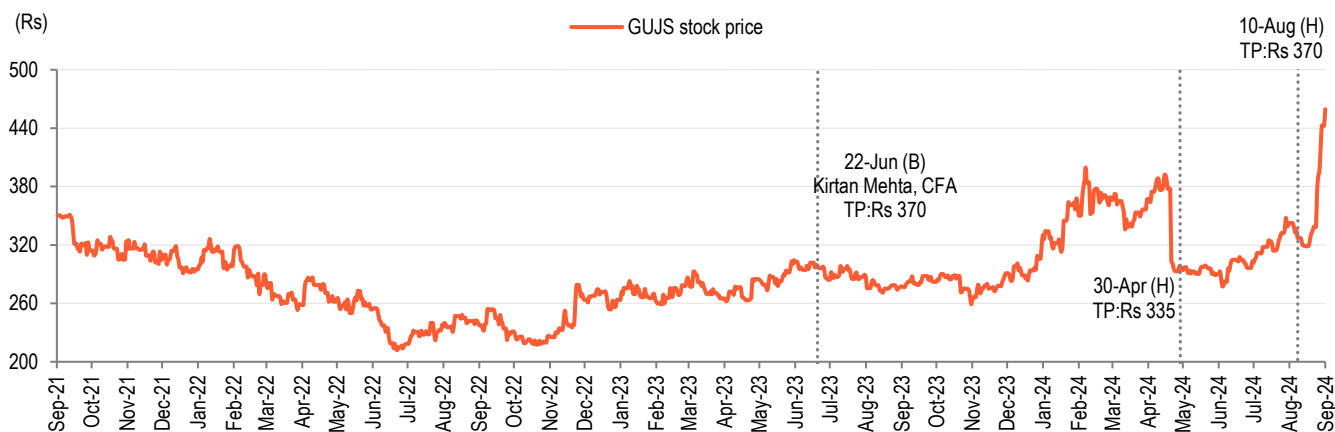
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): GUJARAT STATE PETRONET (GUJS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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