

Gujarat Gas

In line quarter, prospects remain peer leading

Gujarat Gas (GGL) adjusted EBITDA/PAT of Rs3.7/2bn was up 15/29% yoy driven by 42% yoy growth in volumes, offset by 20/19% yoy dip in Gross and EBITDA margins/scm to Rs6.5/4.3 per scm. While volumes beat CenE of 9.1mmscmd (9.32mmscmd), higher than expected gas costs drove a miss in margins. Volumes performances is particularly creditable given that this is traditionally a weak quarter for GGL. With Q4TD run rate of >10mmscmd and spot LNG prices at extremely comfortable levels of US\$4.5-5/MMBtu for March, we see profitability accelerating for Q4FY20. With guidance of ~9% volumes growth over FY21-22E, adoption of lower tax rate of 25.2% and soft gas costs Earnings remain poised to double in FY20E vs FY19 and deliver a peer leading CAGR of 41% over FY19-22E. Reiterate BUY.

Volumes – Q2 record levels sustained

The Morbi regulatory boost has driven volumes to a record 9.32mmscmd for the quarter, same as Q2 (CenE 9.1mmscmd) with a 58% yoy growth in Industrial/Commercial volumes (7.23mmscmd), 6% growth in Domestic (0.6mmscmd) and a 6% growth in CNG volumes (1.54mmscmd). With current volumes trending at >10mmscmd, we see volume strength sustaining for GGL for the next 12-18Mths. Additionally, any uptick in industrial activity for other consumer segments within industrial segment (~2mmscmd currently) plus further environmental action at Surat can add another lever of growth for GGL.

Margins – Volatility remains but long term trends positive

Margins overall for GGL have been volatile (EBITDA/scm has ranged from Rs2.3/scm to Rs4.6/scm in the last 6 years). 9MFY20 has seen EBITDA/scm range from Rs4.3-5.6/scm highlighting the competitive market for GGL's operations. We believe however that EBITDA/scm will surge to Rs4.8/scm over Q4FY20 (helped by soft LNG prices), implying average Rs4.7/scm for full year, well ahead of FY15-19 average of Rs4/scm.

Geographic expansion & NGT order the levers for growth

With 11-12 new districts being developed over the last few years and the 7 new areas won in Rounds 9 & 10, GGL is expected to retain its position as the largest CGD player in the country over the next 5-7 years. Coupled with the expected boost to volumes via the Nov 2019 NGT order (please see report <https://bit.ly/2RZLrP3>) we see volumes growing at 16% CAGR to >15.5mmscmd by FY25E for the company

Valuation and risks – Top pick in the gas space

The aforementioned volume growth coupled with assumption of higher EBITDA margins drives an upgrade of 7.9/9.6% in FY20/21E EPS, implying an EPS CAGR of 41% over FY19-22E. Our estimates imply a CAGR of 20/1/6% in volumes/gross margins & EBITDA/scm over FY19-22E. Given the longer term (and back ended) prospects for GGL and the steady state of cash flows from this business, we value GGL using DCF till FY29E, which delivers a revised price target of Rs350/sh, +18% upside. BUY

Financial and valuation summary

YE Mar (Rs mn)	Q3FY20	YoY (%)	QoQ (%)	FY19	FY20E	FY21E	FY22E
Revenue	25,062	18.4	(0.3)	77,544	1,02,595	1,11,936	1,25,216
EBITDA	3,705	15.4	0.0	9,846	16,281	17,946	19,907
EBITDA margin (%)	14.8			12.7	15.9	16.0	15.9
EBIT	2,911	17.2	0.2	6,966	13,201	14,625	16,346
Adj. PAT	1,965	29.3	0.5	4,290	9,801	10,487	12,122
Diluted EPS (Rs)	2.9	29.3	0.5	6.2	14.2	15.2	17.6
PE (x)				47.5	20.8	19.4	16.8
EV/EBITDA (x)				23.7	13.9	12.3	10.7
P/BV (x)				9.3	6.8	5.3	4.2
RoE (%)				19.6	32.8	27.0	24.7

Source: Company, Centrum Research estimates

Please see Appendix for analyst certifications and all other important disclosures.

Result Update

India I Oil & Gas

6 February 2020

Buy

Target Price: Rs350

Price: Rs296

Forecast return: +18.1%

Institutional Research

Market Data

Bloomberg:	GUJGA IN
52 week H/L:	308/115
Market cap:	Rs201.2bn
Shares outstanding:	688.4mn
Free float:	18.5%
Avg. daily vol. 3mth:	1285579

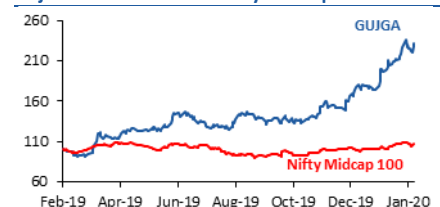
Source: Bloomberg

Changes in the report

Rating:	NIL
Target Price:	+37.1%
Earnings estimates:	FY20E: +7.9% FY21E: +9.6%

Source: Bloomberg

Gujarat Gas relative to Nifty Midcap 100



Source: Bloomberg

Shareholding pattern

	Dec-19	Sep-19	Jun-19	Mar-19
Promoter	60.9	60.9	60.9	60.9
FII	11.1	12.1	11.9	12.8
DII	6.3	5.7	5.4	3.9
Public/oth	21.8	21.3	21.7	22.4

Source: BSE



Probhal Sen

Analyst, Oil & Gas
+91 22 4215 9001
probal.sen@centrum.co.in



Akshay Mane

Associate, Oil & Gas
+91 22 4215 9265

Akshay.mane@centrum.co.in

Oil & Gas

Thesis Snapshot

Estimate revisions

YE Mar (Rs mn)	FY20E New	FY20E Old	% chg	FY21E New	FY21E Old	% chg
Revenue	1,02,595	99,413	3.2	1,11,936	1,17,261	-4.5
EBITDA	16,281	14,805	10.0	17,946	15,736	14.0
EBITDA margin	15.9	14.9		16.0	13.4	
Adj. PAT	9,801	8,545	14.7	10,487	9,572	9.6
Diluted EPS (Rs)	14.2	13.2	7.9	15.2	13.9	9.6

Source: Centrum Research estimates

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY20	Actual Q3FY20	Variance (%)
Revenue	24,318	25,062	3.1
EBITDA	3,693	3,705	0.3
EBITDA margin	15.2	14.8	
Adj. PAT	1,941	1,965	1.3

Source: Bloomberg, Centrum Research estimates

Gujarat Gas versus NIFTY Midcap 100

	1m	6m	1 year
GUJGA IN	18.2	63.0	133.2
NIFTY Midcap 100	4.8	17.0	8.4

Source: Bloomberg, NSE

Key assumptions

YE Mar	FY20E	FY21E	FY22E
Brent (US\$/bbl)	63.4	65.0	65.0
INR/USD	70.6	70.0	70.0
Volumes (mmscm)	3,448	3,754	4,089
Volumes (mmscmd)	9.4	10.3	11.2
CNG (mmscmd)	1.5	1.6	1.8
Domestic (mmscmd)	0.6	0.6	0.7
Industrial/Commercial (mmscmd)	7.3	8.0	8.7
Avg realisation (Rs/scm)	29.8	29.8	30.6
Raw material cost (Rs/scm)	22.7	22.7	23.4
Gross margin (Rs/scm)	7.1	7.1	7.2
EBITDA margin (Rs/scm)	4.7	4.8	4.9

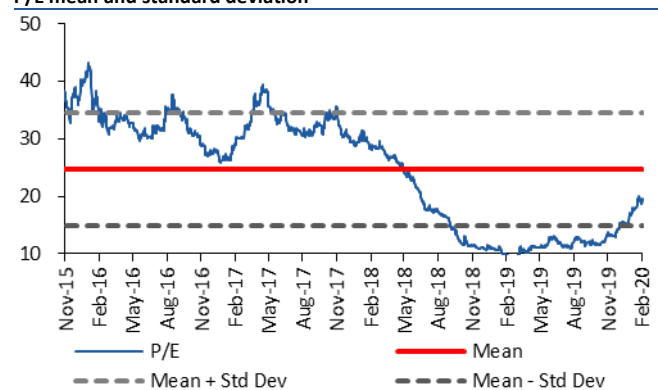
Source: Centrum Research estimates

Valuations

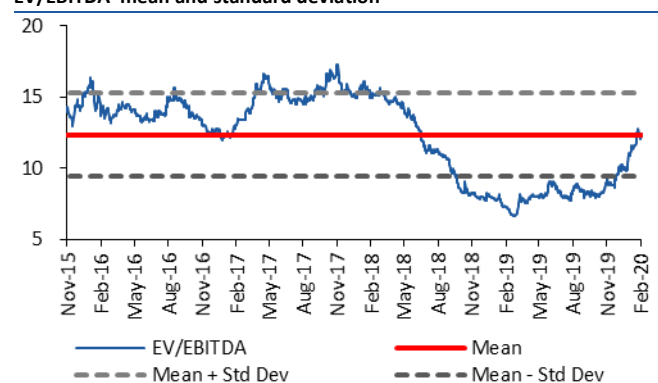
Given the longer term (and back ended) prospects for GGL and the steady state nature of cash flows from this business we value GGL using DCF till FY29E. We factor volumes reaching 15.7mmscmd by FY25E and 21.8mmscmd by FY29E, WACC of 11.1% and Terminal growth of 5%.

Valuations (DCF FY19-29E)	(Rs mn)
NPV (explicit period)	80,720
Terminal Value	4,57,847
PV of Terminal value	1,60,030
Total NPV	2,40,750
Per share (Rs/share)	350
CMP (Rs/share)	296
Upside (downside) %	18.1%

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Research estimates

Peer comparison

Company	Mkt Cap (Rs mn)	EPS CAGR (FY19-21E) (%)	PE (x)			P/Bv (x)			EV/EBITDA (x)			RoE (%)		RoCE (%)
			FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY21E	FY21E	
GGL	2,03,835	56.4	47.5	20.8	19.4	9.3	6.8	5.3	23.7	13.9	12.3	27.0	21.9	
IGL	3,59,870	26.1	45.7	30.7	28.8	8.7	7.2	6.1	27.3	21.8	18.9	21.1	23.4	
MGL	1,17,849	18.9	21.6	14.8	15.3	4.9	4.2	3.7	12.2	10.0	9.3	24.1	28.1	

Source: Company, Centrum Research estimates

Quarterly call highlights

- Gujarat Gas (GGL) reported EBITDA/Adj. PAT at Rs3.7/Rs2bn (+15/+29% yoy), were broadly in line with CenE EBITDA/PAT Rs3.7/Rs1.9bn driven by strong volumes of 9.3mmscmd, growing by +41.5% yoy.
- Overall volumes of 9.3mmscmd, up 41.5% yoy, beat CenE 9.1mmscmd driven by higher ind/comm volumes – CNG volumes of 1.5mmscmd (+6% yoy) and Domestic PNG volumes of 0.6mmscmd (+6% yoy) came broadly in line while Ind/Comm volumes of 7.2mmscmd (+58% yoy, CenE 7mmscmd) grew sharply. 9MFY20 EBITDA/PAT of Rs12/Rs6.3bn has grown 1.6x/2.1x yoy, with average volumes of 9.3mmscmd up 41.5% yoy.
- Blended realisation of Rs29.2/scm (-17% yoy, CenE Rs29/scm) came marginally ahead of estimates, however was offset by marginally higher effective gas cost at US\$8.5/mmbtu, vs CenE US\$8.4/mmbtu. Resultant, Gross margins of Rs6.5/scm (-20% yoy) came marginally below CenE Rs6.7/scm while EBITDA/scm of Rs4.3/scm for the quarter were below CenE Rs4.4/scm (-19% yoy). 9MFY20 gross/EBITDA spreads trend at Rs7/Rs4.7 per scm (0.8/13.8% yoy).
- EBITDA margins at 14.8% (down 40bps yoy, up 10bps qoq) came 40bps below CenE EBITDA margins of 15.2% due to higher than estimated gas costs. EBITDA was supported to some extent by Rs22.3mn of IndAs 116 related reduction in opex. However, this was broadly adjusted in PBT by an equivalent Rs18.1mn and Rs7.9mn increase in depreciation and interest costs respectively.

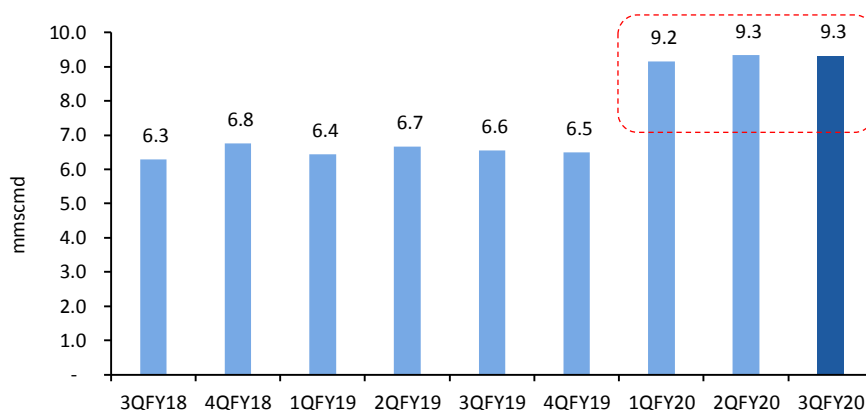
Volumes – Beat on estimates; prospects remain strong

Currently, volume run rate of >10mmscmd in Jan'20

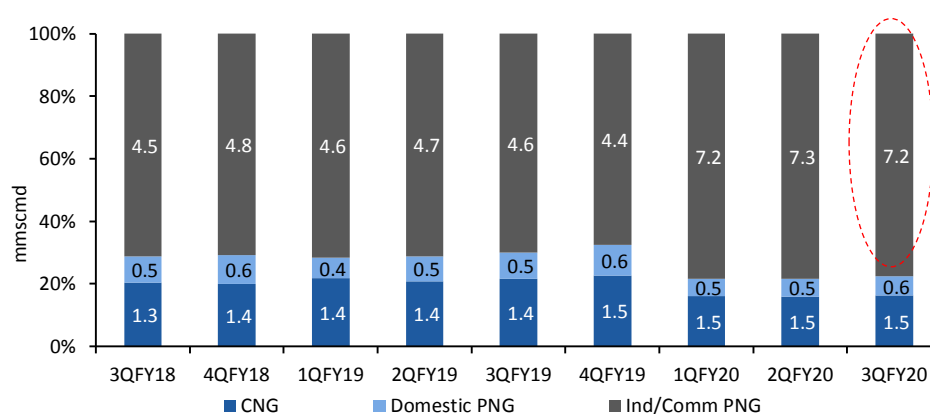
In Q3FY20, GGL reported volumes of 9.3mmscmd, (+42%/flat yoy/qoq), well above CenE 9.1mmscmd. CNG volumes at 1.5mmscmd (+6/2% yoy/qoq) and Domestic PNG volumes at 0.6mmscmd (+6/+6% yoy/qoq), were in line with CenE. Volumes from Industrial/Commercial however grew sharply by +58 yoy to 7.2mmscmd (CenE 7mmscmd) likely due to higher gas offtake from Morbi ceramic cluster due to NGT order banning usage of coal gasifiers to curb pollution in the region.

Morbi volumes in Oct'19 had fallen below 5mmscmd due to festive season, however management has highlighted that the offtake from Morbi has been restored to ~6mmscmd levels. With current volume run rate at >10mmscmd, we expect volume strength sustaining for GGL over the next 12-18M. Our revised estimates factor volume CAGR of 19.7% over FY19-22E.

Additionally, GGL will be developing ~19 new districts (including 7 new areas won in Round IX/X) which will support volume growth for GGL over the next 5-7 years. Our estimates of area by area potential suggest overall volumes can grow >2x by FY25E to 15.7mmscmd from FY19 levels of 6.5mmscmd, implying CAGR of +16%.

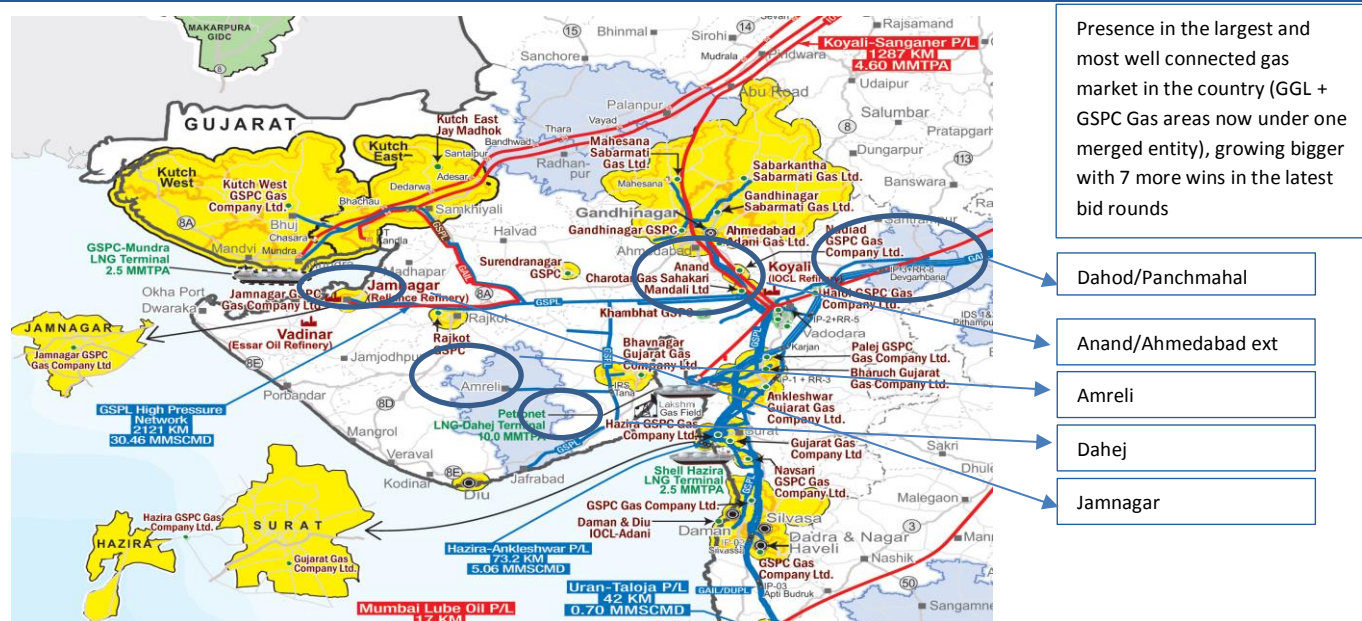
Fig 1: 9MFY20 volumes trend ~9.3mmscmd; sets up for a strong FY20E

Source: Company, Centrum Research estimates

Fig 2: Segment wise volume trends – Volume growth driven by Industrial volumes

Source: Company, Centrum Research estimates

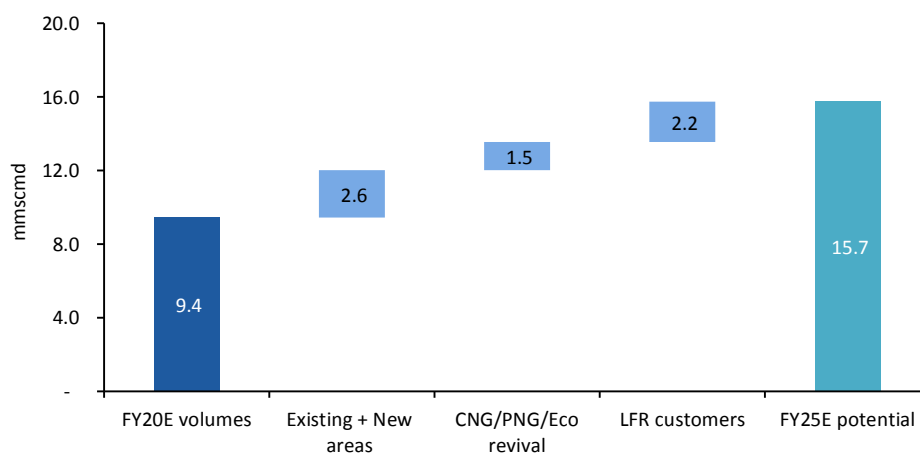
The expansion of GGL even deeper into the state of Gujarat brings its own advantages, the expansion and deepening of the gas grid in what is already the most well connected gas market is relevant for the CNG segment – the more connected the gas grid and refuelling infra is, the easier it is for vehicles to convert even if they do a lot of intercity travel.

Fig 3: GGL's presence in Gujarat

Source: Company, Centrum Research estimates

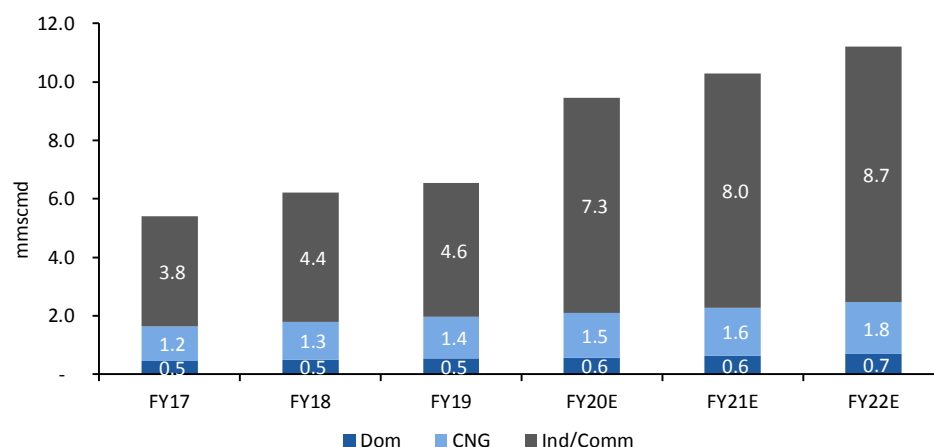
The volume mix for the company is also seeing a change, with the addition of 69 CNG stations for GGL in FY19 the highest ever for the company, which is expected to drive double-digit volume growth in the CNG segment over FY20-22E- this creates more stability in volume trends and also creates a stronger margin profile for the company.

Fig 4: Multiple drivers of volume growth over FY19-25E



Source: Company, Centrum Research estimates

Fig 5: Segment wise volume assumptions FY17-22E



Source: Company, Centrum Research estimates

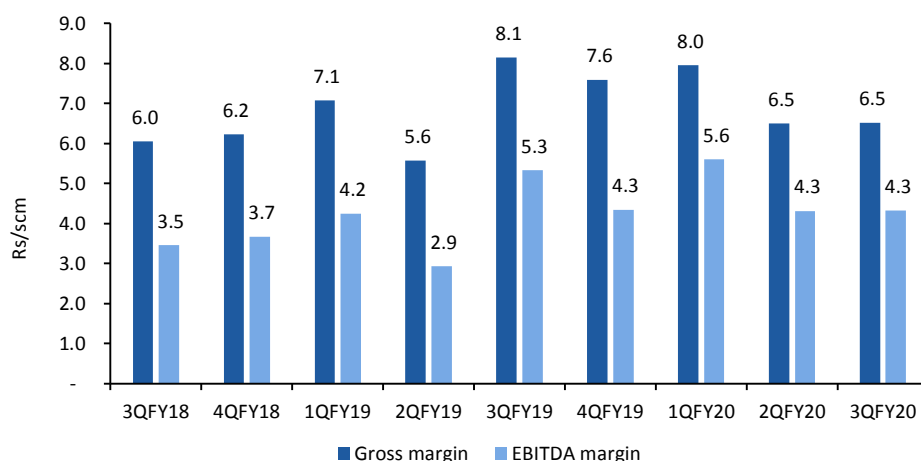
Margins – marginal miss

GGL reported gross/EBITDA margins of Rs6.5/Rs4.3 per scm (-20/-19% yoy), marginally missed CenE Rs6.7/Rs4.4 per scm, driven by marginally higher gas cost of Rs22.7/scm vs CenE Rs22.3/scm. However, blended realisation of Rs29.2/scm (-17%/flat yoy/qoq), came marginally ahead of CenE Rs29/scm, offsetting the impact of higher gas cost to some extent.

During the quarter, margins were to some extent supported by marginally lower opex of Rs2.2/scm (-22%/flat yoy/qoq) mainly resulting due to IndAS 116 adjustment of Rs22.3mn as well as leverage from higher volumes without a significant increase in overheads.

We expect margins to improve in Q4 given that spot LNG prices currently trend at US\$4.5/bbl with linkage to crude also at ~7%. We therefore factor in a linkage to crude at ~10% over FY21-22E with our annual margin estimate expanding to Rs4.8-4.9/scm over FY21-22E with a CAGR of 5.7% over FY19-22E.

Fig 6: Quarterly movement in Gross/EBITDA margins



Source: Company, Centrum Research estimates

Steady Crude prices and lowest ever Spot LNG prices ensure stronger competitiveness to alternate fuels

Given the steady Crude price at US\$60/bbl, the marginal decrease in domestic gas costs and sharply lower spot LNG prices, we see pricing competitiveness for GGL sustain in the next 12M. At current crude prices and resulting retail prices for petrol/diesel/LPG/Naphtha we see Gas sustaining the price advantage for the near term.

Fig 7: Economics for CNG vs other fuels remains attractive

	Delhi (IGL)			Gujarat (GGL)			Mumbai (MGL)		
	Petrol	Diesel	CNG	Petrol	Diesel	CNG	Petrol	Diesel	CNG
Price (Rs/ltr; Rs/kg for CNG)	73.0	66.1	46.6	70.4	69.1	54.7	78.6	69.2	52.0
Mileage km/ltr or kg	12.0	18.0	20.0	12.0	18.0	20.0	12.0	18.0	20.0
Cost (Rs/km)	6.1	3.7	2.3	5.9	3.8	2.7	6.6	3.8	2.6
CNG discount (%)	-62	-37		-53	-29		-60	-32	
Daily running assumptions (kms)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Daily cost (Rs)	243.3	146.8	93.2	234.5	153.5	109.4	262.0	153.8	104.0
Annual cost (Rs)	88,805	53,574	34,018	85,605	56,032	39,931	95,642	56,145	37,953
Savings vs Petrol		35,231	54,787		29,573	45,674		39,497	57,689
CNG /Diesel conversion kit cost Rs		1,00,000	60,000		1,00,000	60,000		1,00,000	60,000
Payback (months)		34.1	13.1		40.6	15.8		30.4	12.5

Source: Company, Centrum Research

Fig 8: LNG remains competitive vs other liquid fuels as well

	US\$/bbl	(mmbtu/bbl)	US\$/mmbtu	% diff LT LNG	% diff ST LNG
Brent	63.6	5.9	10.8	-20.1	-58.3
Naphtha	59.7	5.3	11.3	-23.5	-60.1
FO	49.4	6.4	7.7	11.7	-41.7
HSD	76.6	5.7	13.4	-35.9	-66.5
Petrol	70.9	5.8	12.2	-29.5	-63.2
LPG	44.4	4.5	9.9	-12.7	-54.4
LNG Long term (US\$/mmbtu)	8.6	1.0	8.6	-	-47.8
LNG (ST) (US\$/mmbtu)	4.5	1.0	4.5	91.5	-

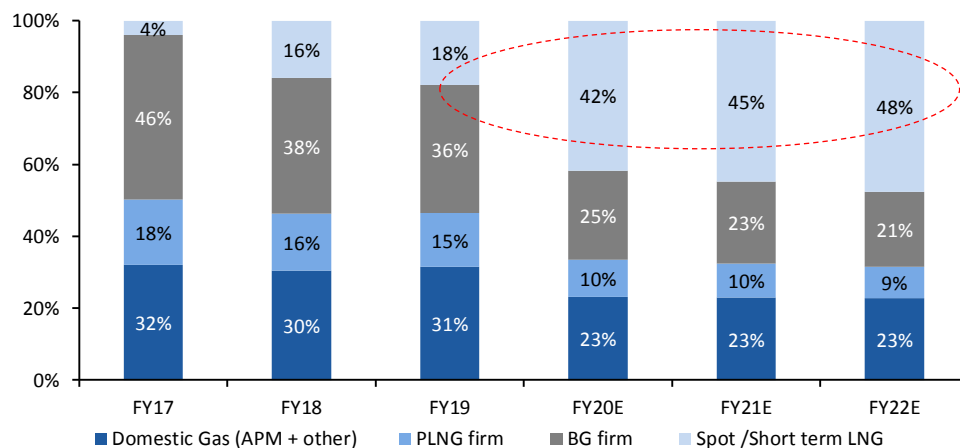
Source: Bloomberg, Centrum Research estimates

Spot LNG rising as a % of overall gas sources for GGL, helping margins

The spot LNG prices are more relevant for GGL's gas costs going forward as every incremental molecule of Industrial/Commercial gas sold by GGL would be sourced via spot

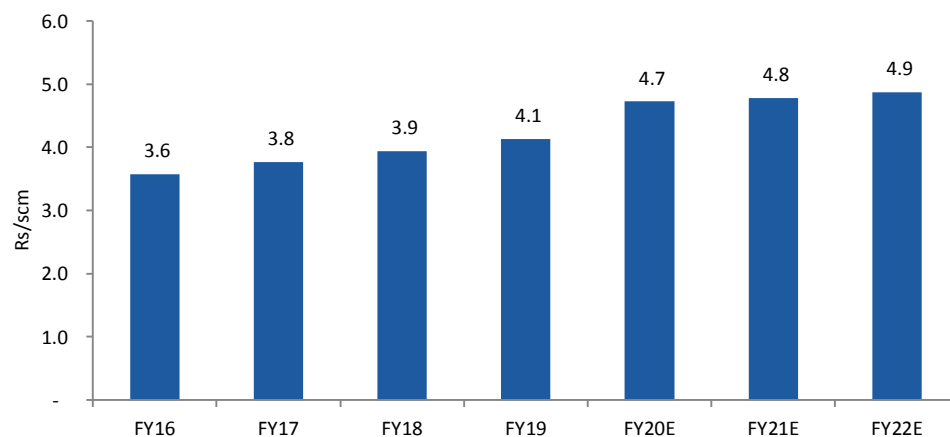
LNG. The company has mid-term and long-term contracts for 3.2-3.3mmscmd with BG and PLNG while GGL's Industrial/Commercial volumes are already at 7.3mmscmd (balance being met via spot LNG and some other non-APM domestic sources). So, any additional volumes hereon will be met by more short term/spot LNG which decreases average gas costs.

Fig 9: Share of spot/short term LNG rising steadily



Source: Company, Centrum Research estimates

Fig 10: GGL's EBITDA margins per scm to expand over FY21-22E driven by low spot LNG prices

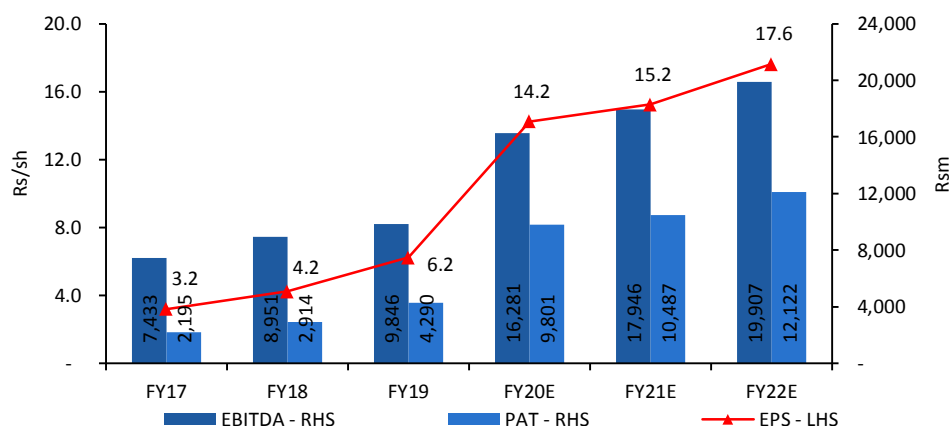


Source: Company, Centrum Research estimates

Financial analysis – profitability remains strong

We expect the combination of strong volume growth and improvement in margins over FY21-22E to deliver a 26.4% CAGR in EBITDA and a 41.4% CAGR in Adj. PAT over FY19-22E – This number is predicated on gross margins of Rs7.1-7.2 per scm over FY21/22E and EBITDA/scm of Rs4.8-4.9/scm over the period. The aforementioned volume growth coupled with margin expansion drives an upgrade of 7.9/9.6% in FY20/21E EPS, implying a CAGR of 41.4% over FY19-22E.

Fig 11: EBITDA/PAT/EPS trend over FY17-22E



Source: Company, Centrum Research estimates

Our assumptions build in a higher volume growth of 44.5/8.9/8.9% in FY20/21/22E and EBITDA margins improving to 15.9-16% over FY21-22E vs only 12.7% in FY19.

Key financial assumptions are highlighted below:

Fig 12: Key financial assumptions

	Units	FY18	FY19	FY20E	FY21E	FY22E
Volumes	mmscmd	6.2	6.5	9.4	10.3	11.2
Average Sales realisations	Rs/scm	27.2	32.5	29.8	29.8	30.6
RMC	Rs/scm	20.6	25.5	22.7	22.7	23.4
Gross margins	Rs/scm	6.6	7.0	7.1	7.1	7.2
EBITDA/scm	Rs/scm	3.9	4.1	4.7	4.8	4.9
EBITDA margin	%	14	13	16	16	16
EBIT margin	%	10	9	13	13	13
PAT margin	%	5	6	10	9	10
Capex	Rsm	4,589	5,376	5,200	6,000	6,000
OpCF (before WC)	Rsm	9,117	9,850	16,281	17,946	19,907
RoIC	%	15.2	16.3	28.2	27.7	27.3
RoE	%	15.8	19.6	32.8	27.0	24.7
ROCE	%	11.9	12.7	21.9	21.9	21.9
DER	x	1.8	1.4	0.8	0.4	0.2

Source: Company, Centrum Research estimates

Despite the material capex trajectory, we do not see any dip in Balance Sheet metrics, with leverage actually declining over the next 2-3 years despite the higher capex run rate of Rs5.7bn over FY20-22E. As per management guidance, 60% of the capex is expected to be incurred on development of existing areas while 40% on new areas. Return ratios for GGL therefore continue to steadily improve over our forecast period along-with profitability.

Multiple drivers of RoE improvement

Factoring in the multiple levers of improvement in earnings and the quality of the same, we believe DuPont analysis presents a good picture of the expected boost to the company's financial metrics over FY17-22E.

Fig 13: Dupont Analysis for GGL

RoE (5-Point)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Tax Burden (x)	0.7	0.6	0.7	0.8	0.7	0.7
Interest Burden (x)	0.6	0.7	0.9	0.9	1.0	1.0
EBIT Margin (%)	9.5	10.1	9.0	12.9	13.1	13.1
Asset Turnover (x)	1.1	1.5	1.8	2.2	2.1	2.1
Leverage (x)	2.5	2.3	2.1	1.8	1.5	1.4
RoE (%)	12.2	16.7	21.3	37.9	30.5	27.6

Source: Company, Centrum Research estimates

Valuations – material upside from here

We value GGL using DCF methodology, using a WACC of 11.1%, Long term EBITDA assumption of Rs4.9/scm and Terminal growth rate of 5%. The gradual build-up of volumes from the multiple new areas under development and the new areas won recently in bidding rounds IX/X imply that returns from the same would flow through only over the next decade hence we believe earnings multiples do not adequately reflect the fair value of the business. Our DCF value delivers a price of Rs350/sh, 18.1% upside from here.

Fig 14: GGL DCF valuation

	FY18	FY19	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E...	...FY29E
Volumes mmscmd	6.2	6.5	9.4	10.3	11.2	12.5	14.1	15.7	21.8
yoy growth (%)		5.1	44.5	8.9	8.9	12.0	12.0	12.0	6.0
EBITDA/Scm	3.9	4.1	4.7	4.8	4.9	4.9	4.9	4.9	4.9
EBITDA	8,951	9,846	16,281	17,946	19,907	22,296	24,971	27,968	38,738
Less Depreciation	2,718	2,880	3,080	3,320	3,560	3,371	3,575	3,704	4,019
EBIT	6,232	6,966	13,201	14,625	16,346	18,924	21,396	24,263	34,719
Less Interest	1,961	1,962	1,885	1,627	1,390	2,711	2,874	2,978	3,231
Other Income	357	1,113	935	1,022	1,250	1,287	1,326	1,366	1,522
PBT	4,628	6,117	12,252	14,020	16,206	17,501	19,848	22,650	33,010
Less Tax	1,715	1,768	3,327	3,686	4,119	4,769	5,392	6,114	8,749
NOPAT	2,914	4,349	8,925	10,335	12,087	12,732	14,456	16,536	24,260
Add Depreciation	2,718	2,880	3,080	3,320	3,560	3,371	3,575	3,704	4,019
Less Capex	4,589	5,376	5,200	6,000	6,000	5,500	5,500	3,500	1,750
FCF	1,043	1,853	6,805	7,655	9,647	10,603	12,531	16,740	26,529
GBA	63,622	68,417	73,617	79,617	85,617	91,117	96,617	1,00,117	1,08,617
Debt	23,282	22,131	19,631	17,131	14,631	31,891	33,816	35,041	38,016
Year	-	-	1.0	2.0	3.0	4.0	5.0	6.0	10.0
Disc factor		1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.3
NPV	-	1,853	6,126	6,204	7,038	6,963	7,408	8,910	9,273
NPV total	80,720								
TV	4,57,847								
PV of Terminal value	1,60,030								
Total NPV potential	2,40,750								
Per share for GGL	350								
CMP	296								
Upside (downside)	18.1%								

Source: Centrum Research estimates

Fig 15: Quarterly Financials

Particulars (Rs mn)	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Sales	15,713	17,336	17,651	19,643	21,174	19,075	26,146	25,129	25,062
Other Operating Income									
Total Income	15,713	17,336	17,651	19,643	21,174	19,075	26,146	25,129	25,062
Accretion to Stocks in trade & work in progress									
Raw Material Consumed	12,212	13,551	13,504	16,230	16,264	14,638	19,522	19,550	19,482
Purchase of Semi/finished goods/traded goods									
Employee Expenses	338	330	360	372	416	451	464	446	438
Other Exp	1,165	1,228	1,301	1,241	1,282	1,445	1,495	1,427	1,437
Operating Profit (Core EBITDA)	1,999	2,227	2,486	1,800	3,212	2,541	4,665	3,706	3,705
Depreciation	688	682	707	724	728	722	779	802	795
EBIT	1,311	1,545	1,779	1,077	2,484	1,819	3,886	2,904	2,911
Interest	487	479	486	494	485	497	510	528	465
Other Revenue/Income	91	99	95	188	154	187	225	237	186
Other Excep. Items (restructuring, asset sales etc)	-	-	489	(193)	(179)	-	-	-	-
Profit Before Tax	915	1,165	1,878	578	1,975	1,508	3,602	2,614	2,632
Tax	315	506	664	167	595	343	1,265	(2,559)	667
<i>Tax rate (%)</i>	34.4	43.4	35.3	28.9	30.1	22.7	35.1	-97.9	25.3
Profit After Tax	600	660	1,214	411	1,380	1,165	2,337	5,173	1,965
Less: Minority interest in income									
Add/(Less) - Share in the profit/(loss) of associates									
Adjustment								(3,217)	
PAT attributable to Consolidated Group	600	660	1,214	411	1,380	1,165	2,337	5,173	1,965
Adjusted PAT for the group	600	660	896	536	1,496	1,165	2,337	1,956	1,965
Growth (%)									
<i>Net Sales</i>	12.9	10.3	1.8	11.3	7.8	-9.9	37.1	-3.9	-0.3
<i>EBITDA</i>	-1.3	11.4	11.6	-27.6	78.4	-20.9	83.6	-20.6	0.0
<i>Adj. PAT</i>	-1.8	9.9	35.9	-40.2	179.1	-22.1	100.5	-16.3	0.5
Margin (%)									
<i>EBITDA</i>	12.7	12.8	14.1	9.2	15.2	13.3	17.8	14.7	14.8
<i>EBIT</i>	8.3	8.9	10.1	5.5	11.7	9.5	14.9	11.6	11.6
<i>PAT (reported bef minority interest)</i>	3.8	3.8	6.9	2.1	6.5	6.1	8.9	20.6	7.8
Key Drivers									
Brent (USD/bbl)	62.0	66.0	74.6	75.5	70.0	64.0	68.5	61.6	62.4
INR/USD	64.5	64.5	67.0	70.0	72.0	70.5	69.6	70.4	71.2
Volumes (mmscm)	579.0	608.0	586.0	613.0	602.6	585.0	833.0	859.0	857.0
Volumes (mmscmd)	6.3	6.8	6.4	6.7	6.6	6.5	9.2	9.3	9.3
CNG (mmscmd)	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Domestic (mmscmd)	0.5	0.6	0.4	0.5	0.5	0.6	0.5	0.5	0.6
Industrial/Commercial (mmscmd)	4.5	4.8	4.6	4.7	4.6	4.4	7.2	7.3	7.2
Avg realisation (Rs/scm)	27.1	28.5	30.1	32.0	35.1	32.6	31.4	29.3	29.2
Raw material cost (Rs/scm)	21.1	22.3	23.0	26.5	27.0	25.0	23.4	22.8	22.7
Gross margin (Rs/scm)	6.0	6.2	7.1	5.6	8.1	7.6	8.0	6.5	6.5
EBITDA margin (Rs/scm)	3.5	3.7	4.2	2.9	5.3	4.3	5.6	4.3	4.3

Source: Company, Centrum Research estimates

P&L					
YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Revenues	61,743	77,544	102,595	111,936	125,216
Materials cost	46,780	60,830	78,286	85,207	95,736
% of revenues	75.8	78.4	76.3	76.1	76.5
Employee cost	1,390	1,600	1,824	2,006	2,207
% of revenues	2.3	2.1	1.8	1.8	1.8
Others	4,623	5,268	6,204	6,777	7,366
% of revenues	7.5	6.8	6.0	6.1	5.9
EBITDA	8,951	9,846	16,281	17,946	19,907
EBITDA margin (%)	14.5	12.7	15.9	16.0	15.9
Depreciation & Amortisation	2,718	2,880	3,080	3,320	3,560
EBIT	6,232	6,966	13,201	14,625	16,346
Interest expenses	1,961	1,962	1,885	1,627	1,390
PBT from operations	4,272	5,004	11,317	12,998	14,956
Other income	357	1,113	935	1,022	1,250
Exceptional items	-	(179)	-	-	-
PBT	4,628	5,939	12,252	14,020	16,206
Taxes	1,715	1,768	2,450	3,533	4,084
Effective tax rate (%)	37.0	29.8	20.0	25.2	25.2
PAT	2,914	4,170	9,801	10,487	12,122
Minority/Associates					
Reported PAT	2,914	4,170	9,801	10,487	12,122
Adjusted PAT	2,914	4,290	9,801	10,487	12,122

Ratios					
YE March	FY18	FY19	FY20E	FY21E	FY22E
Growth (%)					
Revenue	21.2	25.6	32.3	9.1	11.9
EBITDA	20.4	10.0	65.4	10.2	10.9
PAT	32.7	43.1	135.0	7.0	15.6
Margin (%)					
EBITDA	14.5	12.7	15.9	16.0	15.9
PBT from operations	7.5	7.7	11.9	12.5	12.9
Adjusted PAT	4.7	5.5	9.6	9.4	9.7
Return (%)					
ROE	15.8	19.6	32.8	27.0	24.7
ROCE	11.9	12.7	21.9	21.9	21.9
ROIC	15.2	16.3	28.2	27.7	27.3
Turnover (days)					
Gross block turnover ratio (x)	1.0	1.2	1.4	1.5	1.5
Debtors	21.8	21.2	19.9	19.6	17.5
Inventory	3.8	3.8	3.8	4.1	4.0
Creditors	79.6	70.0	63.3	64.9	61.0
Solvency (x)					
Net debt-equity	1.8	1.4	0.8	0.4	0.2
Debt-equity	1.8	1.5	1.0	0.7	0.5
Interest coverage ratio	3.2	3.6	7.0	9.0	11.8
Gross debt/EBITDA	3.8	3.3	1.9	1.6	1.3
Current Ratio	0.5	0.7	0.8	1.0	1.2
Per share (Rs)					
Adjusted EPS	4.2	6.2	14.2	15.2	17.6
BVPS	27	32	43	56	71
CEPS	8.2	10.4	18.7	20.1	22.8
DPS	4.7	1.2	2.5	2.3	2.7
Dividend payout (%)	110.6	19.3	17.6	15.2	15.2
Valuation (x)					
P/E (adjusted)	70.0	47.5	20.8	19.4	16.8
P/BV	11.0	9.3	6.8	5.3	4.2
EV/EBITDA	26.4	23.7	13.9	12.3	10.7
Dividend yield (%)	1.6	0.4	0.8	0.8	0.9

Source: Company, Centrum Research estimates

Balance Sheet					
YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Equity share capital	1,377	1,377	1,377	1,377	1,377
Reserves & surplus	17,087	20,463	28,544	37,437	47,715
Shareholders' fund	18,464	21,840	29,921	38,813	49,092
Total debt	23,282	22,131	19,631	17,131	14,631
Def tax liab. (net)	10,455	10,816	10,816	10,816	10,816
Minority Interest					
Total liabilities	52,201	54,787	60,368	66,760	74,539
Gross block	63,622	68,417	73,617	79,617	85,617
Less: acc. depreciation	12,695	15,526	18,607	21,927	25,487
Net block	50,927	52,891	55,010	57,690	60,130
Capital WIP	4,783	4,885	4,885	4,885	4,885
Net fixed assets	55,710	57,776	59,895	62,575	65,015
Investments	2,904	2,496	3,496	4,496	5,496
Inventories	568	694	918	1,002	1,121
Sundry debtors	3,917	5,103	6,076	5,967	6,007
Cash	1,363	3,092	7,639	10,707	15,847
Loans & advances	1,871	2,115	2,443	2,831	3,293
Total current asset	7,718	11,004	17,077	20,507	26,268
Trade payables	13,749	16,008	19,572	20,237	21,601
Other current liab.	-	-	-	-	-
Provisions	383	480	528	581	639
Net current assets	(6,413)	(5,484)	(3,023)	(310)	4,029
Total assets	52,201	54,787	60,368	66,760	74,539

Cash flow					
YE March	FY18	FY19	FY20E	FY21E	FY22E
Op profit bef WC changes	9,117	9,850	16,281	17,946	19,907
Trade and other receivables	(1,065)	(1,928)	(1,526)	(363)	(621)
Trade payables	817	1,639	3,612	718	1,422
Net Change – WC	(248)	(289)	2,086	355	801
Direct taxes	(1,040)	0	(2,450)	(3,533)	(4,084)
Net cash from operations	7,829	9,561	15,917	14,768	16,624
Capital expenditure	(4,584)	(5,304)	(5,200)	(6,000)	(6,000)
Acquisitions, net	-	(1,696)	(1,000)	(1,000)	(1,000)
Others	278	958	935	1,022	1,250
Net cash from investing	(4,306)	(6,042)	(5,265)	(5,978)	(5,750)
FCF	3,246	4,257	10,717	8,768	10,624
Issue of share capital	-	-	-	-	-
Increase/(decrease) in debt	(248)	(1,139)	(2,500)	(2,500)	(2,500)
Dividend paid	(2,459)	(2,355)	(3,605)	(3,223)	(3,234)
Net cash from financing	(2,707)	(3,494)	(6,105)	(5,723)	(5,734)
Net change in cash	816	25	4,548	3,068	5,140

Source: Company, Centrum Research estimates

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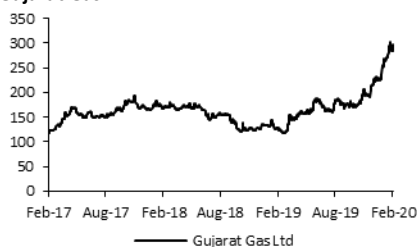
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Gujarat Gas



Source: Bloomberg

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Research Analyst

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Website: www.centrum.co.in**Investor Grievance Email ID:** investor.grievances@centrum.co.in**Compliance Officer Details:**

Ashok D Kadambi

(022) 4215 9937; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)**Registered Office Address**Bombay Mutual Building ,
2nd Floor, Dr. D. N. Road,
Fort, Mumbai - 400 001**Corporate Office & Correspondence Address**Centrum House
6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E),
Mumbai 400 098.
Tel: (022) 4215 9000 Fax: +91 22 4215 9344

Centrum Broking Institutional Equities Team Details

Nischal Maheshwari	CEO	nischal.maheshwari@centrum.co.in	+91-22-4215 9841
Research Analyst	Sector	E-mail	Phone number
Sneha Prashant	Auto & Auto Ancillary	sneha.prashant@centrum.co.in	+91-22-4215 9263
Cyrus Dadabhoy	BFSI	cyrus.dadabhoy@centrum.co.in	+91-22-4215 9980
Gaurav Jani	BFSI	gaurav.jani@centrum.co.in	+91-22-4215 9110
Milind S Raginwar	Cement & Metals	milind.raginwar@centrum.co.in	+91-22-4215 9201
Shirish Pardeshi	FMCG	shirish.pardeshi@centrum.co.in	+91-22-4215 9634
Ashish Shah	Infra & Aviation	shah.ashish@centrum.co.in	+91-22-4215 9021
Madhu Babu	IT	madhu.babu@centrum.co.in	+91-22-4215 9855
Probal Sen	Oil & Gas	Probal.sen@centrum.co.in	+91-22-4215 9001
Cyndrella Carvalho	Pharma	cyndrella.carvalho@centrum.co.in	+91-22-4215 9643
Sparsh Chhabra	Economist	sparsh.chhabra@centrum.co.in	+91-22-4215 9035
Joaquim Fernandes	Quant	Joaquim.Fernandes@centrum.co.in	+91-22-4215 9363
Equity Sales	Designation	Email	Phone number
Rajesh Makharia	Director	rajesh.makharia@centrum.co.in	+91-22-4215 9854
Paresh Shah	MD	paresh.shah@centrum.co.in	+91-22-4215 9617
Anil Chaurasia	Sr. VP	anil.chaurasia@centrum.co.in	+91-22-4215 9631
Himani Sanghavi	AVP	himani.sanghavi@centrum.co.in	+91-22-4215 9082
Saahil Harwani	Associate	saahil.harwani@centrum.co.in	+91-22-4215 9623