

Gujarat Gas

Refer to important disclosures at the end of this report

Better-than-expected margins drive earnings beat

- Q4FY21 EBITDA/PAT rose 30%/42% yoy (down 10%/11% qoq) to Rs5.54bn/Rs3.50bn, 31%/36% above our estimates on a 3% volume and 28% EBITDA/scm beat. Interest cost declined 26% qoq to Rs180mn, with net debt down 11% to Rs6.2bn.
- Gas sales volumes grew 6% qoq and 22% yoy to 12.1mmscmd. Industrial PNG was up 5% qoq (25% yoy) to 9.6mmscmd, with Morbi up 4% to 7.3mmscmd. On a yoy basis, CNG/Dom. PNG/Comm. PNG was up 16%/up 11%/down 8% at 1.7/0.7/0.1mmscmd.
- Net realization rose 17% qoq and gas cost jumped 27%, with gross margin declining 9% to Rs7.0/scm (17% beat though). Opex/scm rose 2% qoq to Rs2.0 (down 17% yoy). EBITDA/scm, hence, came in at Rs5.1, down 13% qoq/up 8% yoy.
- We retain our FY22E/23E assumptions and EBITDA. GGL has seen a 15-20% volume decline in FY22 YTD due to the second Covid wave. Management however expects it to improve as restrictions are lifted. Retain Hold/UW with a TP of Rs520 (unchanged).

Q4FY21 highlights: CNG volumes were healthy with 11% growth qoq. Other Income was flat yoy/down 4% qoq at Rs188mn, missing our estimate. For FY21, GGL's EBITDA/APAT rose 28%/46% to Rs20.9bn/Rs12.8bn (Rs18.5 EPS), driven by 29% EBITDA/scm expansion to Rs6.1 and lower interest cost. Volumes were largely flat at 9.4mmscmd. Capex was Rs8.1bn, while dividend was Rs2/sh (11% payout). GGL added 150+ CNG outlets (totaling 559 as on FY21-end), 0.1mn+ dom. PNG customers (1.55mn+) and 350 IPNG customers (4,000+). Comm. PNG customers/pipelines stood at 13,000+/-30,000km. GGL's board approved the purchase of Amritsar and Bhatinda CGD GAs by a slump sale from GSPL at a valuation of Rs1.63bn. GSPL's board approval is pending. Capex of Rs1.97bn (incl Rs779mn of CWIP) has been incurred by GGL, while the facilitation fee of Rs27.3mn for the use of these assets was received from GSPL for FY21.

Guidance: GGL's FY22 YTD volumes stood at 10mmscmd (9mmscmd currently, Morbi at 5 now). CNG outlet addition run-rate will be sustained with an aim of 13-14% CNG volume growth (expect to touch 2mmscmd in a year from 1.6 now). EBITDA/scm guidance is maintained at Rs5.0+. Current gas mix has 0.7mmscmd of RIL deepwater and 1.5mmscmd of Vedanta Rajasthan – both being linked to spot LNG though latter (West India Marker) having 12% Brent slope as ceiling. LNG term contract volumes are continuing. Capex guidance for FY22 is Rs8bn+. The Amritsar-Bhatinda GA valuation is done by an independent valuer. GGL would pay Rs1.63bn to GSPL and bear Rs779mn of CWIP. Current volumes of these GAs are under 0.1mmscmd, but likely to touch 0.6-0.8mmscmd in 4-5 years.

Valuation: Our Mar'23E DCF-based TP of Rs520 implies a 19.8x target PE multiple. Earnings outlook is steady, though we find valuations stretched with spot LNG a key risk. Other risks: Adverse oil-gas prices, currency, regulations, competition and operational-project issues.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Oil & Gas \(Page 7\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	103,003	98,543	133,241	152,162	172,700
EBITDA	16,343	20,878	24,428	27,601	31,207
EBITDA Margin (%)	15.9	21.2	18.3	18.1	18.1
APAT	9,034	12,755	15,772	18,091	20,684
EPS (Rs)	13.1	18.5	22.9	26.3	30.0
EPS (% chg)	152.4	41.2	23.7	14.7	14.3
ROE (%)	33.0	32.8	30.6	27.6	25.5
P/E (x)	41.2	29.2	23.6	20.6	18.0
EV/EBITDA (x)	23.6	18.1	15.2	13.1	11.3
P/BV (x)	11.3	8.3	6.4	5.1	4.2

Source: Company, Emkay Research

CMP

Rs 540
as of (June 1, 2021)

Rating

HOLD (■)

Target Price

Rs 520 (■)
12 months

Upside

(3.7) %

Change in Estimates

EPS Chg FY22E/FY23E (%)	1/1
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	22.9	26.3
Consensus	21.8	25.1
Mean Consensus TP (12M)	Rs 549	

Stock Details

Bloomberg Code	GUJGA IN
Face Value (Rs)	2
Shares outstanding (mn)	688
52 Week H/L	581 / 244
M Cap (Rs bn/USD bn)	372 / 5.10
Daily Avg Volume (nos.)	1,303,615
Daily Avg Turnover (US\$ mn)	9.5

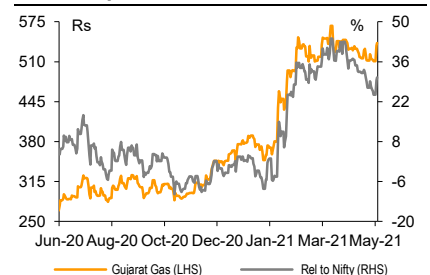
Shareholding Pattern Mar '21

Promoters	60.9%
FII's	8.6%
DII's	7.4%
Public and Others	23.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	1	59	120
Rel. to Nifty	(4)	(4)	33	39

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs. Estimates (Q4FY21)

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comment
				Emkay	Consensus	
Total Revenue	34,289	33,984	30,951	1%	11%	3% volume beat
EBITDA	5,543	4,221	5,216	31%	6%	Gross margin beat from lower gas cost
EBITDA Margin (%)	16%	12%	17%	374bps	-69bps	
Adjusted Net Profit	3,499	2,566	3,184	36%	10%	

Source: Company, Emkay Research

Exhibit 2: Quarterly summary

Rs.mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY	QoQ	FY20	FY21	YoY
Total Revenue	26,666	10,829	25,130	28,294	34,289	29%	21%	103,003	98,543	-4%
Dec./(Inc.) in Stock In Trade	1	5	-0	-6	-12			2	-13	
Raw Material Cost	20,263	7,292	15,876	20,131	26,613	31%	32%	78,816	69,911	-11%
Total COGS	20,264	7,297	15,876	20,124	26,601	31%	32%	78,818	69,898	-11%
Adjusted Gross Profit	6,402	3,532	9,255	8,170	7,689	20%	-6%	24,186	28,645	18%
Employee Cost	406	426	468	442	439	8%	-1%	1,754	1,775	1%
Other Expenses	1,730	1,249	1,456	1,580	1,708	-1%	8%	6,089	5,992	-2%
OPEX	2,135	1,675	1,924	2,022	2,146	1%	6%	7,843	7,767	-1%
Adjusted EBITDA	4,267	1,857	7,330	6,148	5,543	30%	-10%	16,343	20,878	28%
Depreciation	805	823	856	862	868	8%	1%	3,180	3,408	7%
EBIT	3,462	1,035	6,474	5,287	4,674	35%	-12%	13,163	17,470	33%
Interest Cost	420	401	339	243	180	-57%	-26%	1,922	1,163	-39%
Other Income	189	149	208	196	188	0%	-4%	837	740	-12%
PBT Before Exceptional Items	3,231	783	6,343	5,239	4,682	45%	-11%	12,078	17,047	41%
Exceptional Items	-	-	-	-	-			-	-	
PBT	3,231	783	6,343	5,239	4,682	45%	-11%	12,078	17,047	41%
Current Tax	753	192	1,545	1,385	1,119	49%	-19%	2,937	4,241	44%
Deferred Tax	19	4	50	-68	64			-2,793	51	
Total Tax	772	196	1,595	1,318	1,183	53%	-10%	145	4,292	
Reported PAT	2,459	587	4,748	3,922	3,499	42%	-11%	11,933	12,755	7%
Reported EPS (Rs.)	3.6	0.9	6.9	5.7	5.1	42%	-11%	17.3	18.5	7%
Adjusted PAT	2,459	587	4,748	3,922	3,499	42%	-11%	8,717	12,755	46%
Adjusted EPS (Rs.)	3.6	0.9	6.9	5.7	5.1	42%	-11%	12.7	18.5	46%
Shares O/S (mn)	688	688	688	688	688	0%	0%	688	688	0%
EBITDA Margin	16%	17%	29%	22%	16%			16%	21%	
NPM	9%	5%	19%	14%	10%			12%	13%	
Effective Tax Rate	24%	25%	25%	25%	25%			1%	25%	
Sales Volume (mmscmd)	9.9	4.1	9.8	11.4	12.1	22%	6%	9.4	9.4	0%
Industrial PNG	7.7	2.9	7.9	9.2	9.6	25%	5%	7.3	7.4	1%
Commercial PNG	0.1	0.0	0.1	0.1	0.1	-8%	14%	0.1	0.1	-32%
Domestic PNG	0.7	0.6	0.6	0.6	0.7	11%	14%	0.6	0.6	14%
CNG	1.5	0.7	1.3	1.5	1.7	16%	11%	1.5	1.3	-12%
Average Realization (Rs./scm)	29.5	28.7	27.7	26.9	31.4	7%	17%	29.8	28.7	-4%
Gross Margin (Rs./scm)	7.1	9.4	10.2	7.8	7.0	0%	-9%	7.0	8.4	19%
Opex (Rs./scm)	2.4	4.4	2.1	1.9	2.0	-17%	2%	2.3	2.3	0%
EBITDA/scm (Rs.)	4.7	4.9	8.1	5.8	5.1	8%	-13%	4.7	6.1	29%

Source: Company, Emkay Research

*Note: Adjusted numbers may not match with annual tables fully due to different adjustment method in Emkay detailed annual model

Exhibit 3: DCF valuation

DCF assumptions		Mar'23E (Rs mn)	
Risk Free Rate	6.0%	NPV Of FCF	134,031
Risk Premium	5.5%	Terminal Value	551,259
Beta	0.8	PV Of TV	222,754
Cost Of Equity	10.1%	Total Value	356,785
Cost Of Debt	9.8%	Less: Net Debt (Y/E)	(1,408)
Post Tax Cost Of Debt	7.4%	Equity Value	358,193
Average Debt:Equity Ratio	30.0%	No. Of Shares O/S (mn)	688
WACC	9.5%	Target Price (Rs.)	520
Terminal Growth Rate	3.0%		

Source: Company, Emkay Research

Exhibit 4: PE-based valuation

Rs.	FY19	FY20	FY21	FY22E	FY23E	FY24E
Adjusted EPS	5.2	13.1	18.5	22.9	26.3	30.0
Target Multiple (x)					19.8	
DCF Target Price					520	

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	103,003	98,543	133,241	152,162	172,700
Expenditure	86,661	77,664	108,813	124,562	141,492
EBITDA	16,343	20,878	24,428	27,601	31,207
Depreciation	3,180	3,408	3,860	4,165	4,589
EBIT	13,163	17,470	20,568	23,436	26,618
Other Income	837	740	802	905	1,062
Interest expenses	1,922	1,163	284	155	28
PBT	12,078	17,047	21,085	24,186	27,652
Tax	145	4,292	5,313	6,095	6,968
Extraordinary Items	(2,899)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	11,933	12,755	15,772	18,091	20,684
Adjusted PAT	9,034	12,755	15,772	18,091	20,684

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	1,377	1,377	1,377	1,377	1,377
Reserves & surplus	31,529	43,450	56,856	71,329	87,876
Net worth	32,906	44,827	58,233	72,706	89,253
Minority Interest	0	0	0	0	0
Loan Funds	20,554	9,394	4,394	1,394	394
Net deferred tax liability	8,005	8,063	8,114	8,166	8,218
Total Liabilities	61,465	62,284	70,741	82,266	97,865
Net block	58,088	62,588	67,433	72,490	78,156
Investment	200	220	220	220	220
Current Assets	14,990	14,808	20,464	28,098	39,271
Cash & bank balance	6,917	3,187	5,802	11,732	21,060
Other Current Assets	817	695	716	737	759
Current liabilities & Provision	17,508	22,210	24,460	25,838	27,297
Net current assets	(2,518)	(7,402)	(3,996)	2,259	11,974
Misc. exp	0	0	0	0	0
Total Assets	61,465	62,284	70,741	82,266	97,865

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	11,241	16,307	20,284	23,281	26,590
Other Non-Cash items	266	377	0	0	0
Chg in working cap	(1,952)	1,212	(738)	(275)	(334)
Operating Cashflow	14,219	16,552	18,288	21,140	23,812
Capital expenditure	(6,881)	(9,092)	(8,912)	(9,434)	(10,474)
Free Cash Flow	7,338	7,460	9,376	11,706	13,337
Investments	(10)	(20)	0	0	0
Other Investing Cash Flow	1,387	2,288	88	91	94
Investing Cashflow	(4,667)	(6,083)	(8,022)	(8,437)	(9,318)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(1,578)	(11,159)	(5,000)	(3,000)	(1,000)
Dividend paid (incl tax)	(837)	(863)	(2,366)	(3,618)	(4,137)
Other Financing Cash Flow	(1,390)	(1,014)	0	0	0
Financing Cashflow	(5,726)	(14,200)	(7,650)	(6,773)	(5,165)
Net chg in cash	3,826	(3,731)	2,616	5,929	9,328
Opening cash position	3,092	6,917	3,187	5,802	11,732
Closing cash position	6,917	3,187	5,802	11,732	21,060

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	15.9	21.2	18.3	18.1	18.1
EBIT Margin	12.8	17.7	15.4	15.4	15.4
Effective Tax Rate	1.2	25.2	25.2	25.2	25.2
Net Margin	11.6	12.9	11.8	11.9	12.0
ROCE	24.1	29.4	32.1	31.8	30.7
ROE	33.0	32.8	30.6	27.6	25.5
RoIC	27.6	34.7	37.5	38.8	40.3

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	13.1	18.5	22.9	26.3	30.0
CEPS	17.7	23.5	28.5	32.3	36.7
BVPS	47.8	65.1	84.6	105.6	129.7
DPS	1.3	2.0	3.4	5.3	6.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	41.2	29.2	23.6	20.6	18.0
P/CEPS	30.5	23.0	18.9	16.7	14.7
P/BV	11.3	8.3	6.4	5.1	4.2
EV / Sales	3.8	3.9	2.8	2.4	2.0
EV / EBITDA	23.6	18.1	15.2	13.1	11.3
Dividend Yield (%)	0.2	0.4	0.6	1.0	1.1

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	0.4	0.1	0.0	(0.1)	(0.2)
Net Debt/EBITDA	0.8	0.3	(0.1)	(0.4)	(0.7)
Working Cap Cycle (days)	5.2	10.0	10.0	10.0	10.0

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	32.8	(4.3)	35.2	14.2	13.5
EBITDA	62.8	27.8	17.0	13.0	13.1
EBIT	83.9	32.7	17.7	13.9	13.6
PAT	186.1	6.9	23.7	14.7	14.3

Quarterly (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Revenue	26,666	10,829	25,130	28,294	34,289
EBITDA	4,267	1,857	7,330	6,148	5,543
EBITDA Margin (%)	16.0	17.2	29.2	21.7	16.2
PAT	2,459	587	4,748	3,922	3,499
EPS (Rs)	3.6	0.9	6.9	5.7	5.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoters	60.9	60.9	60.9	60.9	60.9
FII	9.8	9.2	9.1	9.0	8.6
DII	7.0	7.4	7.3	7.3	7.4
Public and Others	22.3	22.5	22.7	22.8	23.1

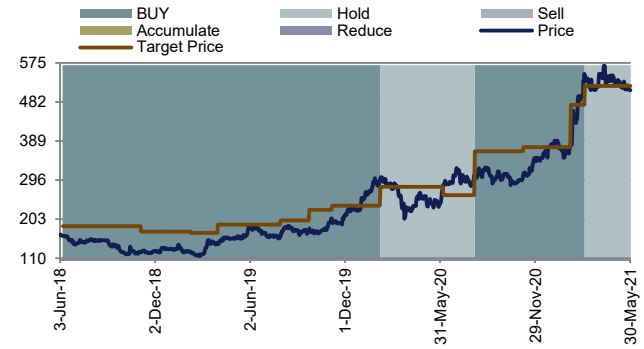
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-May-21	511	520	12m	Hold	Sabri Hazarika
23-Apr-21	546	520	12m	Hold	Sabri Hazarika
22-Mar-21	510	520	12m	Hold	Sabri Hazarika
4-Mar-21	544	520	12m	Hold	Sabri Hazarika
18-Feb-21	478	475	12m	Buy	Sabri Hazarika
5-Feb-21	380	475	12m	Buy	Sabri Hazarika
27-Nov-20	349	375	12m	Buy	Sabri Hazarika
6-Nov-20	313	375	12m	Buy	Sabri Hazarika
28-Sep-20	302	365	12m	Buy	Sabri Hazarika
5-Aug-20	307	365	12m	Buy	Sabri Hazarika
6-Jun-20	284	260	12m	Hold	Sabri Hazarika
6-May-20	234	280	12m	Hold	Sabri Hazarika
6-Feb-20	301	280	12m	Hold	Sabri Hazarika
24-Jan-20	293	235	12m	Buy	Sabri Hazarika
4-Dec-19	216	235	12m	Buy	Sabri Hazarika
6-Nov-19	195	235	12m	Buy	Sabri Hazarika
25-Oct-19	177	225	12m	Buy	Sabri Hazarika
23-Sep-19	181	225	12m	Buy	Sabri Hazarika
30-Jul-19	162	200	12m	Buy	Sabri Hazarika
1-Jul-19	170	190	12m	Buy	Sabri Hazarika
10-Jun-19	184	190	12m	Buy	Sabri Hazarika
6-May-19	158	190	12m	Buy	Sabri Hazarika
1-Apr-19	144	190	12m	Buy	Sabri Hazarika
8-Mar-19	134	170	12m	Buy	Sabri Hazarika
8-Feb-19	123	170	12m	Buy	Sabri Hazarika
28-Jan-19	125	173	12m	Buy	Sabri Hazarika
31-Dec-18	133	173	12m	Buy	Sabri Hazarika
11-Dec-18	123	173	12m	Buy	Sabri Hazarika
5-Nov-18	124	173	12m	Buy	Sabri Hazarika
4-Sep-18	147	186	12m	Buy	Sabri Hazarika
13-Jul-18	150	186	12m	Buy	Sabri Hazarika
8-Jun-18	163	186	12m	Buy	Sabri Hazarika

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Oil & Gas



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Sector

Oil & Gas

Analyst bio

Sabri Hazarika holds an MBA and comes with 11 years of research experience. His team currently covers 12 stocks in the Indian Oil & Gas space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Oil & Gas	10.33	10.32	0%	0	100.00
BPCL	0.43	0.45	6%	3	4.40
GAIL	0.33	0.36	10%	3	3.47
Gujarat Gas	0.10	0.00	-100%	-10	0.00
Gujarat State Petronet	0.09	0.08	-6%	-1	0.80
Gulf Oil Lubricants	0.00	0.00	NA	0	0.00
HPCL	0.23	0.21	-7%	-2	2.07
Indian Oil	0.31	0.31	0%	0	3.04
Indraprastha Gas	0.21	0.23	10%	2	2.22
Petronet LNG	0.21	0.21	1%	0	2.00
Oil India	0.05	0.05	-4%	0	0.50
ONGC	0.47	0.52	10%	5	5.00
Reliance Industries	7.90	7.90	0%	0	76.49
Cash	0.00	0.00	NA	0	0.01

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	1-Jun-20	1-Dec-20	1-Mar-21	3-May-21	31-May-21
EAP - Oil & Gas	100.0	96.9	120.4	133.0	124.0	137.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	96.9	119.5	132.0	123.5	136.2

*Performance measurement base date 1st April 2019

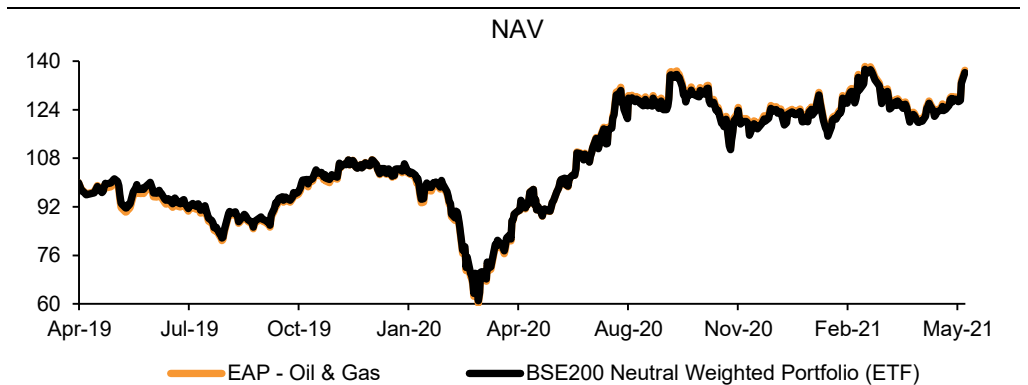
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Oil & Gas	6.3%	1.6%	12.4%	42.9%
BSE200 Neutral Weighted Portfolio (ETF)	6.3%	1.7%	12.7%	42.1%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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Dissemination Date: 02 Jun 2021 03:30:56 (SGT)

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