

Gujarat Gas

Estimate changes	NA
TP change	NA
Rating change	↔

Bloomberg	GUJGA IN
Equity Shares (m)	688
M.Cap.(INRb)/(USD\$)	273.2 / 2.9
52-Week Range (INR)	509 / 302
1, 6, 12 Rel. Per (%)	7/11/-8
12M Avg Val (INR M)	302

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	233.9	257.8	275.0
EBITDA	31.5	24.0	31.5
PAT	23.5	22.3	23.1
EPS (INR)	25.0	23.8	24.6
EPS Gr. (%)	2.0	-5.0	3.3
BV/Sh.(INR)	197.4	213.1	229.3

Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	11.2	11.6	11.1
RoCE (%)	15.3	12.4	15.0
Payout (%)	36.3	34.0	34.0

Valuations

P/E (x)	15.9	16.7	16.2
P/BV (x)	2.0	1.9	1.7
EV/EBITDA (x)	11.5	14.3	10.5
Div. Yield (%)	2.2	2.0	2.1
FCF Yield (%)	4.4	5.4	4.0

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	60.9	60.9	60.9
DII	21.8	22.1	21.8
FII	4.0	3.8	4.0
Others	13.4	13.2	13.3

FII Includes depository receipts

CMP: INR397

TP: INR490 (+23%)

Buy

Strong Morbi traction, merger emerge as key positives

- Gujarat Gas' (GUJGA) city gas distribution volumes beat our estimate by 12% at 8.9mmscmd (down 5% YoY). While D-PNG volumes stood 7% below est., CNG volumes were 4% above our est. I&C-PNG volumes came in 26% above estimates at 4.4mmscmd. Gas trading volumes stood at 4.6/4.9mmscmd in 4QFY26/FY26. EBITDA stood at INR7.8b (+34% YoY, -18% QoQ). APAT stood at INR5.7b (+15% YoY, -19% QoQ), as the company incurred exceptional expenses of INR618m in 4Q.
- **Things we liked about the result:** 1) Morbi ceramic cluster gas consumption ramped up significantly during Mar-May'26 from 0.4mmscmd to ~8mmscmd. Due to the unavailability of alternate fuels, volumes in Morbi can go as high as ~8.9mmscmd. The company expects similar volume in Jun/Jul'26. 2) CNG volumes were up 12% YoY in 4Q, led by strong growth across both Gujarat (+11%) and non-Gujarat geographies (+18%). 3) Due to the merger, tax losses of ~INR19b still remain available for set-off against future profits. 4) Management has guided for gas trading segment EBIT of INR11-12b p.a.
- **Key monitorables:** 1) GTL is expected to get listed by end-Jul'26. 2) With I&C-PNG being supplied under monthly contracts in Morbi currently, volumes remain highly susceptible to declines in alternate fuel prices.
- **Valuation and view:** The stock (ex-GTL) currently trades at 13.5x FY28E EPS. We reiterate our BUY rating on the stock with an SoTP-based TP of INR490. In our SoTP-based valuation, we value: 1) the city gas distribution segment at 12x FY28E EV/EBITDA (INR261/sh); 2) the gas trading segment at 5x FY28E EV/EBITDA (INR58/sh); 3) add FY28E net cash balance (INR86/sh); 4) the gas transmission business (GTL) at 8x FY28E P/E (INR66/sh); and 5) investment in subsidiaries, associates, and JVs at 0.8x P/B (INR18/sh).

Strong CGD volume performance

- W.e.f. 1st May'26, the GSPC Group Composite Scheme of Arrangement came into effect, transforming Gujarat Gas into an integrated energy company (renamed as Gujarat Energy), with the company now operating in the businesses of exploration & production of oil & gas, gas trading, gas transmission, power generation and city gas distribution. The gas transmission business has been demerged into GSPL Transmission, with the process for separate listing on BSE and NSE currently underway.
- Total city gas distribution volumes beat our estimate by 12% at 8.9mmscmd (down 5% YoY).
- While D-PNG volumes stood 7% below est., CNG volumes were 4% above our est. I&C-PNG volumes came in 26% above estimates at 4.4mmscmd.
- Gas trading volumes stood at 4.6/4.9mmscmd in 4QFY26/FY26.

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- Standalone revenue stood at INR57.6b (-10% YoY, -3% QoQ).
- EBITDA stood at INR7.8b (+34% YoY, -18% QoQ). EBITDA margin came in at 13.6% (vs. 16.1%/9.2% in 3QFY26/4QFY25).
- APAT stood at INR5.7b (+15% YoY, -19% QoQ).
- ✓ In 4QFY26, the company incurred exceptional expenses of INR500m pertaining to stamp duty charges w.r.t. the amalgamation and made a provision of INR118m in respect of royalty & interest in the non-operated blocks where the company has a participating interest.
- The board has recommended a dividend of INR8.9/sh (FV: INR2/sh).
- The company added 7/14 new CNG stations in 4QFY26/FY26. It operates 839 CNG stations and supplies natural gas to over 2.4m households across six states and one union territory.

Valuation and view

- The company's long-term volume growth prospects remain robust, with the addition of new industrial units and the expansion of existing units. It is aggressively investing in infrastructure to push industrial gas adoption in Thane rural, Ahmedabad rural, and newly acquired areas in Rajasthan.
- The stock (ex-GTL) currently trades at 13.5x FY28E P/E. We reiterate our BUY rating on the stock with an SoTP-based TP of INR490/sh. In our SoTP-based valuation, we value: 1) the city gas distribution segment at 12x FY28E EV/EBITDA (INR261/sh); 2) the gas trading segment at 5x FY28E EV/EBITDA (INR58/sh); 3) add FY28E net cash balance (INR86/sh); 4) the gas transmission business at 8x FY28E P/E (INR66/sh); and 5) investment in subsidiaries, associates, and JVs at 0.8x P/B (INR18/sh).

Valuation SoTP

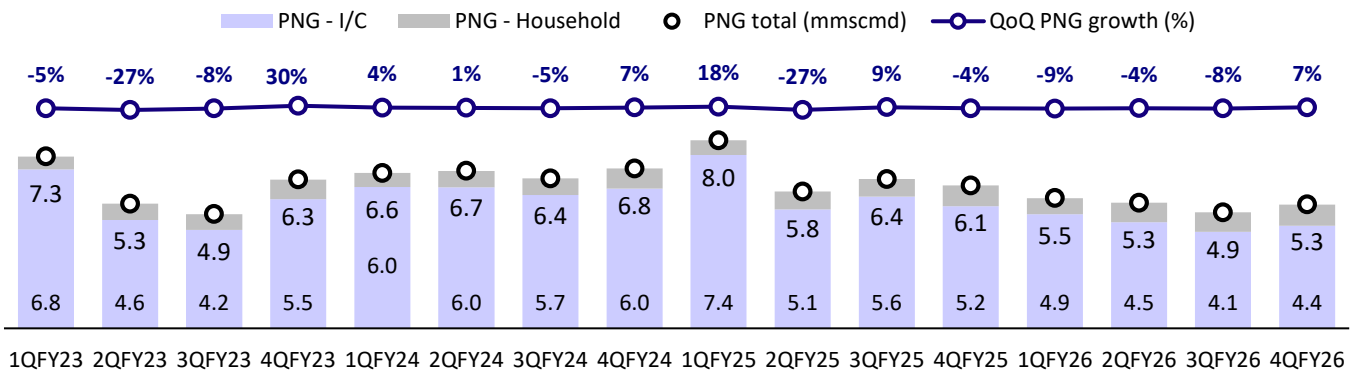
Particulars	Earning metric	Amount (INR m)	Val metric	Multiple	Amount (INR m)
City Gas Distribution segment	FY28E EBITDA	20,513	EV/EBITDA	12.0	2,45,157
Gas trading segment	FY28E EBITDA	11,000	EV/EBITDA	5.0	54,461
(+) Standalone FY28E Net Cash					80,679
Standalone Market Cap					3,80,297
(+) Gas transmission segment	FY28E PAT	7,783	P/E	8.0	62,261
(+) Investments in subsidiaries/asso./JVs	FY26 Book Value	21,580	P/B	0.8	17,264
SoTP					4,59,822
(/) shares outstanding (m)					938
TP (INR/share)					490
CMP					397
Upside/Downside (%)					23%

Standalone - Quarterly Earning Model

(INR m)

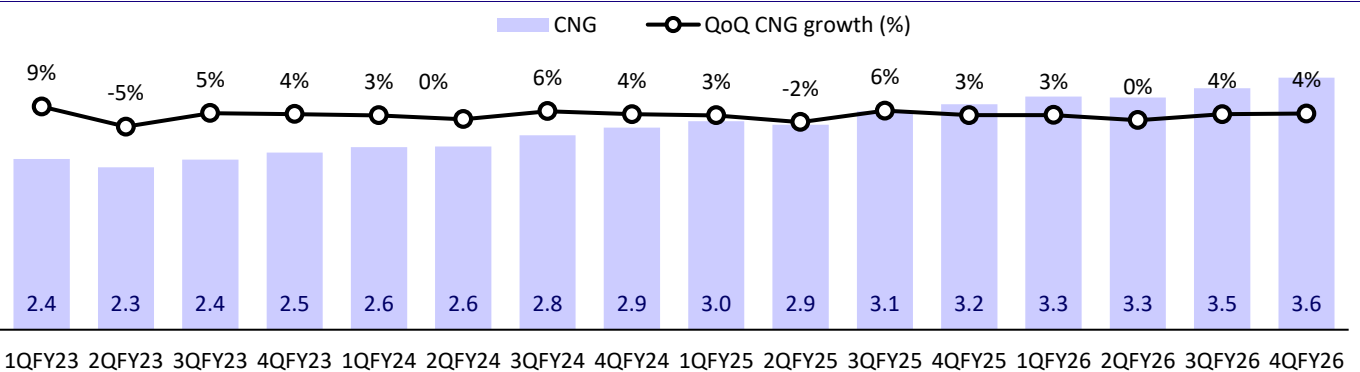
Y/E March	FY25	FY26	YoY (%)	QoQ (%)	
	4Q	3Q	4Q		
Net Sales	63,733	59,265	57,651	-10%	-3%
YoY Change (%)	54.2	42.7	-9.5		
EBITDA	5,859	9,555	7,825	34%	-18%
Margin (%)	9.2	16.1	13.6		
Depreciation	1,237	1,476	1,444		
Interest	85	99	95		
Other Income	2,042	1,249	1,605		
PBT before EO expense	6,579	9,230	7,891		
Extra-Ord expense	5,608	32	630		
PBT	972	9,198	7,261	647%	-21%
Tax	523	2,276	2,055		
Rate (%)	53.8%	24.7%	28.3%		
Reported PAT	449	6,922	5,206	1060%	-25%
Adj. PAT	4,921	6,946	5,657	15%	-19%
YoY Change (%)	33.7	213.4	15.0		
Total volume (mmscmd)	9.3	8.4	8.9	-5%	6%
CNG	3.2	3.5	3.6	12%	4%
PNG – Industrial/Commercial	5.2	4.1	4.4	-16%	6%
PNG – Households	0.9	0.8	0.9	2%	10%
Segmental results					
E&P	-5,539	-114	-142	-97%	24%
Gas Trading	1,800	5,153	4,088	127%	-21%
Power	38	-29	68	77%	-333%
Gas Transmission	901	-	-	-100%	
CGD	4,033	3,340	3,257	-19%	-2%
Total	1,234	8,350	7,270	489%	-13%

Exhibit 1: Total PNG volumes were 5.3mmscmd (down 13% YoY), with I/C volumes at 4.4mmscmd (down 16% YoY)



Source: Company, MOFSL

Exhibit 2: CNG volumes were 3.6mmscmd (up 12% YoY)



Source: Company, MOFSL



Highlights from the management commentary

■ Merger timelines:

- Merger was completed effective 1st May'26.
- The company renamed from Gujarat Gas to Gujarat Energy on 14th Mar'26, while appointed date for merger remained 1 Apr'24. GTL demerger is effective from 1st Apr'25, implying FY25 included gas transmission business.
- Share issuance process progressed with shares issued on 12th May'26 and the allotment completed on 16th Jun'26.
- Additional shares are expected to be listed on BSE/NSE within 6-7 days, followed by the commencement of trading of these shares.
- **GTL listing** targeted by **end-Jul'26** after completion of share allotment and exchange listing formalities.

■ FY26 performance: Segmental EBITDA for gas trading/CGD/E&P/Renewables segments stood at INR13b/INR19b/INR0.3b/INR0.5b.

- In FY25, segmental EBITDA for gas trading/CGD/E&P/renewables segments stood at INR12b/INR20b/INR0.1b/INR0.4b.
- In 4QFY26, segmental EBITDA for gas trading/CGD/E&P/renewables segments stood at 4b/4.5b/0.14/0.05b.
- In FY26, CGD business EBITDA/scm stood at INR6.1.

■ Gas trading segment:

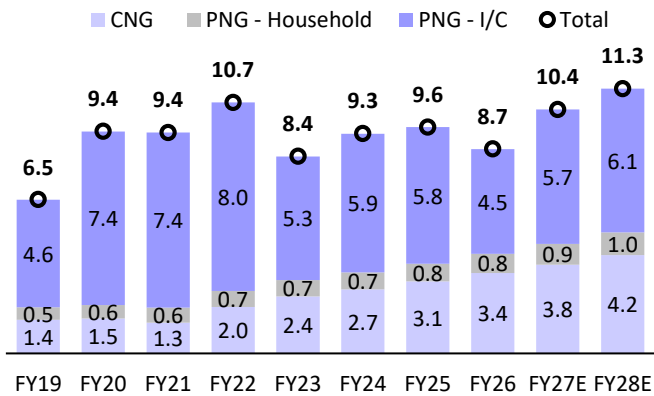
- Gas trading volumes for FY26 stood at 10.2mmscmd (net of inter-segment sales: ~4.9mmscmd), down from ~12.6mmscmd in FY25, while the segment generated INR90b in EBITDA over the prior five financial years combined.
- Total LNG portfolio stands at ~2.96mtpa (incl. 1.36mtpa mentioned below) (~10.7mmscmd), ensuring access to competitively priced and stable long-term gas supplies.
- Long-term LNG sourcing portfolio strengthened with addition of 1.36mtpa LNG (~4.9mmscmd gas) through new SBAs signed with QatarEnergy and Uniper Global Commodities during FY26.
- Long-term LNG sourcing portfolio diversified across QatarEnergy, Shell, TotalEnergies and Uniper, providing supply visibility over FY28-37.
- Existing Qatar and Shell contracts run till CY28 and CY30, respectively, while new Qatar contract starts in 2026 with ramp-up to 1mtpa by CY30 and tenure of ~17 years.
- TotalEnergies contract runs from 2026-35 with six cargoes annually, while Uniper contract starts from 2028 with six cargoes/year till CY37; Shell supplies 15 cargoes/year.
- Long-term downstream contracts signed with fertilizer companies, CGD players and industrial customers ensure strong back-to-back demand linkage for sourced LNG volumes. Key long-term customers include Indian Oil Corporation, Adani Total Gas, JSW Group, Deepak Fertilisers and Nirma among others.
- Fertilizer contracts currently valid till CY28, with management pursuing both tenure extensions and higher contracted volumes.
- Management indicated near-term supply disruptions from the West Asia conflict, with two LNG cargoes already impacted during May-Jun'26.

- **Segmental volume break-up:**
 - CGD/fertilizers/others: 52%/27%/21%
 - **Guidance:** Management expects **INR11-12b** in annual EBIT from this segment. In gas trading segment, the company makes 4%-6% margins.
 - By FY31, the company expects 25% increase in volumes in gas trading business.
 - **Gas marketing segment:**
 - CNG segment:
 - CNG volumes reached an all-time high of 3.6mmscmd in 4QFY26, up 12% YoY, led by strong growth across both Gujarat (+11%) and non-Gujarat geographies (+18%).
 - CNG infrastructure expanded to 839 stations with vehicle base rising 15% YoY to 1.8m vehicles; CNG retained strong affordability advantage at ~47% discount to petrol and ~15% to diesel.
 - **Domestic PNG segment:**
 - PNG domestic momentum remained robust with ~43,000 new customer registrations and ~35,400 commissioned connections in 4QFY26; cumulative customer base crossed 2.4m.
 - Government-led PNG penetration drive amid LPG supply disruptions accelerated adoption; the company ramped up marketing, contractor deployment and outreach initiatives to fast-track conversions.
 - LPG-to-PNG conversion drive gained strong traction with 86 societies (~13k households) converted during Mar-May'26; cumulative converted LPG-free societies reached 2,835 covering ~4.86 lakh households.
 - **I&C PNG segment:**
 - Commercial PNG segment saw healthy scaling with commissioned commercial units increasing sharply from 152 in Mar'26 to 527 by end-May'26; total commercial customer base crossed 16k.
 - PNG industrial volumes improved 7% QoQ to 4.19mmscmd in 4QFY26, aided by recovery in Morbi ceramic cluster demand.
 - Morbi ceramic cluster gas consumption ramped up significantly during Mar-May'26 with connected units rising from 83 to 710 and gas consumption increasing from 0.36mmscmd to ~8mmscmd, reflecting strong recovery in industrial gas demand.
 - ✓ Peak possible Morbi volumes: ~8.9mmscmd
 - ✓ Current contracts are on monthly basis. Strong volumes are expected in Jun/Jul'26.
 - Selling price - Morbi: INR75/scm; Non-Morbi: INR68/scm
 - **Sourcing mix:**
 - APM: 2mmscmd
 - NWG: 0.4-0.5mmscmd
 - LT: 3.5mmscmd (majority Brent linked)
 - ST: 3.5mmscmd
 - **Tax benefit:**
 - Merger brought ~INR72b of carried-forward tax losses (as of Apr'24), supporting near-term tax savings. ~INR28b utilized in FY25 and ~INR25b in FY26. ~INR19b tax losses still remain available for set-off against future profits.
 - **Capex guidance:**

- No capex for trading business. In FY27, capex of INR10b/1b is expected towards CGD/E&P business.
- **E&P segment:**
 - E&P business remains operationally profitable before exceptional drag from certain assets, with most producing assets generating positive earnings. Reported losses are largely attributable to depreciation and operational losses from a specific 10% participating asset stake.
 - E&P segment reported operating profit of ~INR290m last year before accounting impact from depreciation-related charges.
 - Current 2P reserves stand at ~6.71mmboe.
- **Power segment:**
 - Current fixed-cost recovery mechanism continues, with utility payments covering plant maintenance, insurance and related fixed expenses at ~INR2.5-3/unit.
 - Steady-state profitability remains uncertain as current arrangement does not adequately compensate for RoE on the project.
 - Management actively evaluating alternative utilization opportunities and plans to finalize a revised business plan to improve plant returns and profitability visibility.
- **Mundra terminal utilization:**
 - Capacity utilization is at 35%-38% for May-Jul'26.

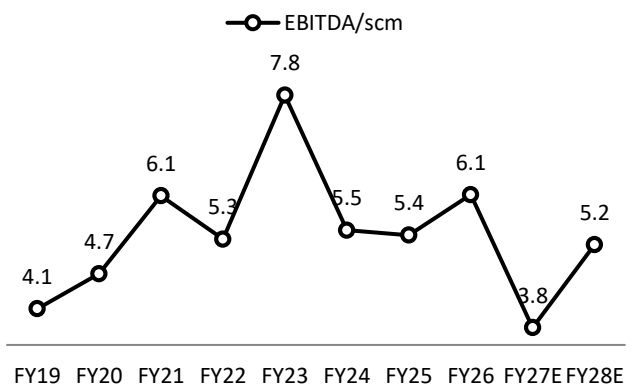
Story in charts

Exhibit 3: Volume snapshot for GUJGA



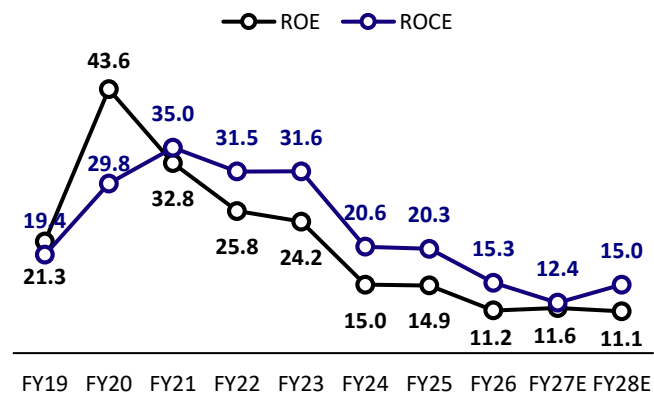
Source: Company, MOFSL

Exhibit 4: EBITDA/scm to be ~INR3.8/5.2 in FY27/28



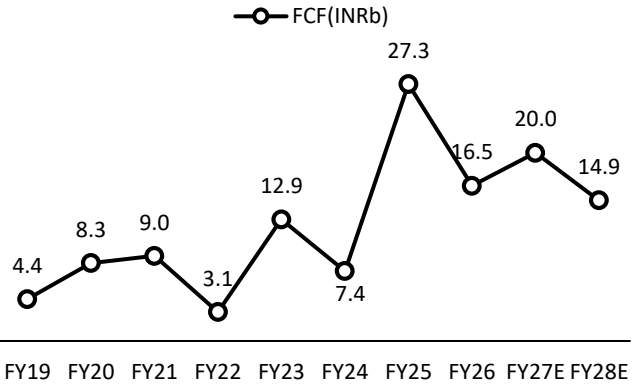
Source: Company, MOFSL

Exhibit 5: Return ratios



Source: Company, MOFSL

Exhibit 6: Free cash flow



Source: Company, MOFSL

Note: Re-stated (merged entity) financial statements are not available for FY21-24

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	98,664	1,64,562	1,67,594	1,56,902	2,70,196	2,33,877	2,57,782	2,75,028
Change (%)	-4.2	66.8	1.8	-6.4	72.2	-13.4	10.2	6.7
EBITDA	20,842	20,763	23,920	18,764	30,773	31,512	23,986	31,513
Margin (%)	21.1	12.6	14.3	12.0	11.4	13.5	9.3	11.5
Depreciation	3,436	3,849	4,283	4,743	5,445	5,790	6,093	6,374
EBIT	17,406	16,914	19,637	14,021	25,328	25,722	17,894	25,140
Int. and Finance Charges	1,168	568	404	293	377	382	363	345
Other Income	714	907	1,013	1,078	5,994	6,209	5,898	6,016
PBT bef. EO Exp.	16,953	17,253	20,247	14,805	30,945	31,549	23,429	30,811
EO Items	0	-119	0	557	-8,623	-662	0	0
PBT after EO Exp.	16,953	17,134	20,247	15,362	22,322	30,887	23,429	30,811
Current Tax	4,212	4,160	4,634	3,315	56	-46	1,115	7,755
Deferred Tax	59	117	358	619	-12,554	7,947	0	0
Tax Rate (%)	25.2	25.0	24.7	25.6	-56.0	25.6	4.8	25.2
Reported PAT	12,682	12,856	15,255	11,428	34,820	22,986	22,314	23,056
Adjusted PAT	12,682	12,946	15,255	11,013	23,023	23,478	22,314	23,056
Change (%)	6.3	2.1	17.8	-27.8	109.0	2.0	-5.0	3.3
Margin (%)	12.9	7.9	9.1	7.0	8.5	10.0	8.7	8.4

Standalone - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	1,377	1,377	1,377	1,377	1,876	1,876	1,876	1,876
Total Reserves	43,110	54,616	68,579	75,516	2,30,520	1,83,295	1,98,022	2,13,239
Net Worth	44,486	55,993	69,956	76,893	2,32,396	1,85,171	1,99,899	2,15,116
Deferred Tax Liabilities	7,925	8,077	8,461	9,108	0	0	0	0
Total Loans	7,700	4,811	0	0	0	0	0	0
Capital Employed	60,111	68,881	78,417	86,000	2,32,396	1,85,171	1,99,899	2,15,116
Gross Block	81,252	90,156	1,04,085	1,13,079	1,62,694	1,34,758	1,44,075	1,53,665
Less: Accum. Deprn.	22,590	26,439	30,721	35,464	40,909	46,699	52,792	59,166
Net Fixed Assets	58,662	63,717	73,364	77,615	1,21,785	88,059	91,283	94,499
Capital WIP	7,088	9,672	9,831	9,180	11,850	8,291	8,975	9,385
Total Investments	1,926	2,806	317	1,364	32,610	22,877	22,877	22,877
Curr. Assets, Loans, and Adv.	17,411	19,358	25,439	28,425	1,18,365	1,14,738	1,32,739	1,47,292
Inventory	525	534	612	587	7,075	9,901	8,475	9,042
Account Receivables	7,747	9,301	10,212	10,298	22,338	16,856	18,363	19,591
Cash balance	2,767	164	6,747	9,160	7,123	8,561	26,483	39,241
Bank balance	422	15	63	101	20,934	2,136	2,136	2,136
Loans and Advances	5,950	9,344	7,806	8,279	60,897	77,283	77,283	77,283
Curr. Liability and Prov.	24,976	26,672	30,534	30,583	52,214	48,794	55,975	58,938
Account Payables	4,473	4,456	7,156	7,002	14,950	16,432	18,928	19,528
Other Current Liabilities	19,740	21,349	22,554	22,787	35,495	30,627	35,313	37,675
Provisions	763	867	824	794	1,769	1,735	1,735	1,735
Net Current Assets	-7,565	-7,314	-5,095	-2,158	66,151	65,944	76,764	88,355
Appl. of Funds	60,111	68,881	78,417	86,000	2,32,396	1,85,171	1,99,899	2,15,116

Note: Re-stated (merged entity) financial statements are not available for FY21-24

Financials and valuations

Ratios

Y/E March (INR)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	18.4	18.8	22.2	16.0	24.5	25.0	23.8	24.6
Cash EPS	23.4	24.4	28.4	22.9	30.3	31.2	30.3	31.4
BV/Share	64.6	81.3	101.6	111.7	247.7	197.4	213.1	229.3
DPS	2.0	2.0	6.7	5.7	11.9	8.9	8.1	8.4
Payout (%)	10.9	10.7	30.0	34.1	32.0	36.3	34.0	34.0
Valuation (x)								
P/E	21.6	21.1	17.9	24.8	16.2	15.9	16.7	16.2
Cash P/E	17.0	16.3	14.0	17.3	13.1	12.7	13.1	12.7
P/BV	6.1	4.9	3.9	3.6	1.6	2.0	1.9	1.7
EV/Sales	2.8	1.7	1.6	1.7	1.3	1.5	1.3	1.2
EV/EBITDA	13.3	13.4	11.1	14.1	11.2	11.5	14.3	10.5
Dividend Yield (%)	0.5	0.5	1.7	1.4	3.0	2.2	2.0	2.1
FCF per share	13.1	4.5	18.8	10.8	29.1	17.6	21.3	15.9
Return Ratios (%)								
RoE	32.8	25.8	24.2	15.0	14.9	11.2	11.6	11.1
RoCE	35.0	31.5	31.6	20.6	20.3	15.3	12.4	15.0
Working Capital Ratios								
Fixed Asset Turnover (x)	1.2	1.8	1.6	1.4	1.7	1.7	1.8	1.8
Asset Turnover (x)	1.6	2.4	2.1	1.8	1.2	1.3	1.3	1.3
Inventory (Days)	2	1	1	1	10	15	12	12
Debtor (Days)	29	21	22	24	30	26	26	26
Creditor (Days)	17	10	16	16	20	26	27	26
Working Cap. Turnover (Days)	-40	-17	-26	-27	51	86	68	62
Leverage Ratio (x)								
Current Ratio	0.7	0.7	0.8	0.9	2.3	2.4	2.4	2.5
Debt/Equity ratio	0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	16,953	17,134	20,247	15,362	22,322	30,887	23,429	30,811
Depreciation	3,436	3,849	4,283	4,743	7,425	5,790	6,093	6,374
Interest and Finance Charges	1,168	568	404	293	419	382	363	345
Direct Taxes Paid	-4,166	-4,363	-4,608	-3,227	-4,492	-3,392	-1,115	-7,755
(Inc.)/Dec. in WC	-437	-95	4,052	-201	-7,845	-4,421	7,102	1,167
Others	-365	-476	-597	-630	10,283	-5,172	-5,898	-6,016
CF from Operations	16,588	16,617	23,780	16,340	28,112	24,074	29,973	24,925
Others	0	119	0	-557	8,623	662	0	0
CF from Operating incl EO	16,588	16,736	23,780	15,784	36,735	24,737	29,973	24,925
(Inc.)/Dec. in FA	-7,556	-13,663	-10,867	-8,371	-9,470	-8,255	-10,000	-10,000
Free Cash Flow	9,033	3,073	12,912	7,412	27,266	16,482	19,973	14,925
(Pur)/Sale of Investments	0	0	0	-999	-29,964	-16,221	0	0
Others	1,432	728	454	584	1,645	4,930	0	0
CF from Investments	-6,124	-12,935	-10,413	-8,787	-37,788	-19,545	-10,000	-10,000
Inc./(Dec.) in Debt	-11,016	-4,193	-4,779	0	0	0	0	0
Interest Paid	-1,165	-531	-381	-273	-450	-404	-363	-345
Dividend Paid	-863	-1,375	-1,379	-4,575	-3,545	-1,836	-7,587	-7,839
Others	-134	-185	-245	-293	-541	-441	5,898	6,016
CF from Fin. Activity	-13,179	-6,284	-6,784	-5,141	-4,537	-2,681	-2,052	-2,168
Inc./Dec. in Cash	-2,714	-2,602	6,583	2,413	-14,213	1,848	17,922	12,758
Opening Balance	5,481	2,767	165	6,747	21,336	6,713	8,561	26,483
Closing Balance	2,767	165	6,747	9,160	7,123	8,561	26,483	39,241

Note: Re-stated (merged entity) financial statements are not available for FY21-24

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NOTES

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