

RESEARCH**BOB ECONOMICS RESEARCH | IIP**

IIP debuts with new series

GUJARAT GAS | TARGET: Rs 406 | +2% | HOLD

Transitioning from CGD Utility to Energy Conglomerate

SUMMARY**INDIA ECONOMICS: IIP**

Industrial production registered a growth of 4.9% in Apr'26 against 5.7% growth in Apr'25. Compared with previous year (Apr'25), lower growth was noted across the board. Mining growth declined, while water supply, sewage and electricity output noted deceleration. Manufacturing growth was marginally lower, although it continue grow above the 6% mark. These are based on new base year which have been revised from 2011-12 to 2022-23. The new series has incorporated more relevant items which 64 items removed and a much wider coverage which has been aligned with the NIC-2025 framework.

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GUJARAT GAS

- Revenue declined by 9.0%YoY, on account of decrease in CGD and gas trading businesses. Gujarat Gas is now an integrated energy company
- Positive on CNG & D-PNG volumes, supported by infra & household demand; industrial volumes are expected to remain subdued
- Maintain HOLD; revise TP to Rs406, reflecting a subdued outlook for the CGD and gas trading businesses amid weak industrial volumes

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Jahnvi Prabhakar
Economist

The geometric mean will be used to link the old series with the new one. The global challenges continue to pose downside risk to industrial growth. Certain industries might be more vulnerable given the direct impact, supply chain disruption, higher input cost and elevated energy prices. However, these disruptions are expected to be short term and needs careful monitoring.

IIP growth eases: IIP growth decelerated to 4.9% in Apr'26 from 5.7% in Apr'25. The data is based on the revised base year of 2022-23 and with the incorporation of a new sector-water supply, sewerage and waste management. The slower growth in industrial production was noted across all the sectors. Manufacturing and electricity growth was down by 6.2% (from 6.4% in Apr'25) and 4.9% (from 6.1% in Apr'25) respectively in Apr'26. The new component which is water supply, sewage and waste management too noted a slower growth of 6.6% from 8.2% in Apr'25. For mining sector, growth contracted to (-) 5.1% in Apr'26 after increasing by 0.6% in the previous year. Within manufacturing, 6 out of 23 sub sectors reported negative growth for Apr'26. These include manufacture of wearing apparel, wood products, furniture, coke and petroleum products amongst others. On the other hand, following sectors registered stronger growth including manufacture of textiles, paper products, pharma, rubber products, electrical equipment, fabricated metal products, machinery equipment, and other transport equipment.

Post the revision, on an annual basis, IIP growth has been revised higher to 4.3% from previous estimate of 4.1%. Mining and electricity also revised higher to 3.7% and 1.1%, while manufacturing growth has been revised down marginally to 4.9% for the same period. The new sector in the mix, water supply has registered a growth of 6.4% in FY26.

Capital goods output strengthens: Within use-based classification, capital goods output shines and again registered a robust double digit growth of 16% in Apr'26 against 13.8% in Apr'25.



HOLD
 TP: Rs 406 | ▲ 2%

GUJARAT GAS

| Oil & Gas

| 01 June 2026

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Sukhwinder Singh
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Gujarat Gas is now an integrated energy conglomerate post Scheme of Arrangement. As compared to City gas business earlier, Gujarat Gas now has additional businesses – gas trading, Exploration & Production (E&P) and Wind power, which came from GSPL and GSPC.

Performance: Overall revenue came at Rs58bn (-9.0%YoY, -3.4%QoQ); EBITDA came at Rs6bn (+27.7%YoY, -34.9% QoQ). For its earlier business of CGD - revenue came at Rs38bn (-6.0%YoY, +5.4%QoQ) and was 10% above our estimates. EBIT came at Rs3bn (-19.2%YoY, -2.5% QoQ); and was 10% above our estimates. EBITDA got impacted due to constraints on LNG supply from the Middle East, which led to an increase in the LNG cost.

Volumes: Volumes for Q4 came at 8.9mmscmd, lower by 4.6%YoY and higher by 5.8%QoQ. CNG volumes growth was strong at 11.8%YoY; while PNG domestic (D-PNG) volume growth at 2.2%YoY; PNG commercial volumes higher at 6.3%YoY. However, industrial volumes were weak at 4.2mmscmd; lower by 16.7%YoY.

Operational performance and outlook: EBITDA spread for CGD business in FY26 stood at 6.2/scm. EBIT was weak in the CGD business with a decline of 19.2%YoY with higher gas cost. We are positive on the outlook for CNG and D-PNG and expect 10-12% volume growth to sustain, on the back of CNG infra expansion and household penetration. LNG supply constraints and its elevated price will likely continue impacting industrial volumes. Gujarat Gas has been exploring long-term contracts to offset any hike in costs arising from the imported gas cost. Industrial volumes (49% of total volumes) are expected to remain subdued in near term.

Capex intensity: Gujarat Gas incurred a capex of Rs9,53mn in FY26.

Maintain HOLD; revise TP: We remain positive on CNG & D-PNG volume growth. However, weak industrial volumes will likely be a concern. We maintain HOLD, reflecting a subdued outlook for the CGD & gas trading businesses, revise TP to Rs406 from Rs379; based on 17.0x P/E on Mar.28E EPS.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	GUJGA IN/Rs 397
Market cap	US\$ 2.9bn
Free float	44%
3M ADV	US\$ 7.1mn
52wk high/low	Rs 509/Rs 302
Promoter/FPI/DII	56%/11%/25%

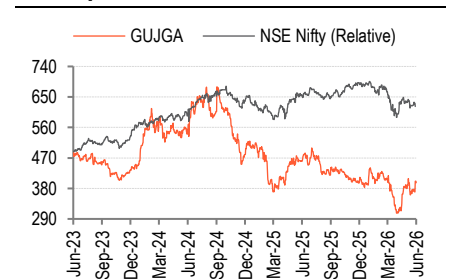
Source: NSE | Price as of 1 Jun 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	236,144	242,077	257,535
EBITDA (Rs mn)	30,520	33,089	36,290
Adj. net profit (Rs mn)	21,687	20,222	22,499
Adj. EPS (Rs)	23.1	21.6	24.0
Adj. ROAE (%)	10.4	10.7	11.2
Adj. P/E (x)	17.1	18.4	16.5
EV/EBITDA (x)	9.2	8.6	7.6
Adj. EPS growth (%)	(56.4)	(6.8)	11.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



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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

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