HOLD
TP: Rs 241 | ⮝ 11%

GUJARAT ENERGY

Oil & Gas | 07 November 2026

Operational performance lower than expectations

- **Revenue grew 61% YoY on CGD and gas trading. EBITDA up 26% YoY but missed our estimate as higher gas costs squeezed margins**
- **We expect CNG volumes to keep growing on network expansion, and industrial volumes to recover as LNG supply and prices eases**
- **Maintain HOLD but cut our TP to Rs241 (from Rs287) on SoTP-based EV/EBITDA, factoring in higher gas costs**

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Results below expectation: Revenue came at Rs96.2bn (+61.1%YoY, +0.8%QoQ) and was 8% below our estimates. EBITDA came at Rs8.4bn (+25.7%YoY, -38.9% QoQ) and was 41% below our estimates, with margin at 8.8%. Miss on performance is due to lower than expected CGD volumes and impact of high gas cost.

Volumes: Industrial PNG volumes were 6.1mmscmd (+40% YoY, -21% QoQ). H1 volumes were 6.9mmscmd (+52% YoY). At Morbi: Demand normalised to 3.8mmscmd in Q2 after the Q1 spike, which peaked at about 8.5mmscmd (pre-crisis: about 2.5mmscmd). The current run-rate is only about 1mmscmd, as the overall ceramic market has weakened. Management is holding customers on stable long-term pricing and widening industrial demand. CNG volumes were 3.7mmscmd (+11% YoY, -2% QoQ). It added 18 stations in H1 (857 in total), targets 75+ additions in FY27 and aims for sustained double-digit CNG growth. Domestic and commercial PNG: Domestic volumes were 0.8mmscmd (-4% YoY, +14% QoQ) and commercial volumes 0.2mmscmd (+25% YoY).

Operational performance and outlook: CGD EBITDA/scm moderated to Rs4.7 (Rs5.9 in Q2FY26, Rs5.2 in Q1FY27). Segment EBIT of Rs6.1bn fell 47% QoQ (+44% YoY). Gas trading EBIT of Rs3.3bn fell 55% QoQ but rose 82% YoY, and CGD EBIT of Rs3.2bn fell 28% QoQ (-5% YoY) on lower volumes and margins. Management targets double-digit CNG volume growth on network expansion. To cut spot reliance, the board approved Henry Hub-linked LNG contracts of about 0.8mtpa (up to 10 years) and firm regas slots at Mundra.

Capex: GEL incurred capex of Rs1.8bn in Q2FY27, taking H1FY27 capex to Rs3.1bn. Management reiterated its FY27 capex guidance of Rs10bn.

Maintain HOLD; revise down TP: We maintain HOLD; considering impact of gas cost increase; we revise TP downwards to Rs241 from Rs287 earlier, based on SoTP-based EV/EBITDA on Sept.28E.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	GUJENERG IN/Rs 216
Market cap	US$ 2.1bn
Free float	61%
3M ADV	US$ 4.8mn
52wk high/low	Rs 444/Rs 206
Promoter/FPI/DII	39%/11%/24%

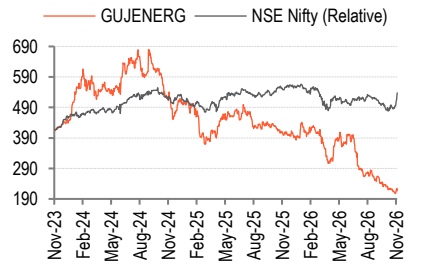
Source: NSE | Price as of 6 Nov 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	236,144	313,486	281,886
EBITDA (Rs mn)	30,520	31,262	31,848
Adj. net profit (Rs mn)	21,687	19,419	19,903
Adj. EPS (Rs)	23.1	20.7	21.2
Adj. ROAE (%)	10.4	10.3	10.0
Adj. P/E (x)	9.3	10.4	10.2
EV/EBITDA (x)	6.9	7.0	6.6
Adj. EPS growth (%)	(56.4)	(10.5)	2.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly performance (Consolidated)

(Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
Revenue	**96,213**	**95,450**	**0.8**	**59,735**	**61.1**	**191,663**	**118,249**	**62.1**
EBITDA	**8,441**	**13,807**	**(38.9)**	**6,716**	**25.7**	**22,248**	**15,084**	**47.5**
EBITDA margin (%)	*8.77*	*14.46*	*(569 bps)*	*11.24*	*(247 bps)*	*11.61*	*12.76*	*(115 bps)*
Depreciation	2,048	2,007	2.1	2,262	(9.5)	4,054	4,463	(9.1)
Interest	663	630	5.4	651	1.9	1,293	1,235	4.7
Other income	1,395	1,930	(27.7)	1,292	8.0	3,326	2,575	29.2
PBT	7,126	13,101	(45.6)	5,095	39.9	20,226	11,962	69.1
Tax	2,183	3,297	(33.8)	1,585	37.7	5,480	3,398	61.3
Reported PAT	**4,983**	**9,992**	**(50.1)**	**4,233**	**17.7**	**14,975**	**10,118**	**48.0**
PATM (%)	*5.18*	*10.47*	*(529 bps)*	*7.09*	*(191 bps)*	*7.81*	*8.56*	*(74 bps)*
Reported EPS (Rs)	**5.32**	**10.67**	**(50.1)**	**4.52**	**17.7**	**15.98**	**10.80**	**48.0**

Source: Company

Fig 2 – Q2FY27 Actual v/s estimates

Particulars	Q2 Actual	Estimates	VAR(%)
Revenue (Rs mn)	96,213	104,737	(8.1)
EBITDA (Rs mn)	8,441	14,283	(40.9)
EBITDA margin (%)	8.8	13.6	(486 bps)
PAT (Rs mn)	4,983	10,459	(52.4)
EPS (Rs)	5.3	11.2	(52.4)

Source: Company, Bloomberg

Fig 3 – Business parameters

Particulars	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
PNG-Industrial volume (mmscmd)	6.1	7.7	(20.9)	4.4	40.2	6.9	4.5	52.4
CNG volume (mmscmd)	3.7	3.8	(1.6)	3.3	11.4	3.7	3.3	12.2
PNG-Domestic volume (mmscmd)	0.8	0.7	14.3	0.8	(3.6)	0.8	0.8	(1.3)
PNG-Commercial volume (mmscmd)	0.2	0.2	17.6	0.2	25.0	0.2	0.2	23.3
Total Volume (mmscmd)	**10.7**	**12.3**	**(13.3)**	**8.7**	**23.6**	**11.5**	**8.8**	**31.4**
Realization/scm (Rs) - CGD	**66.4**	**66.8**	**(0.6)**	**75.0**	**(11.5)**	**68.8**	**50.2**	**37.1**
EBITDA/scm (Rs) - CGD	**4.7**	**5.2**	**(9.3)**	**5.9**	**(20.9)**	**4.9**	**6.6**	**(24.7)**

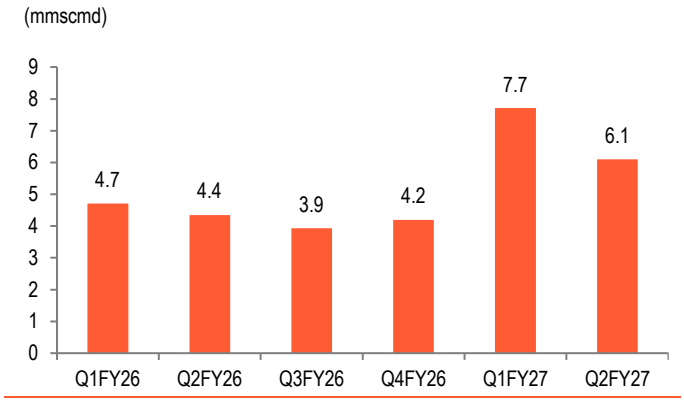
Source: Company

Fig 4 – Segmental performance (Consolidated)

Revenue (Rs mn)	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YOY (%)	H1FY27	H1FY26	YOY (%)
E&P	258	306	(15.8)	238	8.1	564	490	15.1
Gas Trading	76,149	71,316	6.8	41,557	83.2	147,464	78,879	86.9
Power	3,955	1,339	195.3	1,910	107.1	5,295	4,263	24.2
City Gas Distribution	67,711	77,291	(12.4)	39,789	70.2	145,002	80,443	80.3
Regasification business	1,089	1,341	(18.8)	702	55.2	2,429	1,451	67.4
Unallocated	102	133	(23.6)	100	2.3	235	195	20.4
Total	**149,264**	**151,726**	**(1.6)**	**84,296**	**77.1**	**300,989**	**165,722**	**81.6**
Less- intersegmental	(50,690)	(54,012)		(22,575)		(104,702)	(43,542)	
Total revenue	**98,573**	**97,714**	**0.9**	**61,721**	**59.7**	**196,287**	**122,179**	**60.7**

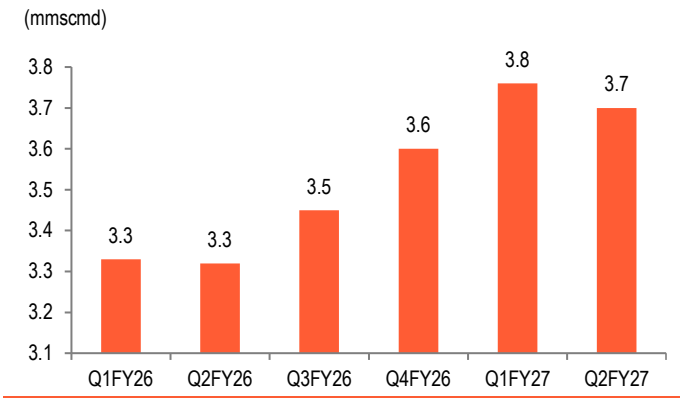
Source: Company

Fig 5 – PNG Industrial volumes



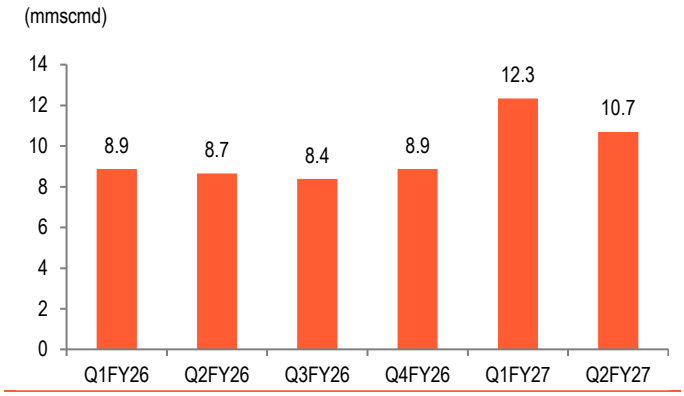
Source: Company

Fig 6 – CNG Volumes



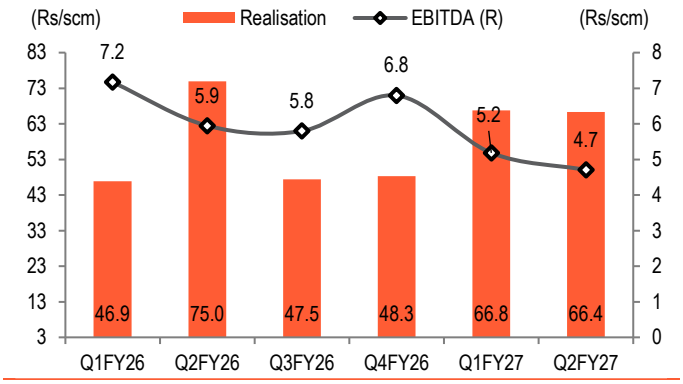
Source: Company

Fig 7 – Total Volumes



Source: Company

Fig 8 – Realisation & EBITDA trend (CGD)



Source: Company

Call Highlights

- **Volumes Performance:** Total volumes of 10.7mmscmd rose 24% YoY (-13% QoQ). Growth was led by industrial PNG (6.1mmscmd, +40% YoY, -21% QoQ) and CNG (3.7mmscmd, +11% YoY, -2% QoQ). By mix, industrial PNG is about 57% of volumes, CNG about 35% and domestic/commercial PNG about 9%. Morbi normalised to 3.8mmscmd.
    - **CNG outlook:** Management is positive and targets double-digit growth, backed by network expansion. The QoQ dip is monsoon seasonality. Gujarat grew 12% YoY and areas outside Gujarat 19%.
- **Operational performance:** EBITDA rose 25.7% YoY (-38.9% QoQ), led by gas trading (EBITDA Rs3.3bn, +89% YoY per management). CGD EBITDA/scm fell to Rs4.7 (-21% YoY, -9% QoQ) on higher imported LNG costs. Guidance was cut to Rs5–6 from Rs5.5–6.5. CGD EBIT fell 4.6% YoY and 27.8% QoQ.

  Gas sourcing mix: Imported 55%, other domestic gas plus RLNG 29%, APM 10% and new-well gas 6%.Management put spot LNG at close to 50% of sourcing. The long-term LNG book is about 3.1mtpa, against a target net book of 4mtpa. The board approved about 0.8mtpa of Henry Hub-linked contracts at US$7–9/mmbtu DES from 2028. Management wants 60–70% of sales covered by long-term contracts.
- **CGD:** 27 GAs across 6 states and 1 UT, serving +25.3lakh PNG domestic customers, 17,091 PNG commercial customers & 4,529 PNG industrial customers. Added 13 new stations in Q2 totaling 857 CNG stations. Plans to have 75 new CNG stations in FY27E.
- **Gas trading:** Revenue was Rs76.2bn (+84% YoY). The margin was about 4% in Q2, against about 7% in H1. Management kept the FY27 guidance of 5–6%. The company imported 24 cargoes in H1. Qatar long-term volumes were disrupted and replaced with spot cargos.
- **E&P:** 16 E&P blocks, including 11 producing fields and 6 operated assets. The portfolio provides upstream exposure through oil and gas production from onshore Gujarat and offshore basins. Produced 320 BOPD of crude oil and 28,300scmd of gas in Q2FY27.
- **Capex:** incurred capex of Rs1.8bn in Q2FY27, taking H1FY27 capex to Rs3.1bn. Management reiterated its FY27 capex guidance of Rs10bn. This will be majorly for CNG and PNG expansion business.

Valuation Methodology

Estimate revisions: lower EBITDA/scm, partly offset by gas trading:

We remain positive on CNG and PNG growth, but elevated imported LNG costs will likely weigh on EBITDA/scm in H2FY27. We cut our estimates, mainly on lower EBITDA/scm, partly offset by stronger gas trading which will lead to cut in EBITDA for FY28E and FY29E. FY27E will benefit from gas trading business.

- **CNG volume growth:** FY27E 12.5% (from 13.0%); FY28E unchanged at 12.5%; FY29E 13.0%.
- **Industrial volume growth:** FY27E 11% (from 7%); FY28E 7% (from 6%); FY29E 7% (from 5%).
- **EBITDA/scm:** We cut our CGD margin assumptions to Rs4.8 (from Rs5.2) for FY27E, Rs5.0 (from Rs5.6) for FY28E and Rs6.0 (from Rs6.5) for FY29E, after moderation in CGD margins.

Fig 9 – Revision in estimates

(Rs mn)	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	236,144	313,486	281,886	301,292	234,102	244,677	262,237	33.9	15.2	14.9
EBITDA	30,520	31,262	31,848	39,154	30,724	37,525	43,573	1.8	(15.1)	(10.1)
EBITDA % margin	12.9	10.0	11.3	13.0	13.1	15.3	16.6	(315 bps)	(404 bps)	(362 bps)
PAT	21,687	19,419	19,903	23,780	18,093	22,809	26,935	7.3	(12.7)	(11.7)
EPS (Rs)	23.1	20.7	21.2	25.4	19.3	24.3	28.8	7.3	(12.7)	(11.7)

Source: Company, BOBCAPS Research

Fig 10 – Key assumptions

Particulars	FY25	FY26	FY27E	FY28E	FY29E
USD-INR rate	87.0	90.0	97.0	97.0	97.0
CNG sales price (Rs/kg)	78.0	80.5	86.0	86.0	86.0
Volumes (mmscmd)					
CNG	3.0	3.4	3.9	4.3	4.9
YoY growth (%)	12.1	12.0	12.5	12.5	13.0
PNG	6.5	5.3	5.9	6.3	6.8
YoY growth (%)	(1.2)	(19.2)	11.2	7.4	7.5
Total volumes	9.6	8.7	9.7	10.6	11.7
D-PNG (mmscmd)	0.7	0.8	0.9	1.0	1.1
YoY %	3.0	9.0	7.0	10.0	10.0
I&C (mmscmd)	5.8	4.5	5.0	5.3	5.7
YoY %	(1.7)	(23.0)	12.0	7.0	7.0
EBITDA spread (Rs/scm)	**5.4**	**6.2**	**4.8**	**5.0**	**6.0**

Source: Company, BOBCAPS Research

EV/EBITDA based Valuation Rationale

We maintain HOLD; considering impact of gas cost increase; we revise TP downwards to Rs241 from Rs287 earlier, based on SoTP-based EV/EBITDA on Sept.28E.

Fig 11 – Valuation summary

Business	Sept.28 EBITDA (Rs mn)	Multiple (x)	Rs mn	Value (Rs/share)
CGD business	22,601	7.0	158,206	169
Natural Gas Trading	11,500	6.5	74,750	80
Power	466	10.0	4,658	5
E&P	315	6.0	1,890	2
Regasification business	619	6.0	3,714	4
Total EV			243,218	260
Less - Net debt			17,458	19
Target price (Rs/share)				**241**

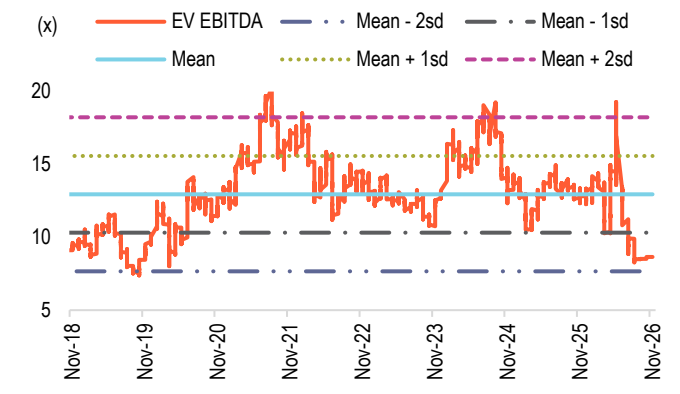
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

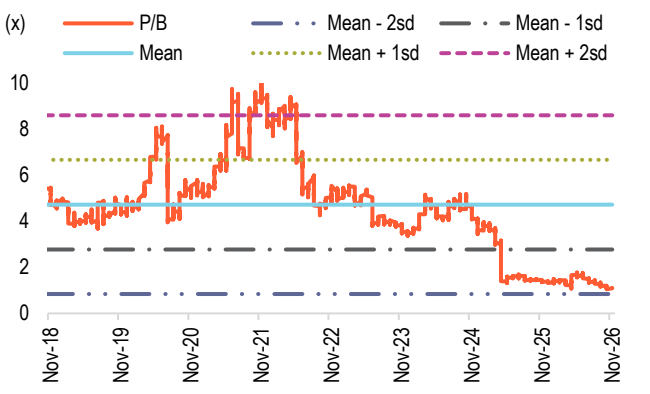
- **APM allocation sourcing mix can raise input gas cost**: APM gas has been limited for CGD companies, due to production constraints from ONGC. This led Gujarat Gas to procure imported gas at elevated prices. Further, elevated LNG prices continue to impact the offtake from industrial customers. So, normalisation of LNG prices is key to future performance.

Fig 12 – EV/EBITDA 1YF



Source: Bloomberg

Fig 13 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**276,149**	**236,144**	**313,486**	**281,886**	**301,292**
EBITDA	34,744	30,520	31,262	31,848	39,154
Depreciation	(8,641)	(8,990)	(9,589)	(10,221)	(11,771)
EBIT	31,669	27,005	27,258	27,322	33,192
Net interest inc./(exp.)	(2,902)	(2,511)	(2,288)	(1,720)	(901)
Other inc./(exp.)	5,567	5,475	5,584	5,696	5,810
Exceptional items	0	0	0	0	0
EBT	20,145	22,997	24,970	25,602	32,291
Income taxes	12,442	(7,634)	(6,992)	(7,169)	(10,010)
Extraordinary items	(8,623)	(1,498)	0	0	0
Min. int./Inc. from assoc.	1,339	4,826	1,441	1,470	1,499
Reported net profit	**41,146**	**20,189**	**19,419**	**19,903**	**23,780**
Adjustments	8,623	1,498	0	0	0
Adjusted net profit	**49,769**	**21,687**	**19,419**	**19,903**	**23,780**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	15,024	16,544	22,177	20,135	21,727
Other current liabilities	39,657	35,605	35,605	35,605	35,605
Provisions	432	593	593	593	593
Debt funds	29,872	30,600	28,600	20,600	10,600
Other liabilities	4,545	3,536	3,536	3,536	3,536
Equity capital	628	628	628	628	628
Reserves & surplus	233,751	182,513	193,360	204,456	219,196
Shareholders' fund	234,380	183,141	193,988	205,085	219,824
Total liab. and equities	**330,096**	**275,459**	**289,939**	**290,994**	**297,326**
Cash and cash eq.	30,028	13,143	16,642	20,263	24,004
Accounts receivables	21,458	17,524	23,263	20,918	22,358
Inventories	8,650	11,216	14,889	13,388	14,310
Other current assets	40,953	59,406	59,406	59,406	59,406
Investments	21,756	9,050	9,050	9,050	9,050
Net fixed assets	154,671	118,574	120,142	121,421	121,649
CWIP	11,948	8,361	8,361	8,361	8,361
Intangible assets	17,396	17,673	17,673	17,673	17,673
Deferred tax assets, net	0	0	0	0	0
Other assets	(89,387)	84,340	27,958	28,248	29,298
Total assets	**330,096**	**275,459**	**289,939**	**290,994**	**297,326**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**5,144**	**7,029**	**26,075**	**32,178**	**34,184**
Capital expenditures	(106,019)	30,433	(11,157)	(11,500)	(12,000)
Change in investments	(21,411)	12,706	0	0	0
Other investing cash flows	(15,456)	2,637	0	0	0
Cash flow from investing	**(142,887)**	**45,776**	**(11,157)**	**(11,500)**	**(12,000)**
Equities issued/Others	497	0	0	0	0
Debt raised/repaid	29,872	728	(2,000)	(8,000)	(10,000)
Interest expenses	(2,902)	(2,511)	(2,288)	(1,720)	(901)
Dividends paid	(5,452)	(8,338)	(8,572)	(8,806)	(9,041)
Other financing cash flows	(612)	136,494	(59,570)	1,441	1,470
Cash flow from financing	**158,509**	**(69,691)**	**(11,419)**	**(17,057)**	**(18,443)**
Chg in cash & cash eq.	**20,767**	**(16,886)**	**3,499**	**3,621**	**3,741**
Closing cash & cash eq.	**30,028**	**13,142**	**16,642**	**20,263**	**24,004**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	43.9	21.5	20.7	21.2	25.4
Adjusted EPS	53.1	23.1	20.7	21.2	25.4
Dividend per share	5.8	8.9	9.2	9.4	9.7
Book value per share	250.2	195.5	207.1	218.9	234.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	0.7	0.9	0.7	0.7	0.7
EV/EBITDA	5.7	6.9	7.0	6.6	5.0
Adjusted P/E	4.1	9.3	10.4	10.2	8.5
P/BV	0.9	1.1	1.0	1.0	0.9

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	204.6	73.3	72.0	72.0	69.0
Interest burden (PBT/EBIT)	0.9	0.9	0.9	0.9	1.0
EBIT margin (EBIT/Revenue)	11.5	11.4	8.7	9.7	11.0
Asset turnover (Rev./Avg TA)	1.2	0.8	1.1	1.0	1.0
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.4	1.4	1.4
Adjusted ROAE	31.9	10.4	10.3	10.0	11.2

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	NA	(14.5)	32.8	(10.1)	6.9
EBITDA	NA	(12.2)	2.4	1.9	22.9
Adjusted EPS	NA	(56.4)	(10.5)	2.5	19.5
Profitability & Return ratios (%)					
EBITDA margin	12.6	12.9	10.0	11.3	13.0
EBIT margin	11.5	11.4	8.7	9.7	11.0
Adjusted profit margin	18.0	9.2	6.2	7.1	7.9
Adjusted ROAE	31.9	10.4	10.3	10.0	11.2
ROCE	17.4	10.9	12.0	11.7	14.0
Working capital days (days)					
Receivables	28	27	27	27	27
Inventory	11	17	17	17	17
Payables	23	29	29	29	30
Ratios (x)					
Gross asset turnover	1.2	0.8	1.1	1.0	1.0
Current ratio	1.8	1.9	1.9	2.0	2.0
Net interest coverage ratio	10.9	10.8	11.9	15.9	36.8
Adjusted debt/equity	0.0	0.1	0.1	0.0	(0.1)

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

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BUY – Expected return >+15%

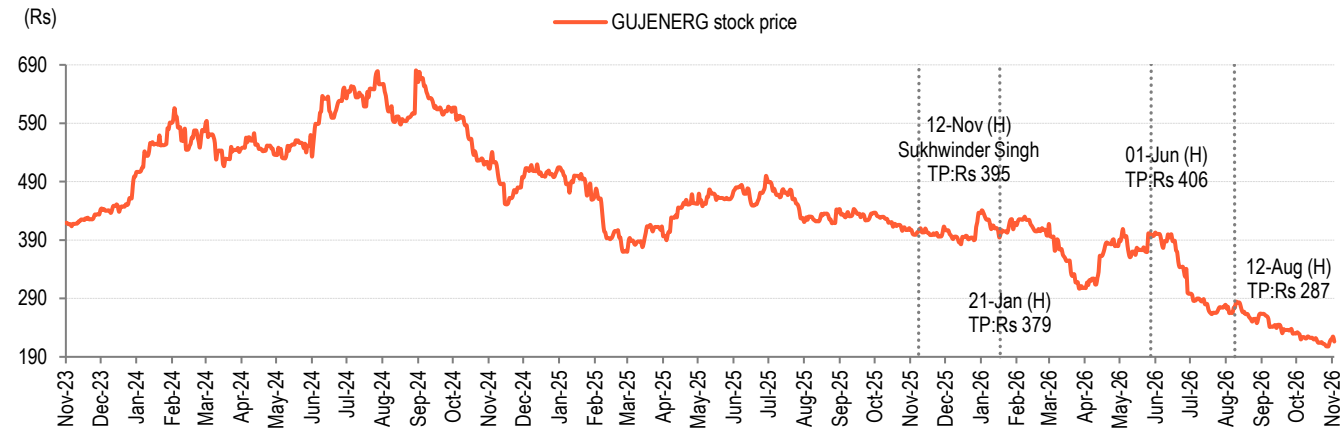
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): GUJARAT ENERGY (GUJENERG IN)



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

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