

HOLD**TP: Rs 395 | ▼ 3%****GUJARAT GAS**

| Oil & Gas

| 12 November 2025

Operational performance below expectation on higher gas cost

- GUJGA reported weak operational performance on account of higher input gas cost; EBITDA decreased by 13%YoY
- Positive on demand for CNG & D-PNG, expect volume growth to sustain in CNG. However, Industrial volumes to remain weak
- Assuming coverage with HOLD and TP of Rs395, based on 18.8x P/E on Sept'27 EPS

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Operational performance below expectations on higher gas cost: Revenue came at Rs37bn (-0.0%YoY, -2.3%QoQ) and was 2% above consensus estimates. EBITDA came at Rs4bn (-13.0%YoY, -14.0%QoQ), was 4% below consensus estimates. EBITDA spread was Rs6/scm for the quarter; lower by 12%YoY.

Volumes: Volumes came at 8.7mmscmd, lower by 1.0%YoY and lower by 2.4%QoQ. CNG volumes growth was strong at 13.3%YoY; while PNG domestic (D-PNG) volume growth was 9.2%YoY. Management is positive on the outlook on CNG and D-PNG and expects the same to sustain, driven by the CNG infra expansion and growing demand in target markets. However, industrial volumes were weak at 4.4mmscmd, lower by 11.4%YoY and 7.6%QoQ. This was due to the shift of industrial customers to propane gas on better pricing vs natural gas.

Operational performance and outlook: EBITDA was impacted due to lower allocation of APM gas and weak Industrial volumes (51% of total volumes). APM allocation got reduced YoY to 56% vs 74% in Q2FY25. As there are production constraints for gas from ONGC, we expect the allocation to gradually reduce for CGD companies. This is likely to have a higher cost as Gujarat Gas procures imported LNG gas at market rates. Management has indicated looking for long-term contracts to offset the hike in costs. Industrial volumes (51% of total volumes) are expected to remain subdued in near term for FY26E.

Capex intensity: GUJGA incurred a capex of Rs2,903mn in H1FY26 and guided a capex of Rs8,000mn for FY26E.

Coverage with HOLD: We remain positive on CNG volume growth. However, weak industrial volumes and lower APM gas allocation will remain a concern on revenue & operational performance. We are assuming coverage with HOLD and TP of Rs395, based on 18.8x P/E on Sept'27 EPS.

Key changes

Target	Rating
▼	▼

Ticker/Price	GUJGA IN/Rs 408
Market cap	US\$ 3.2bn
Free float	39%
3M ADV	US\$ 1.5mn
52wk high/low	Rs 524/Rs 360
Promoter/FPI/DII	61%/15%/4%

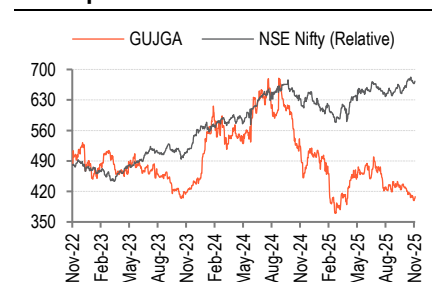
Source: NSE | Price as of 12 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	164,870	170,102	185,178
EBITDA (Rs mn)	18,798	19,837	23,070
Adj. net profit (Rs mn)	11,483	12,133	14,187
Adj. EPS (Rs)	16.7	17.6	20.6
Consensus EPS (Rs)	16.7	17.6	20.6
Adj. ROAE (%)	14.2	13.6	14.5
Adj. P/E (x)	24.5	23.2	19.8
EV/EBITDA (x)	14.6	13.8	11.7
Adj. EPS growth (%)	NA	0.4	5.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YOY (%)	H1FY26	H1FY25	YOY (%)
Revenue	37,804	38,709	(2.3)	37,818	(0.0)	76,513	82,321	(7.1)
EBITDA	4,473	5,199	(14.0)	5,142	(13.0)	9,671	10,340	(6.5)
EBITDA margin (%)	11.83	13.43		13.60		12.64	12.56	
Depreciation	1,343	1,314	2.2	1,295	3.7	2,657	2,526	5.2
Interest	81	79	2.6	80	2.4	161	158	2.0
Other income	713	594	20.0	386	84.9	1,306	771	69.4
PBT	3,761	4,399	(14.5)	4,152	(9.4)	8,160	8,613	(5.3)
Tax	969	1,131	(14.3)	1,083	(10.5)	2,100	2,218	(5.3)
Reported PAT	2,798	3,276	(14.6)	3,087	(9.4)	6,075	6,395	(5.0)
Exceptional item	0	0	NA	0	NA	0	0	NA
Adjusted PAT	2,798	3,276	(14.6)	3,087	(9.4)	6,075	6,395	(5.0)
Adj. PATM (%)	7.40	8.46		8.16		7.94	7.77	
EPS (Rs)	4.06	4.76	(14.6)	4.48	(9.4)	8.82	9.29	(5.0)

Source: Company

Fig 2 – Q2FY26 Actual v/s consensus

Particulars	Q2 Actual	Consensus	VAR(%)
Revenue (Rs mn)	37,804	37,127	1.8
EBITDA (Rs mn)	4,473	4,656	(3.9)
EBITDA margin (%)	11.8	12.5	NA
PAT (Rs mn)	2,798	2,685	4.2
EPS (Rs)	4.1	3.9	4.2

Source: Company, Bloomberg

Fig 3 – Business parameters

Particulars	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
PNG-Industrial volume (mmscmd)	4.4	4.7	(7.6)	4.9	(11.4)	4.5	6.1	(25.5)
CNG volume (mmscmd)	3.3	3.3	(0.3)	2.9	13.3	3.3	3.0	12.7
PNG-Domestic volume (mmscmd)	0.8	0.7	20.3	0.8	9.2	0.8	0.7	10.1
PNG-Commercial volume (mmscmd)	0.2	0.1	14.3	0.2	6.7	0.2	0.1	7.1
Total Volume (mmscmd)	8.7	8.9	(2.4)	8.8	(1.0)	8.8	9.9	(11.1)
Realization/scm (Rs)	47.4	48.0	(1.1)	47.0	1.0	47.7	45.6	4.6
EBITDA/scm (Rs)	5.6	6.4	(12.8)	6.4	(12.1)	6.0	5.7	5.2

Source: Company

Fig 4 – PNG Industrial volumes

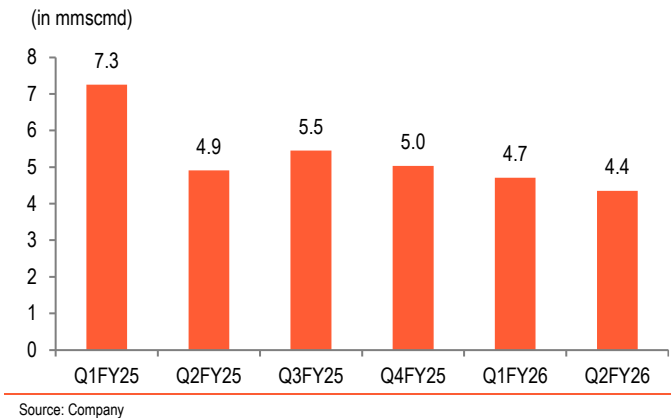


Fig 5 – CNG Volumes

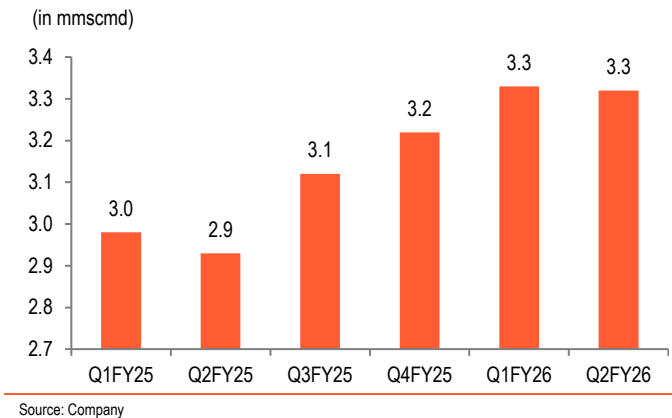


Fig 6 – Total Volumes

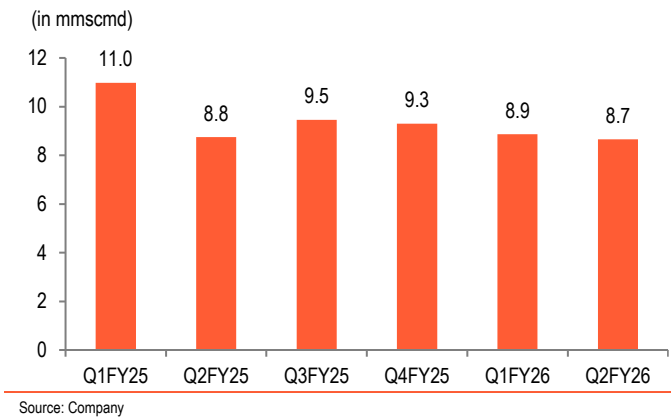
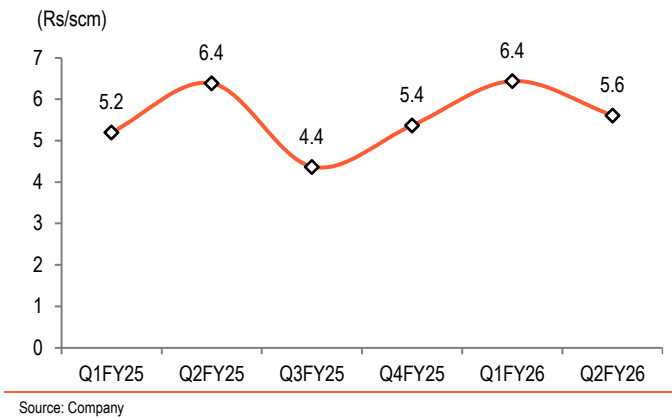


Fig 7 – EBITDA/scm



Call Highlights

- **Volumes Performance:** CNG volume growth was good at 13.3%YoY. However, industrial volumes were weak with a decline of 11.4%YoY. Industrial customers remain aligned to Propane (alternative fuel) as Gujarat Gas I-PNG price remains expensive. Propane price is at a discount of Rs4-6/scm vs natural gas price of Gujarat Gas. Industrial volumes 4.4mmscmd includes Morbi volumes of 2.1mmscmd and Non Morbi volumes of 2.3mmscmd.
 - Management expects Industrial volumes run rate to be around 4mmscmd for balance part of FY26E. It expects pricing scenario to change by Q1FY27 and then should see improvement in volumes.
 - On CNG, management is positive about the volume outlook and expects volume growth to sustain. This would be driven by CNG infrastructure expansion and private vehicle conversions.
- **Operational performance:** Gas costs rose in Q2, due to lower APM gas allocation. APM allocation was 56% for Q2FY26 vs 74% in Q2FY25. Gujarat Gas catered to RLNG and HPHT/spot gas at market rate, which led to higher costs and impacted EBITDA spread for the quarter. Management guided a EBITDA spread of Rs4.5-5.5/scm for FY26
- **Gas sourcing:** The company sources 65% of CNG and D-PNG volumes through APM gas and the rest 35% from HPHT, IGX, NWG (new well gas) and spot gas. Gujarat Gas is looking to increase sourcing through Brent-linked contracts to better align costs with crude prices. It will benefit through long term contracts taken by the group in future.
- **Infrastructure and connectivity:** Gujarat Gas added 6 CNG stations during the H1FY26, taking the total to 834. It added 4 stations in Q2FY26
- **Capex:** The company incurred a capex of Rs2,903mn in H1FY26 and guided a capex of Rs8,000mn for FY26E.

Business Overview

- Gujarat Gas is the distributor of compressed natural gas (CNG) and piped natural gas (PNG) in Gujarat, Maharashtra, MadhyaPradesh, Rajasthan, Punjab and Haryana. With major presence in Gujarat, its overall presence is in 6 states and 1 Union Territory.
- The company has a strong customer base: 23.4 lakh PNG connections, +15,780 PNG commercial connections and +4,429 PNG Industrial connections.
- It has an infrastructure reach of 834 CNG stations, which includes 570 in Gujarat and 264 in other states.

Fig 8 – Geographic presence

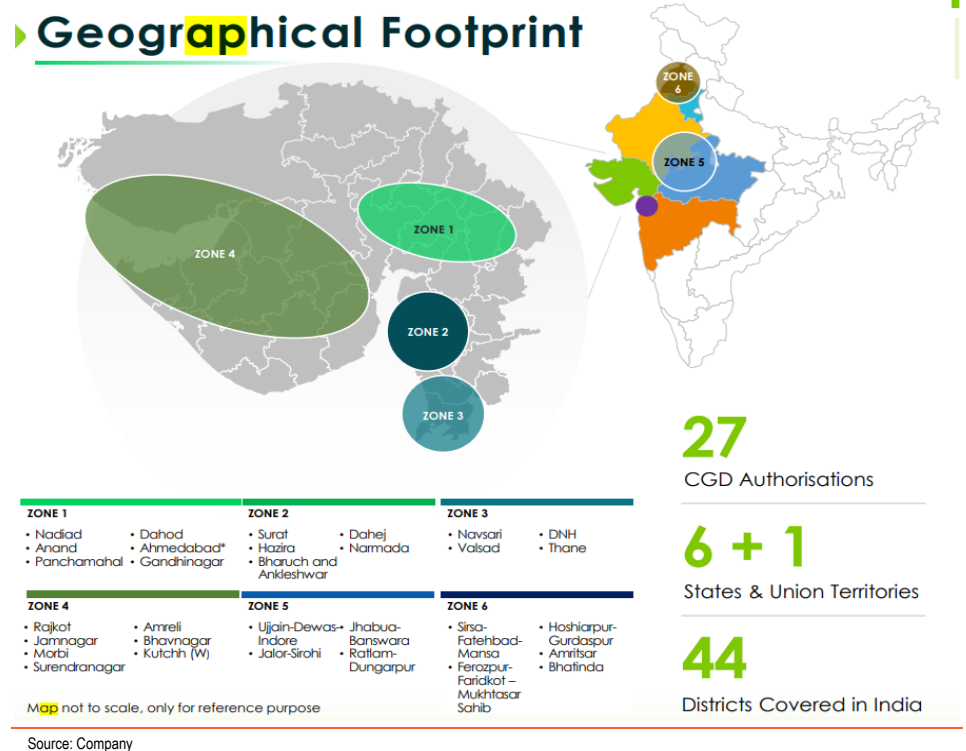


Fig 9 – Business breakdown-FY25

Business Stream Breakdown FY 2024-25

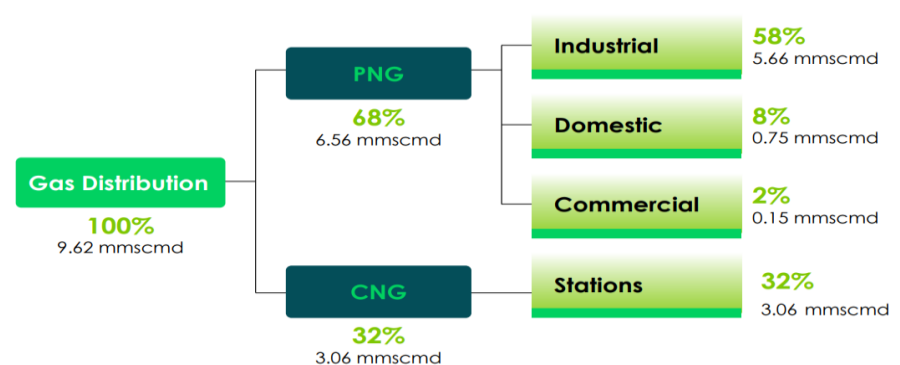
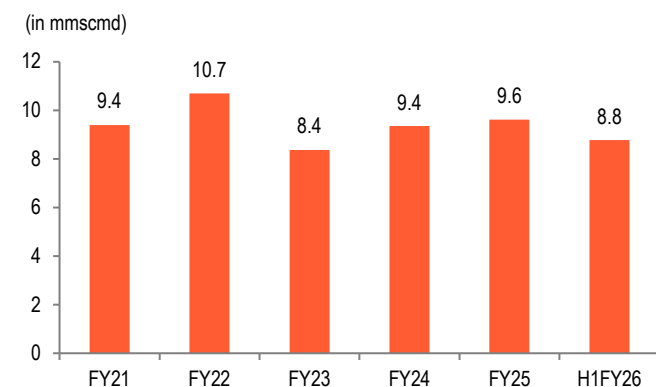
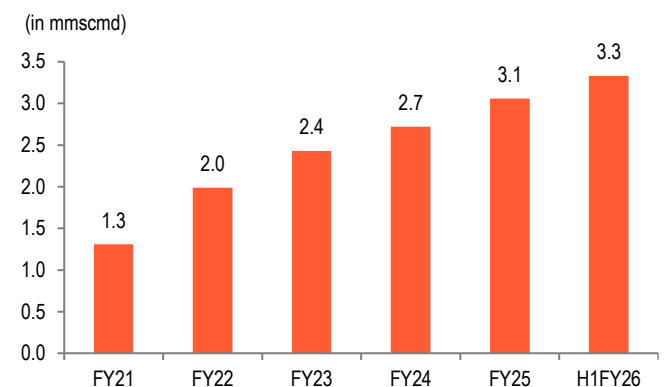
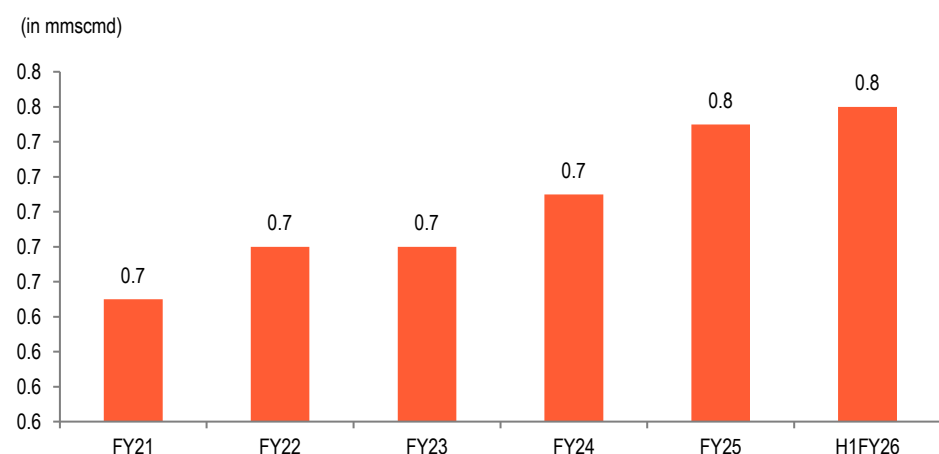


Fig 10 – Total volumes

Source: Company

Fig 11 – CNG volumes

Source: Company

Fig 12 – PNG volumes

Source: Company

■ CNG/PNG offers benefits:

- Price advantage – Natural gas provides economic benefits over most alternate liquid fuels
- Fuel efficiency – CNG vehicles typically enjoy higher fuel efficiency
- Payback period – Lower running costs result in lower CNG/PNG. MGL has been investing in infrastructure on a consistent basis:

- CNG running cost savings are to an extent of 34% vs Petrol and 13% vs Diesel.

Fig 13 – CNG running cost savings v/s petrol/diesel

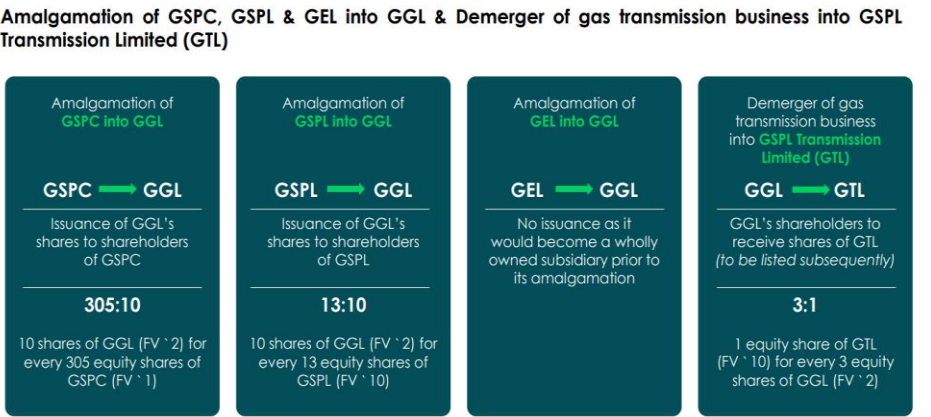
Particulars	For Petrol/Diesel	Petrol	Diesel	For CNG	CNG
Cost	Rs/litre	95.0	90.0	Rs/kg	80.0
Mileage	Km/litre	16.0	18.0	km/kg	18.0
Cost per km	Rs/km	5.9	5.0	Rs/km	4.3
Savings	%	33.6	12.5		

Source: Company

Scheme of arrangement

- Scheme approved by Board in August 2024 involves merger of GSPC, GSPL and GEL (GSPC energy Ltd) into Gujarat Gas and demerger of Gas transmission business into GSPL transmission ltd.
- This will consolidate all business verticals in one entity – Gujarat Gas.
- Scheme was approved by equity shareholder in October 2025. Further regulatory approvals are expected by December 2025 and process is expected to be completed by December 2025. Listing of additional shares of Gujarat Gas and GTL are expected by February 2026

Fig 14 – Scheme of arrangement



Source: Company

Valuation Methodology

We are positive on business growth, driven by CNG infra expansion and volume growth. Concern is on low level of growth in Industrial volumes which are 51% of overall volumes. Within this, Morbi cluster volumes are 60% of Industrial volumes.

- **CNG growth to continue:** We estimate growth to continue on account of expansion in outlets and demand. We estimate CNG growth to be 11.5% in FY27E and 11.0% in FY28E.
- **PNG growth:** We estimate growth to continue for PNG with 5.5% in FY27E and 6.0% in FY28E.
- **EBITDA spread:** We expect EBITDA spread to remain around Rs5.4-6.0 over FY26E to FY28E period

Fig 15 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
USD-INR rate	82.8	87.0	87.0	87.0	87.0
CNG sales price (Rs/kg)	77.0	78.0	80.5	81.0	81.8
Landed APM gas cost (USD/mmbtu)	6.5	6.7	6.8	6.9	7.0
Volumes (mmscmd)					
CNG	2.7	3.0	3.4	3.8	4.2
YoY %	12.0	12.1	12.0	11.5	11.0
PNG	6.6	6.5	6.6	6.8	7.0
YoY %	10.8	(1.2)	1.3	2.8	2.9
Total volumes	9.3	9.6	10.0	10.6	11.2
YoY %					
D-PNG	0.7	0.7	0.7	0.8	0.8
YoY %	0.4	3.0	4.0	5.5	6.0
I&C	5.9	5.8	5.9	6.0	6.2
YoY %	12.1	(1.7)	1.0	2.5	2.5
I&C Volumes (Ex-Morbi) YoY			1.0	1.0	1.0
Margins					
EBITDA spread (Rs/scm)	5.5	5.4	5.4	6.0	5.9

Source: BOBCAPS Research, Company

P/E based valuation rationale

We are assuming coverage with HOLD and TP of Rs395, based on 18.8x P/E on Sept'27 EPS. We have taken a multiple at a discount to its 10 year average P/E multiple of 23.5x to account for moderate growth in Industrial volumes which are 51% of overall portfolio

Fig 16 – Valuation summary

Business	Sept'27 EPS (Rs)	Multiple (x)	Value (Rs/share)
Gujarat Gas	21.0	18.8	395
Target price (Rs)			395

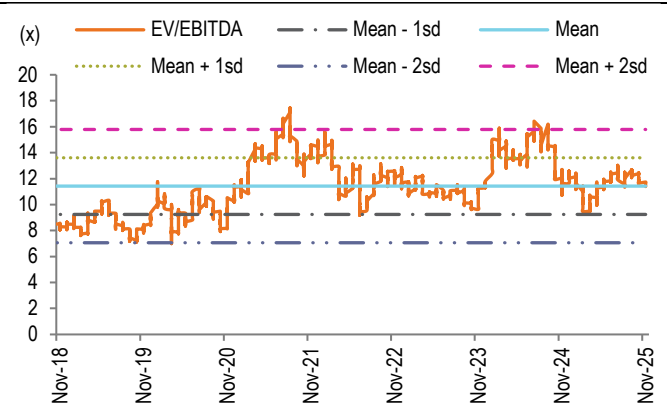
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

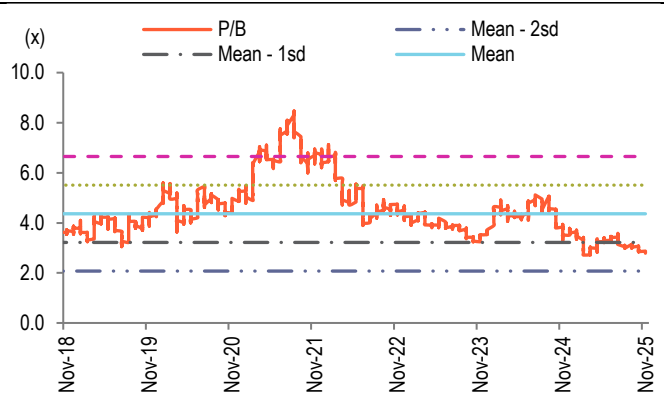
- APM allocation reduction can increase gas cost:** Over the last 1 year, APM gas has been reduced for CGD companies due to production constraints from ONGC. This led Gujarat Gas to procure imported gas at market prices. Any further reduction in APM can increase the cost for the company and reduce EBITDA spread.
- Faster adoption of EV:** Faster adoption can impact volume performance. The industry expects 3W penetration to be minimal and hence, does not see a risk. However, volumes in buses have got impacted. This can risk the lower CNG volumes.

Fig 17 – EV/EBITDA 2YF



Source: Bloomberg

Fig 18 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	156,902	164,870	170,102	185,178	203,491
EBITDA	18,764	18,798	19,837	23,070	24,312
Depreciation	(4,743)	(5,106)	(5,483)	(6,001)	(6,524)
EBIT	15,082	15,774	16,478	19,236	19,998
Net interest inc./(exp.)	(293)	(325)	(330)	(350)	(365)
Other inc./(exp.)	1,061	2,083	2,125	2,167	2,210
Exceptional items	0	0	0	0	0
EBT	15,346	15,449	16,148	18,886	19,633
Income taxes	(3,934)	(4,011)	(4,064)	(4,754)	(4,942)
Extraordinary items	557	0	0	0	0
Min. int./Inc. from assoc.	26	45	50	55	60
Reported net profit	11,437	11,483	12,133	14,187	14,752
Adjustments	0	0	0	0	0
Adjusted net profit	11,437	11,483	12,133	14,187	14,752

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	7,002	7,199	7,544	8,340	9,304
Other current liabilities	20,879	22,165	22,165	22,165	22,165
Provisions	268	279	279	279	279
Debt funds	0	0	0	0	0
Other liabilities	11,542	11,971	11,971	11,971	11,971
Equity capital	1,377	1,377	1,377	1,377	1,377
Reserves & surplus	75,848	83,520	91,647	101,655	112,056
Shareholders' fund	77,225	84,896	93,023	103,032	113,433
Total liab. and equities	116,916	126,511	134,983	145,787	157,152
Cash and cash eq.	9,261	3,594	9,205	15,017	20,700
Accounts receivables	10,298	10,240	10,565	11,501	12,638
Inventories	587	619	638	695	764
Other current assets	2,112	15,177	15,177	15,177	15,177
Investments	346	481	481	481	481
Net fixed assets	69,719	72,720	75,237	79,236	83,712
CWIP	8,996	8,238	8,238	8,238	8,238
Intangible assets	7,896	9,235	9,235	9,235	9,235
Deferred tax assets, net	0	0	0	0	0
Other assets	2,872	4,435	4,150	2,667	2,190
Total assets	116,916	126,511	134,983	145,787	157,152

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	17,146	5,768	17,897	20,286	21,338
Capital expenditures	(8,343)	(8,655)	(8,000)	(10,000)	(11,000)
Change in investments	(9)	(135)	0	0	0
Other investing cash flows	(1,542)	1,444	0	0	0
Cash flow from investing	(9,893)	(7,347)	(8,000)	(10,000)	(11,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(293)	(325)	(330)	(350)	(365)
Dividends paid	(3,896)	(4,006)	(4,006)	(4,179)	(4,351)
Other financing cash flows	(507,099)	(612)	243	50	55
Cash flow from financing	(4,801)	(4,088)	(4,286)	(4,474)	(4,656)
Chg in cash & cash eq.	2,451	(5,667)	5,611	5,812	5,683
Closing cash & cash eq.	9,261	3,594	9,205	15,017	20,700

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	16.6	16.7	17.6	20.6	21.4
Adjusted EPS	16.6	16.7	17.6	20.6	21.4
Dividend per share	5.7	5.8	5.8	6.1	6.3
Book value per share	112.2	123.3	135.1	149.7	164.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.7	1.7	1.6	1.5	1.3
EV/EBITDA	14.5	14.6	13.8	11.7	10.8
Adjusted P/E	24.6	24.5	23.2	19.8	19.0
P/BV	3.6	3.3	3.0	2.7	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.4	74.0	74.8	74.8	74.8
Interest burden (PBT/EBIT)	1.0	1.0	1.0	1.0	1.0
EBIT margin (EBIT/Revenue)	9.6	9.6	9.7	10.4	9.8
Asset turnover (Rev./Avg TA)	1.4	1.4	1.3	1.3	1.3
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	15.5	14.2	13.6	14.5	13.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	NA	NA	5.1	3.2	8.9
EBITDA	NA	NA	0.2	5.5	16.3
Adjusted EPS	NA	NA	0.4	5.7	16.9

Profitability & Return ratios (%)

EBITDA margin	12.0	11.4	11.7	12.5	11.9
EBIT margin	9.6	9.6	9.7	10.4	9.8
Adjusted profit margin	7.3	7.0	7.1	7.7	7.2
Adjusted ROAE	15.5	14.2	13.6	14.5	13.6
ROCE	17.7	17.0	16.3	17.5	16.6

Working capital days (days)

Receivables	24	23	23	23	23
Inventory	1	1	1	1	1
Payables	19	18	18	19	19

Ratios (x)

Gross asset turnover	1.4	1.4	1.3	1.3	1.3
Current ratio	0.8	1.0	1.2	1.4	1.6
Net interest coverage ratio	51.5	48.6	49.9	55.0	54.8
Adjusted debt/equity	(0.1)	0.0	(0.1)	(0.1)	(0.2)

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

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BUY – Expected return >+15%

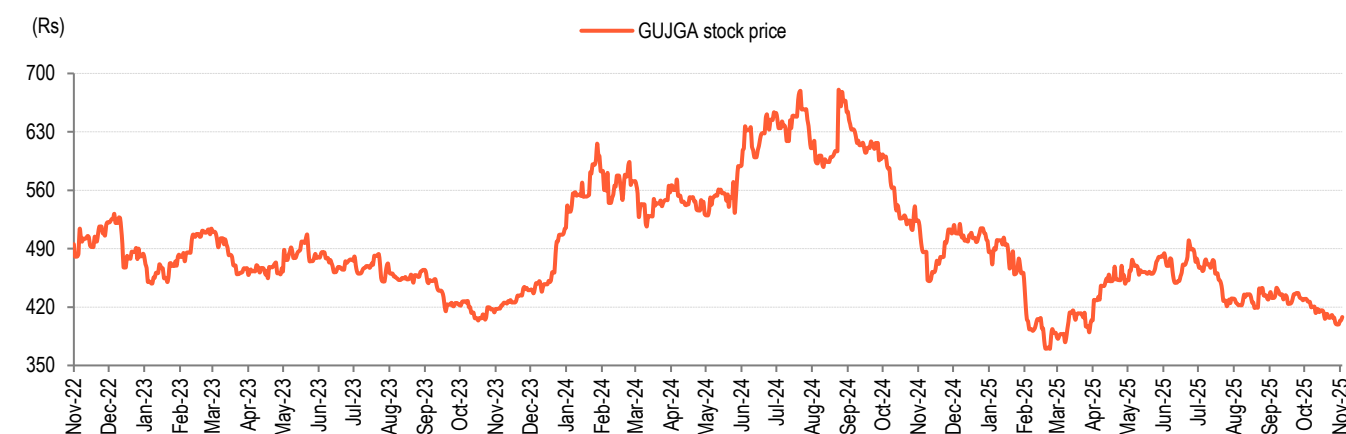
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): GUJARAT GAS (GUJGA IN)



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

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