

HOLD**TP: Rs 379 | ▼ 5%****GUJARAT GAS**

| Oil & Gas

| 21 January 2026

Results below expectation on lower Industrial volumes

- GUJGA reported weak revenue performance on 27.9%YoY decline in industrial volumes, offset by good CNG & D-PNG volumes growth
- Positive on demand for CNG & D-PNG; expect 10-12% volume growth to sustain. However, Industrial volumes to remain weak
- We maintain HOLD rating and revise TP to Rs379 from Rs395; based on 18.8x P/E on Dec'27 EPS

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Performance below expectations: Revenue came at Rs37bn (-11.9%YoY, -3.2%QoQ) and was 14% below our estimates. EBITDA came at Rs4bn (+17.6%YoY, flat -0.0% QoQ); and was 9% below our estimates. EBITDA spread was Rs5.8/scm for the quarter; higher by 32.7%YoY.

Volumes: Volumes came at 8.4mmscmd, lower by 11.4%YoY and 3.2%QoQ. CNG volumes growth was strong at 10.6%YoY; while PNG domestic (D-PNG) volume growth at 12.2%YoY. PNG commercial volumes were higher 13.3%YoY. However, industrial volumes were weak at 3.9mmscmd, lower by 27.9%YoY and 9.7%QoQ. This was due to the shift of industrial customers to propane gas on lower pricing vs natural gas.

Operational performance and outlook: EBITDA was better, with a growth of 17.6%YoY due to lower gas cost. This was despite weak Industrial volumes (47% of the total volumes). Management is 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 growing demand in target markets. Challenges remain in terms of APM allocation owing to production constraints for gas from ONGC. Gujarat Gas has been exploring long-term contracts to offset any hike in costs arising from imported gas cost. Industrial volumes (47% of total volumes) are expected to remain subdued in near term in the coming quarters. Management guided a EBITDA spread of Rs5.5-6.5/scm for FY26E and expect to improve in FY27E

Capex intensity: GUJGA had incurred a capex of Rs4,080mn in 9MFY26 and guided for a capex of Rs6,500mn – 7,000mn for FY26E.

Maintain HOLD; revise TP: We remain positive on CNG & D-PNG volume growth. However, weak industrial volumes will remain a concern on revenue & operational performance. We maintain HOLD rating and revise TP to Rs379 from Rs395 based on 18.8x Dec'27 EPS.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	GUJGA IN/Rs 399
Market cap	US\$ 3.0bn
Free float	39%
3M ADV	US\$ 1.8mn
52wk high/low	Rs 509/Rs 360
Promoter/FPI/DII	61%/15%/4%

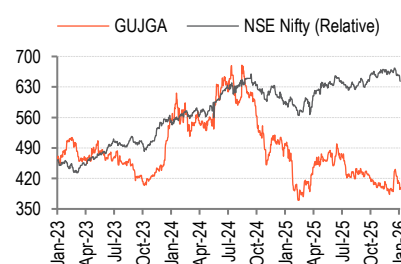
Source: NSE | Price as of 21 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	164,870	149,764	163,378
EBITDA (Rs mn)	18,798	18,178	21,134
Adj. net profit (Rs mn)	11,483	10,892	12,738
Adj. EPS (Rs)	16.7	15.8	18.5
Consensus EPS (Rs)	16.7	16.4	18.8
Adj. ROAE (%)	14.2	12.3	13.3
Adj. P/E (x)	23.9	25.2	21.6
EV/EBITDA (x)	14.3	14.8	12.5
Adj. EPS growth (%)	NA	0.4	(5.1)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Revenue	36,584	37,804	(3.2)	41,529	(11.9)	113,097	118,055	(4.2)
EBITDA	4,473	4,473	0.0	3,805	17.6	14,144	14,145	(0.0)
EBITDA margin (%)	12.23	11.83		9.16		12.51	11.98	
Depreciation	1,352	1,343	0.7	1,294	4.5	4,009	3,904	2.7
Interest	87	81	7.1	93	(6.2)	248	252	(1.5)
Other income	546	731	(25.3)	568	(3.9)	1,871	1,548	20.9
PBT	3,580	3,779	(5.3)	2,986	19.9	11,758	11,537	1.9
Tax	924	969	(4.7)	786	17.5	3,024	3,000	0.8
PAT	2,662	2,817	(5.5)	2,210	20.5	8,755	8,536	2.6
PATM (%)	7.28	7.45		5.32		7.74	7.23	
EPS (Rs)	3.87	4.09	(5.5)	3.21	20.5	12.72	12.45	2.1

Source: Company

Fig 2 – Q3FY26 Actual v/s Our estimates

Particulars	Q3 Actual	Estimates	VAR (%)
Revenue (Rs mn)	36,584	42,472	(13.9)
EBITDA (Rs mn)	4,473	4,895	(8.6)
EBITDA margin (%)	12.2	11.5	-
PAT (Rs mn)	2,662	3,063	(13.1)
EPS (Rs)	3.9	4.4	(13.1)

Source: Company, Bloomberg

Fig 3 – Business parameters

Particulars	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
PNG-Industrial volume (mmscmd)	3.9	4.4	(9.7)	5.5	(27.9)	4.3	5.9	(26.2)
CNG volume (mmscmd)	3.5	3.3	3.9	3.1	10.6	3.4	3.0	11.8
PNG-Domestic volume (mmscmd)	0.8	0.8	0.0	0.7	12.2	0.8	0.7	10.8
PNG-Commercial volume (mmscmd)	0.2	0.2	6.3	0.2	13.3	0.2	0.1	9.3
Total Volume (mmscmd)	8.4	8.7	(3.2)	9.5	(11.4)	8.6	9.7	(11.2)
Realization/scm (Rs)	47.5	47.4	0.0	47.7	(0.6)	47.6	44.5	7.1
EBITDA/scm (Rs)	5.8	5.6	3.4	4.4	32.7	6.0	5.3	11.9

Source: Company

Fig 4 – PNG Industrial volumes

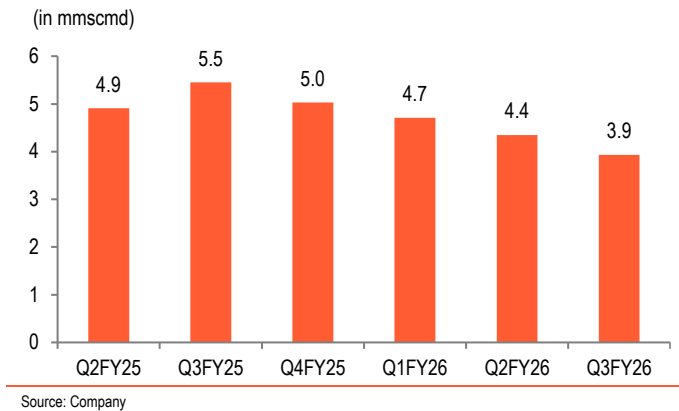


Fig 5 – CNG Volumes

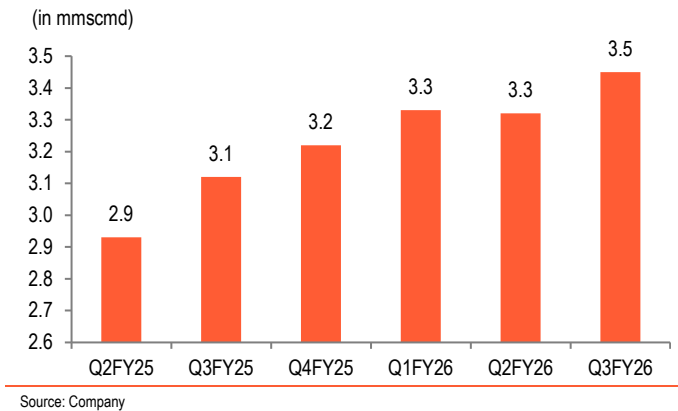


Fig 6 – Total Volumes

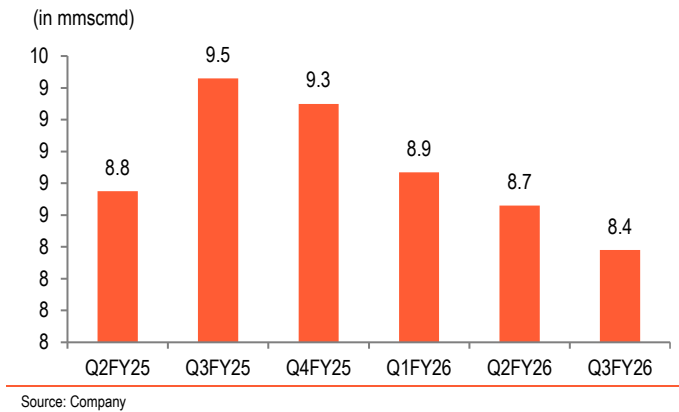
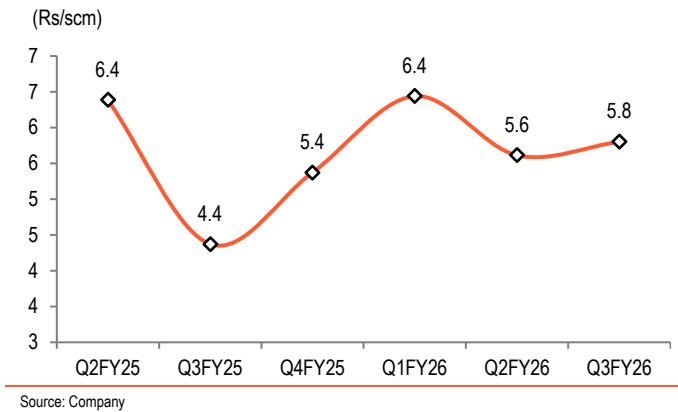


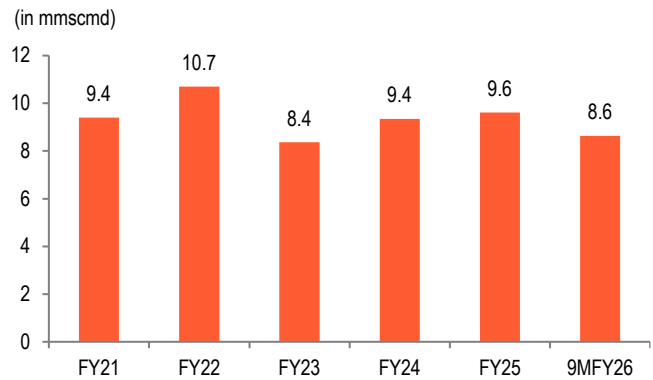
Fig 7 – EBITDA/scm



Other Highlights

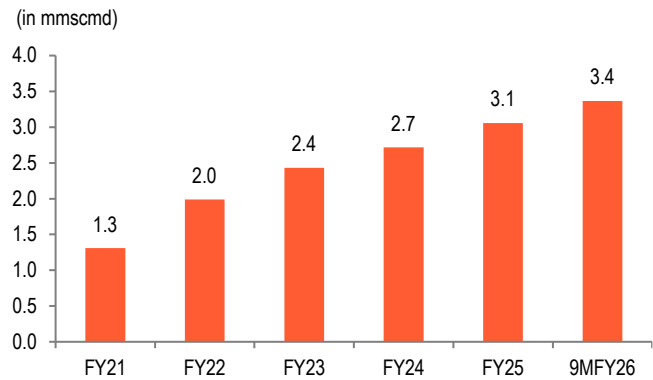
- **Volumes Performance:** CNG volume growth was good at 10.6%YoY, post being at 13.3%YoY in Q2FY26. Volumes in other segments were also good with Domestic-PNG growth at 12.2%YoY and Commercial volumes growth at 13.3%YoY. However, industrial volumes were weak with a decline of 27.9%YoY. Industrial customers stay aligned to Propane (alternative fuel) as Gujarat Gas Industrial-PNG price remains expensive. Propane price was at a discount of Rs5-6/scm vs natural gas price of Gujarat Gas during Q3FY26. Industrial volumes include 41% share from Morbi cluster volumes that have ceramic tile manufacturers as industrial customers and 59% from Non-Morbi area. Volume mix is CNG – 41% and PNG -59%.
 - The company has reduced price of gas for Morbi cluster by Rs4.50/scm effective 1st Jan 2026. This has reduced the premium by Rs2.40/scm over propane. It also expects propane pricing to improve in Jan-Mar quarter which should help in improving volumes of Industrial segment.
 - Domestic-PNG – The company added 38,600+ new domestic customers in Q3FY26 and provides natural gas to more than 23.8lakh households.
 - 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 decreased in Q3. Gas cost % of sales was at 78% in Q3 vs 83% in Q3FY25. EBITDA spread is likely to be Rs5.5-6.5/scm, which is higher than the guidance given in Q2FY26 -Rs4.5-5.5/scm for FY26E.
- **Gas sourcing:** The company sources 49% of CNG and D-PNG volumes through APM gas while the remaining 51% from HPHT, IGX, NWG (new well gas) and spot gas. APM allocation was 49% in Q3FY26 vs 55% in Q3FY25. It was 49% in Q2FY26. Gujarat Gas is looking to increase sourcing through long term contracts from current 39% to 70% by FY27E end.
- **Infrastructure and connectivity:** Gujarat Gas added 5 CNG stations during 9MFY26, taking the total to 833. The company has been pushing for asset light franchise, Dealer owned Dealer operated (DODO) model and OMCs to accelerate growth. It targets to reach 1,000 CNG stations in next 3 years
- **Capex:** It guided for a capex of Rs6,500mn – 7,000mn for FY26E.

Fig 8 – Total volumes



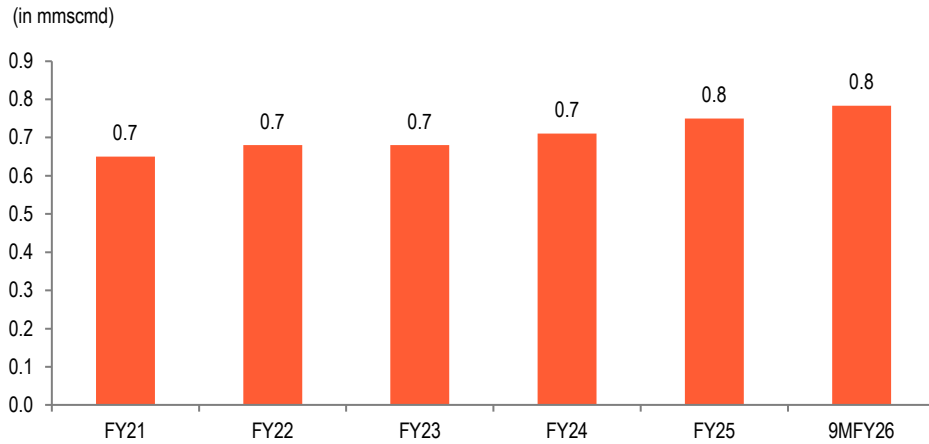
Source: Company

Fig 9 – CNG volumes



Source: Company

Fig 10 – PNG volumes



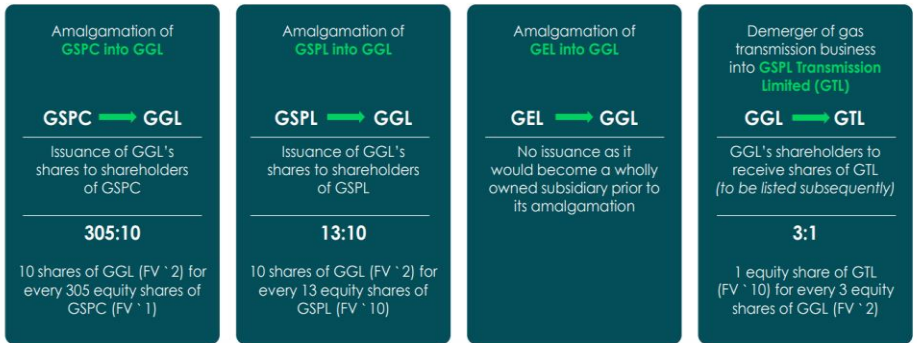
Source: Company

Scheme of Arrangement

- Scheme approved by Board in August 2024 involves merger of GSPC, GSPL and GEL (GSPC energy Ltd) into Gujarat Gas as well as demerger of the gas transmission business into GSPL transmission Ltd.
- This will consolidate all business verticals into one entity – Gujarat Gas.
- The scheme was approved by equity shareholder in Oct'25. Further it is awaiting necessary approvals from statutory and regulatory authorities. Expect MCA approval by Feb. 2026 and listing by April/May 2026

Fig 11 – Scheme of arrangement

Amalgamation of GSPC, GSPL & GEL into GGL & Demerger of gas transmission business into GSPL Transmission Limited (GTL)



Source: Company

Valuation Methodology

We are positive on CNG and D-PNG growth, driven by CNG infra expansion and PNG penetration. The concern is on a low level of growth in industrial volumes that are 47% of the overall volumes. Within this, Morbi cluster volumes are 41% of industrial volumes.

- **CNG growth to continue:** We estimate growth to continue on account of the expansion in outlets and demand.
 - CNG growth kept unchanged at 12%YoY for FY26E
 - Estimate CNG growth to be 11.0%YoY vs earlier 11.5% in FY27E and kept unchanged at 11.0% in FY28E.
- **PNG growth:**
 - We estimate growth to continue for D-PNG with 9.0% vs earlier 5.5% in FY27E and 9.0% vs earlier 6.0% in FY28E.
 - Industrial volume growth is reduced to account for current performance. FY26E estimated a decline of 23%YoY for FY26E vs earlier +1.0%; +2.0% for FY27E vs earlier 2.5% for FY27E and kept unchanged at 2.5%YoY for FY28E
- **EBITDA spread:** We expect EBITDA spread to remain around Rs5.7-6.5 over FY26E to FY28E period.
- **USD INR assumption** revised to Rs89.0 vs earlier Rs87.0 for FY26E, Rs91.0 vs earlier Rs89.0 for FY27E and Rs91.0 vs earlier Rs89 for FY28E.

Fig 12 – Old v/s new estimates

(Rs mn)	Actual	New				Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Revenue	164,870	149,764	163,378	180,520	170,102	185,178	203,491	(12.0)	(11.8)	(11.3)	
EBITDA	18,798	18,178	21,134	23,678	19,837	23,070	24,312	(8.4)	(8.4)	(2.6)	
EBITDA % margin	11.4	12.1	12.9	13.1	11.7	12.5	11.9	-	-	-	
PAT	11,483	10,892	12,738	14,278	12,133	14,187	14,752	(10.2)	(10.2)	(3.2)	
EPS (Rs)	16.7	15.8	18.5	20.7	17.6	20.6	21.4	(10.2)	(10.2)	(3.2)	

Source: Company, BOBCAPS Research

Fig 13 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
USD-INR rate	82.8	87.0	89.0	91.0	91.0
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	11.0	11.0
PNG	6.6	6.5	5.3	5.4	5.6
YoY %	10.8	(1.2)	(19.5)	3.0	3.5
Total volumes	9.3	9.6	8.7	9.2	9.8
YoY %					
D-PNG	0.7	0.7	0.8	0.8	0.9
YoY %	0.4	3.0	9.0	9.0	9.0

	FY24	FY25	FY26E	FY27E	FY28E
I&C	5.9	5.8	4.5	4.6	4.7
YoY %	12.1	(1.7)	(23.0)	2.0	2.5
I&C Volumes (Ex-Morbi) YoY			1.0	1.0	1.0
Margins					
EBITDA spread (Rs/scm)	5.5	5.4	5.7	6.3	6.6

Source: Company, BOBCAPS Research

P/E based Valuation Rationale

We maintain HOLD rating and revise TP to Rs379 from the earlier Rs395, based on 18.8x P/E on Dec' 27 EPS. We have taken the multiple at a discount to its 10Y average P/E multiple of 23.5x, to account for moderate growth in industrial volumes that are 47% of the overall portfolio

Decrease in target price is due to downward revision in Industrial volumes and upward revision in USD-INR rate leading to higher gas cost

Fig 14 – Valuation summary

Business	Dec'27 EPS (Rs)	Multiple (x)	Value (Rs/share)
Gujarat Gas	20.2	18.8	379
Target price (Rs)			379

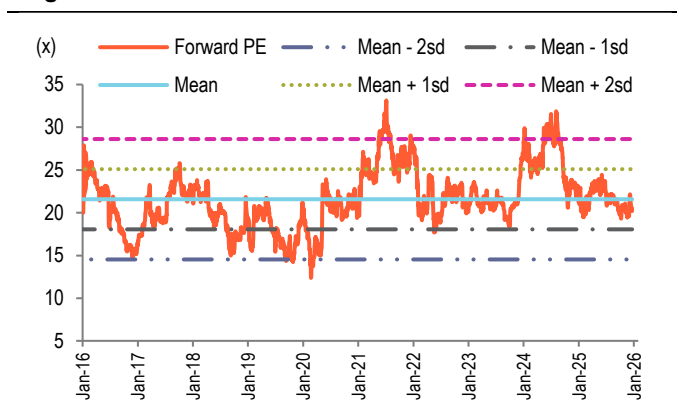
Source: BOBCAPS Research

Key Risks

Key downside risks to our estimates:

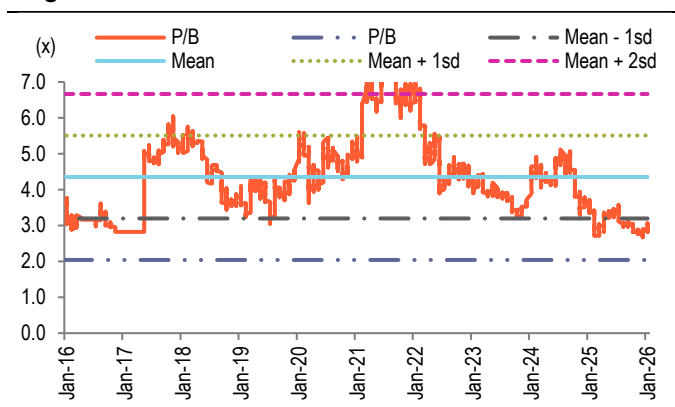
- **APM allocation reduction can increase gas cost:** APM gas allocation can reduce to CGD companies due to the production constraints from ONGC. This will likely result in Gujarat Gas procuring imported gas at market prices. Thus, any reduction in APM can raise the cost and reduce EBITDA spread.
- **Faster EV adoption:** Faster adoption of EV 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, which can risk the lower CNG volumes.

Fig 15 – P/E 1YF



Source: Bloomberg

Fig 16 – 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	149,764	163,378	180,520
EBITDA	18,764	18,798	18,178	21,134	23,678
Depreciation	(4,743)	(5,106)	(5,483)	(6,001)	(6,524)
EBIT	15,082	15,774	14,819	17,300	19,365
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	14,489	16,950	19,000
Income taxes	(3,934)	(4,011)	(3,647)	(4,266)	(4,782)
Extraordinary items	557	0	0	0	0
Min. int./Inc. from assoc.	26	45	50	55	60
Reported net profit	11,437	11,483	10,892	12,738	14,278
Adjustments	0	0	0	0	0
Adjusted net profit	11,437	11,483	10,892	12,738	14,278

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	7,002	7,199	6,642	7,358	8,254
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	90,405	98,965	108,892
Shareholders' fund	77,225	84,896	91,782	100,342	110,269
Total liab. and equities	116,916	126,511	132,840	142,115	152,938
Cash and cash eq.	9,261	3,594	8,401	12,781	17,998
Accounts receivables	10,298	10,240	9,302	10,147	11,212
Inventories	587	619	562	613	677
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	132,840	142,115	152,938

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	17,146	5,768	17,093	18,854	20,873
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)	4,807	4,380	5,218
Closing cash & cash eq.	9,261	3,594	8,401	12,781	17,998

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	16.6	16.7	15.8	18.5	20.7
Adjusted EPS	16.6	16.7	15.8	18.5	20.7
Dividend per share	5.7	5.8	5.8	6.1	6.3
Book value per share	112.2	123.3	133.3	145.8	160.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.7	1.6	1.8	1.6	1.4
EV/EBITDA	14.2	14.3	14.8	12.5	11.0
Adjusted P/E	24.0	23.9	25.2	21.6	19.3
P/BV	3.6	3.2	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	9.9	10.6	10.7
Asset turnover (Rev./Avg TA)	1.4	1.4	1.2	1.2	1.2
Leverage (Avg TA/Avg Equity)	0.0	0.0	0.0	0.0	0.0
Adjusted ROAE	15.5	14.2	12.3	13.3	13.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	NA	NA	5.1	(9.2)	9.1
EBITDA	NA	NA	0.2	(3.3)	16.3
Adjusted EPS	NA	NA	0.4	(5.1)	17.0

Profitability & Return ratios (%)

EBITDA margin	12.0	11.4	12.1	12.9	13.1
EBIT margin	9.6	9.6	9.9	10.6	10.7
Adjusted profit margin	7.3	7.0	7.3	7.8	7.9
Adjusted ROAE	15.5	14.2	12.3	13.3	13.6
ROCE	17.7	17.0	14.8	16.0	16.5

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	1.2	1.2	1.2
Current ratio	0.8	1.0	1.2	1.3	1.5
Net interest coverage ratio	51.5	48.6	44.9	49.4	53.1
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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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