

GUJARAT GAS

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	431
12 month price target (INR)	437
52 Week High/Low	690/360
Market cap (INR bn/USD bn)	297/3.4
Free float (%)	39.1
Avg. daily value traded (INR mn)	213.4

SHAREHOLDING PATTERN

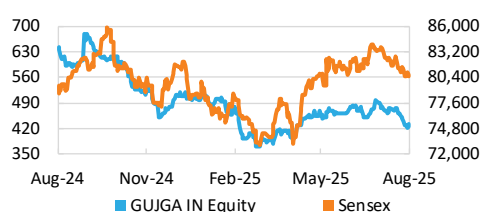
	Jun-25	Mar-25	Dec-24
Promoter	60.9%	60.9%	60.9%
FII	3.9%	4.0%	4.5%
DII	15.0%	14.8%	14.2%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	156,902	164,870	90,397	96,745
EBITDA	18,766	18,759	19,441	22,052
Adjusted profit	11,459	11,445	11,786	13,545
Diluted EPS (INR)	16.6	16.6	17.1	19.7
EPS growth (%)	(25.0)	(0.1)	3.0	14.9
RoAE (%)	15.6	14.2	13.3	13.9
P/E (x)	25.9	25.9	25.2	21.9
EV/EBITDA (x)	15.4	15.7	14.8	12.9
Dividend yield (%)	1.3	1.3	1.2	1.4

PRICE PERFORMANCE



Q1 in-line; new propane trading venture

GGL to enter propane/LPG distribution marketing for industrial customers; opex to rise on increase in commissions to dealers; management expects amalgamation scheme completion in Q3FY26.

Highlights: i) Announces propane/LPG distribution and marketing venture to regain lost Morbi volumes; seems moot to us on volume cannibalisation, tight margins. ii) Opex to grow on rise in CNG trade commissions on shift to FDODO. iii) Q1 EBITDA in-line with consensus; EBITDA/scm +20% YoY on higher realisation (+8% YoY). iv) Volume -19% YoY on Morbi demand softness as propane was ~10% cheaper than PNG in Q1, offset by healthy 12% CNG volume growth. Retain 'HOLD' on likely de-rating of sector multiples on policy *ad hocism*.

Horizontal integration moot; CNG distribution opex to rise on FDODO

GGL has announced a new venture into propane/LPG distribution and marketing for its industrial customers, primarily to increase market share in the Morbi industrial cluster. The company is targeting 1.75–1.9mmscmd (25% of current propane market) initially. Management has not provided any margin expectations, but we expect slightly lower margins than PNG industrial due to concurrent presence of OMCs. Moreover, cannibalisation of existing PNG volumes to the tune of 1–1.5mmscmd is likely if GGL propane is priced lower than PNG. Opex is likely to rise materially as GGL shifts to FDODO model for new CNG stations where commissions to dealers shall rise to INR10/kg for daughter booster stations and INR8/kg for online stations from INR3–4/kg currently paid to existing dealers and OMCs.

Q1 EBITDA in-line; volumes dip 19% YoY on Morbi weakness

GGL's Q1FY26 EBITDA fell 3% YoY to INR5.2bn, in-line with consensus. Volumes came in at 8.9mmscmd, down 19% YoY on weakness in industrial volumes (-35% YoY) even as CNG volumes exhibited healthy growth at 12% YoY. The fall in industrial volumes is attributable to weakness in the Morbi industrial cluster led by higher discount of landed cost of propane versus natural gas. EBITDA/scm was INR6.4/scm, up 20% YoY due to increase in blended realisations (+8% YoY) primarily on the back of 7% YoY rise in CNG prices, 10% YoY increase in PNG industrial prices and improved product mix as share of relatively higher margin CNG increased to 38% from 27% YoY.

Sector multiples likely to de-rate on policy *ad hocism*; retain 'HOLD'

CGD multiples shall de-rate as the sector faces uncertainty from *ad-hoc* government policies (similar to OMCs, trading at sizeable discount). However, GGL is relatively insulated on low priority sector volume share. We are cutting FY26E/27E EBITDA by 6%/4% on weak industrial volume; our DCF-based TP falls to INR437 (from INR462).

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	38,709	44,503	(13.0)	41,020	(5.6)
EBITDA	5,199	5,356	(2.9)	4,495	15.7
Adjusted Profit	3,268	3,298	(0.9)	2,872	13.8
Diluted EPS (INR)	0.9	0.9	0	0.9	0

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	156,902	164,870	90,397	96,745
Gross profit	31,348	32,671	34,049	37,390
Employee costs	1,989	1,893	1,988	2,087
Other expenses	10,593	12,019	12,620	13,251
EBITDA	18,766	18,759	19,441	22,052
Depreciation	4,743	5,106	5,431	5,670
Less: Interest expense	293	325	309	303
Add: Other income	1,078	2,100	2,226	2,226
Profit before tax	14,808	15,427	15,927	18,304
Prov for tax	3,934	4,011	4,141	4,759
Less: Other adj	0	0	0	0
Reported profit	10,902	11,445	11,786	13,545
Less: Excp.item (net)	(557)	0	0	0
Adjusted profit	11,459	11,445	11,786	13,545
Diluted shares o/s	688	688	688	688
Adjusted diluted EPS	16.6	16.6	17.1	19.7
DPS (INR)	5.7	5.7	5.1	5.9
Tax rate (%)	26.6	26.0	26.0	26.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
CNG Sales vol(mmscmd)	2.7	3.1	3.4	3.8
Domestic vol (mmscmd)	0.7	0.8	0.8	0.9
Industrial vol (mmscmd)	5.9	5.8	5.4	5.6
EBITDA margin (%)	12.0	11.4	21.5	22.8
Net profit margin (%)	7.3	6.9	13.0	14.0
Revenue growth (% YoY)	(6.4)	5.1	(45.2)	7.0
EBITDA growth (% YoY)	(21.5)	0	3.6	13.4
Adj. profit growth (%)	(25.0)	(0.1)	3.0	14.9

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	7.2	7.0	6.8
Repo rate (%)	6.5	6.0	5.0	4.5
USD/INR (average)	82.8	84.4	86.5	85.0
Total sales Vol. (mmscmd)	9.3	9.6	9.6	10.2
Sales vol YoY (%)	11.6	3.0	(0.2)	6.7
CNG Stations	808	828	898	978
PNG customers (mn)	1.8	1.8	1.9	1.9
Gross Marg. (INR/ scm)	9.2	9.3	9.7	10.0
EBITDA Marg. (INR/scm)	5.5	5.3	5.5	5.9

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	25.9	25.9	25.2	21.9
Price/BV (x)	3.9	3.5	3.2	2.9
EV/EBITDA (x)	15.4	15.7	14.8	12.9
Dividend yield (%)	1.3	1.3	1.2	1.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	1,377	1,377	1,377	1,377
Reserves	75,516	83,160	91,410	100,892
Shareholders funds	76,893	84,537	92,787	102,268
Minority interest	0	0	0	0
Borrowings	1,503	1,500	1,352	1,452
Trade payables	7,002	7,199	3,496	2,838
Other liabs & prov	29,930	31,685	18,717	18,792
Total liabilities	116,584	126,152	116,749	125,768
Net block	69,719	72,721	68,072	71,445
Intangible assets	7,896	9,235	9,696	10,181
Capital WIP	8,996	8,238	17,430	18,610
Total fixed assets	86,610	90,193	95,199	100,235
Non current inv	1,364	1,477	1,477	1,477
Cash/cash equivalent	9,261	3,594	10,714	14,044
Sundry debtors	10,298	10,240	4,520	4,837
Loans & advances	52	36	20	21
Other assets	8,998	20,612	4,820	5,153
Total assets	116,584	126,152	116,749	125,768

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	10,902	11,445	11,786	13,545
Add: Depreciation	4,743	5,106	5,431	5,670
Interest (net of tax)	215	240	228	224
Others	(1,150)	(21,746)	5,901	(4,578)
Less: Changes in WC	(649)	(10,093)	4,023	(1,215)
Operating cash flow	15,359	5,139	19,324	16,078
Less: Capex	(7,759)	(8,839)	(10,437)	(10,707)
Free cash flow	7,601	(3,700)	8,887	5,371

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	15.6	14.2	13.3	13.9
RoCE (%)	20.2	19.2	18.0	18.8
Inventory days	2	2	1	2
Receivable days	24	23	30	18
Payable days	21	20	35	19
Working cap (% sales)	(5.4)	1.0	(3.6)	(2.1)
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.1)	0	(0.1)	(0.1)
Interest coverage (x)	47.8	42.0	45.4	54.0

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(25.0)	(0.1)	3.0	14.9
RoE (%)	15.6	14.2	13.3	13.9
EBITDA growth (%)	(21.5)	0	3.6	13.4
Payout ratio (%)	34.0	34.0	30.0	30.0

Q1FY26 conference call: Key takeaways

Board approval to propane/LPG sale; opex to rise on shift to FDODO

- *GGL ventures into propane distribution and marketing to capture 25% of existing 167ktpm propane market in Morbi*
- *Opex likely to rise on increase in commissions on CNG sales due to shift to FDODO model for new CNG stations*
- *Amalgamation scheme progress on track, MCA approval expected by Q3FY26*

Foraying into propane/LPG business

GGL's board has approved the sale of propane/LPG to industrial customers. Sourcing of propane would be directly from international markets, mainly on spot DES with evaluation of Saudi Aramco CP for future supply. The company is targeting not just Morbi but other industrial areas too with better clarity expected by the next quarter on margins. Capex requirements are minimal as the company is mainly looking to book capacity at import terminals and arranging logistics via terminals like AGS and others near Morbi.

Propane market opportunity; targeting 25% of propane market in Morbi initially

Of the total Morbi market one-third is NG based while two-thirds is propane with 370 units on gas and 530 units with dual switching capability. Total Morbi propane market stands at ~167ktpm. GGL is targeting 25% share initially, aiming to scale up later; ultimate goal is 2/3rd Morbi market which is currently on propane.

Current propane consumption in Morbi ~7–7.5mmcmd of the total 9mmcmd capacity (more than 75%). GGL is targeting 1–1.25 mmcmd for the rest of FY26. The company's NG price presently stands at INR43.33/scm inclusive of VAT, which got reduced by INR3.5/scm from INR46.8/scm due to lower Brent and spot LNG. Current propane price discount versus NG is at ~INR4/scm with energy equivalent prices at INR1327/mmbtu for PNG versus INR1207/mmbtu for propane. Management gave no guidance for propane marketing margins. Maximum NG volumes in Morbi could reach 6mmcmd if RLNG becomes more attractive as compared to propane

Opex to rise on increase in commissions on CNG sales as FDODO stations come up

GGL's franchise dealers and OMCs earn commission on CNG sales at INR3–4/kg. For FDODO, the commission is likely to be much higher at INR8/kg for online stations and INR10/kg for daughter booster stations as dealers bear capex and opex of CNG stations.

GSPC Group restructuring; MCA approval expected in Q3

The company had received NOC from the exchanges regarding its restructuring scheme. The scheme was filed with the MCA in Feb-25. The management is in continuous engagement with MCA with approval expected in Q3FY26. Parallel efforts are underway to secure clearances from minority shareholders.

FY26E EBITDA margin guidance maintained at INR4.5–5.5/scm

Management maintained its guidance for INR4.5–5.5/scm EBITDA margin for FY26 ex the new propane business.

Morbi volumes down at 2.51mmcmd in Q1

GGL's total industrial volumes stood at 4.71mmcmd for Q1 with Morbi volumes at 2.51mmcmd and non-Morbi volumes at 2.2mmcmd. The reduction in Morbi

volumes was due to customers opting for cheaper propane amid lower RLNG and crude prices with festive shutdowns like to impact demand in Q2 (Volumes are expected to be lower at 2.3–2.5mmscmd). Moving ahead, management expects an uptick in non-Morbi volumes; engaging large anchor consumers via fixed-term and long-term contracts.

Q1 CNG sales growth 12%YoY; CNG vehicles at 1.56mn

In Q1FY26, total CNG sales grew 12% YoY with growth at 10% in Gujarat and 27% outside Gujarat. CNG vehicles in GGL's GAs stood at 1.56mn in Q1, an increase of 15% YoY, adding more than 200,000 vehicles in the last year. The company added three CNG outlets in Q1FY26.

CNG retains competitiveness versus MS and HSD

According to the company, CNG remains competitive versus petrol and diesel by 45% and 23%, respectively.

Notable progress has been made under the FDODO scheme with 69 CNG stations close to commencing construction activities. Management is expecting double-digit CNG station additions by December.

Impact of NG pipeline tariff restructuring to benefit GGL

Management expects upcoming tariff changes to be positive for GGL as majority of its volumes are currently in Zone 2. New zone split is expected to be 42% Zone 1 and 46% Zone 2 as compared with the current split of 14% Zone 1, 53% Zone 2, 21% Zone 3.

Gas sourcing: 34% spot LNG, 38% long-term LNG contracts, rest domestic gas

In Q1, domestic segment got 100% APM gas allocation while CNG segment got 41%. Overall, 51% of the total priority sector demand was met by APM gas. GGL's total sourcing mix comprises 34% spot LNG, 38% long-term LNG contracts and balance through domestic gas (including 0.7mmscmd HPHT).

FY26E capex guidance at INR8–10bn

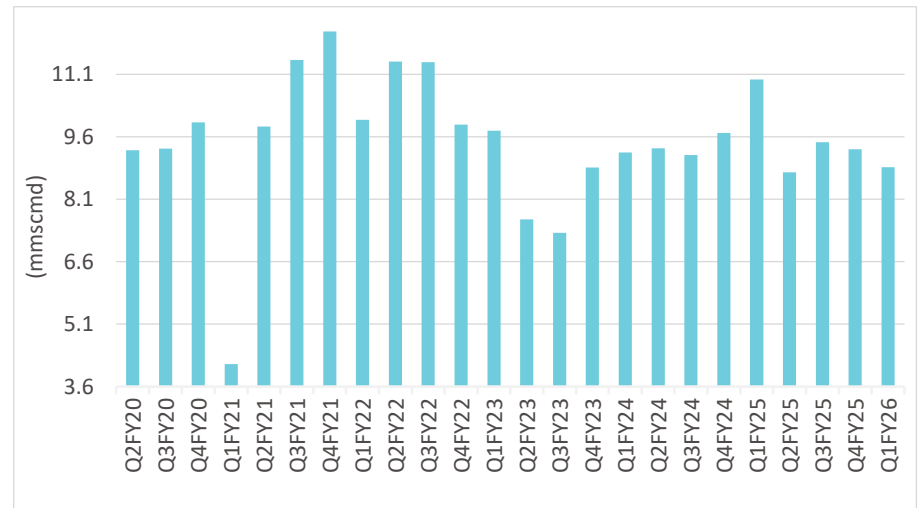
Management guided for a capex of INR8–10bn for FY26, focused on distribution infrastructure expansion.

Exhibit 1: EBITDA in-line with consensus estimate while volumes fall 19% YoY in Q1 on Morbi cluster weakness

	Q1FY26	Q1FY25	YoY	Q4FY25	QoQ	Consensus	Deviation (%)
Revenues (INR mn)	38,709	44,503	(13.0)	41,020	(5.6)	40,334	(4.0)
EBITDA (INR mn)	5,199	5,356	(2.9)	4,495	15.7	5,222	(0.4)
Adjusted PAT (INR mn)	3,268	3,298	(0.9)	2,872	13.8	3,166	3.2
Volumes (mmscmd)	8.9	11.0	(19.2)	9.3	(4.6)		
CNG (mmscmd)	3.3	3.0	11.7	3.2	3.4		
PNG (mmscmd)	5.5	8.0	(30.8)	6.1	(8.9)		
Residential	0.7	0.6	11.3	0.9	(22.5)		
Commercial	0.1	0.1	7.7	0.2	(12.5)		
Industrial	4.7	7.3	(35.0)	5.0	(6.4)		
EBITDA margin (INR/scm)	6.4	5.4	20.1	5.4	19.9		
Gross margin (INR/scm)	10.8	8.6	24.7	10.1	6.1		

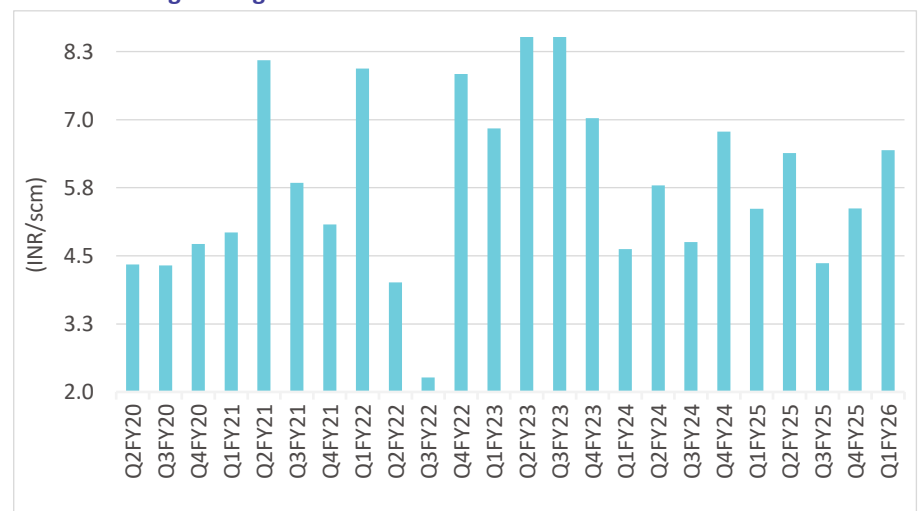
Source: Company, Nuvama Research

Exhibit 2: Volumes slump 19% YoY/5% QoQ to 8.9mmscmd in Q1FY26



Source: Company, Nuvama Research

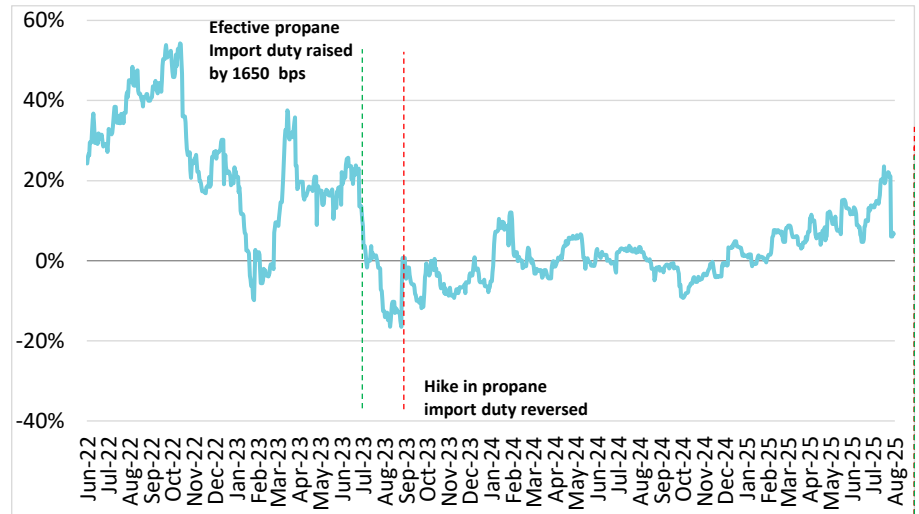
Exhibit 3: Margins surge 20% YoY*



Source: Company, Nuvama Research

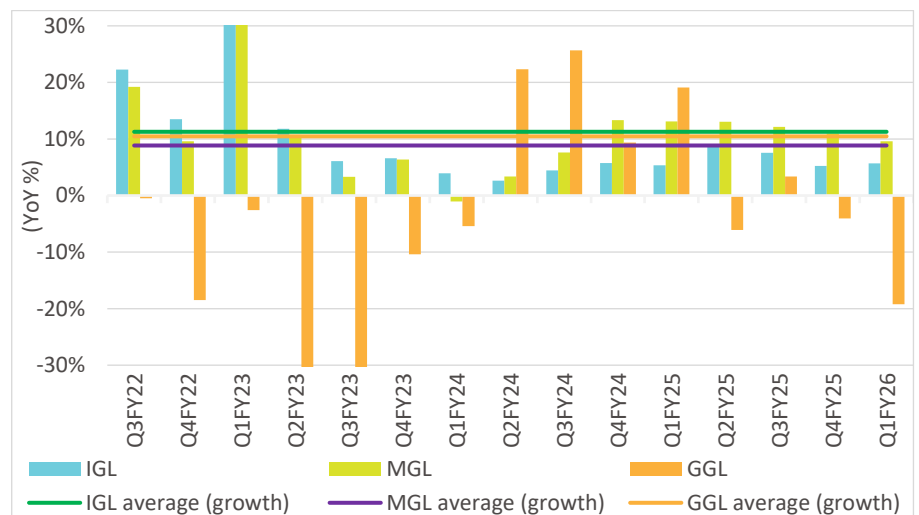
*as blended realizations improve 8%YoY led by increase in CNG prices (+7% YoY) and PNG industrial prices (+10% YoY)

Exhibit 4: Morbi PNG down at ~10% premium to landed cost of propane in Q1FY26



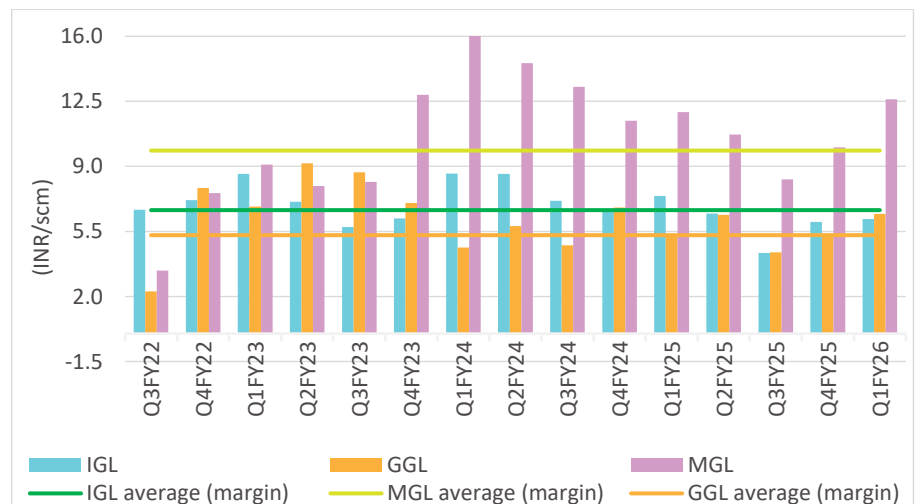
Source: Bloomberg, Nuvama Research

Exhibit 5: GGL's volume down 20% YoY in Q1FY26 – behind peers



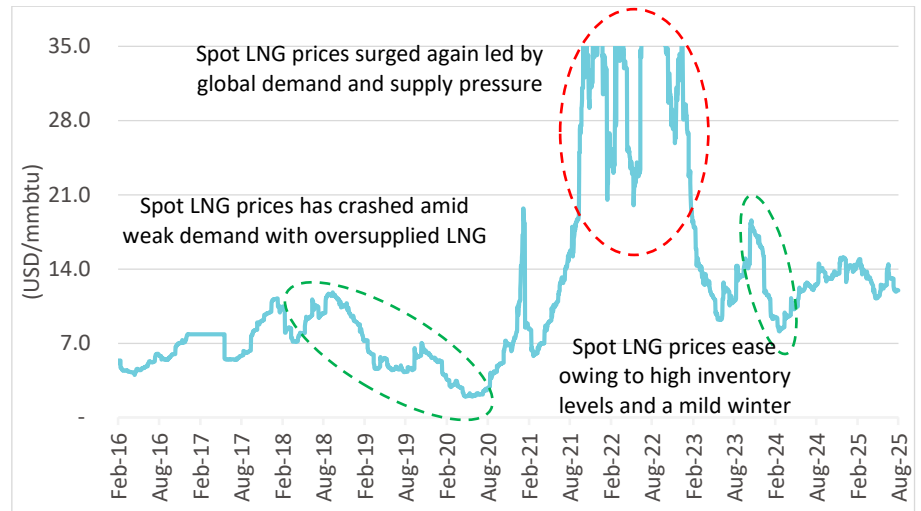
Source: Company, Nuvama Research

Exhibit 6: EBITDA margin comparison with peers; GGL outperforms peers



Source: Company, Nuvama Research

Exhibit 7: Spot LNG prices remain elevated in Q4FY25 before tailing off in Q1FY26



Source: Company, Nuvama Research

Exhibit 8: Quarterly CGD comparison

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	LT Average
Overall volume growth (YoY%)														
IGL	48.4	11.8	6.1	6.6	3.9	2.6	4.4	5.7	5.3	8.7	7.6	5.2	5.7	11.3
MGL	43.8	10.7	3.3	6.4	(1.0)	3.4	7.6	13.3	13.1	13.1	12.1	11.0	9.6	8.8
GGL	(2.6)	(33.2)	(36.0)	(10.4)	(5.4)	22.3	25.7	9.4	19.1	(6.1)	3.4	(4.0)	(19.2)	10.5
Adani Total Gas	30.7	8.6	(3.1)	2.1	8.2	11.1	20.4	20.2	16.2	14.7	14.7	13.4	16.1	18.4
IRM Energy	NA	NA	NA	NA	NA	(6.3)	(0.7)	(3.2)	5.2	5.4	4.5	17.6	14.0	4.6
CNG growth (YoY%)														
IGL	62.7	14.9	7.8	8.1	4.0	2.6	4.2	4.3	4.6	8.5	5.9	5.2	5.2	12.0
MGL	63.8	13.7	3.5	5.8	(2.3)	1.6	6.4	11.8	11.7	11.7	10.9	10.1	7.5	12.0
GGL	57.5	18.6	12.0	13.5	7.0	12.9	14.4	14.2	14.2	11.8	12.2	11.4	11.7	15.1
Adani Total Gas	60.3	24.2	14.9	21.0	17.4	20.4	24.1	21.8	19.5	19.1	17.5	20.1	20.9	29.8
IRM Energy	NA	NA	NA	NA	NA	21.1	30.7	26.3	18.4	8.5	4.8	11.9	21.0	17.8
Residential PNG growth (YoY%)														
IGL	(0.3)	11.2	13.5	9.5	19.9	14.7	10.8	15.6	16.0	12.4	16.8	5.8	10.6	13.2
MGL	0.4	4.3	5.4	7.7	5.5	4.3	6.3	11.6	10.5	7.6	3.9	4.7	3.9	8.1
GGL	(7.3)	7.8	0.0	1.2	9.1	1.4	6.0	2.4	3.3	8.6	4.2	4.7	11.3	6.9
IRM Energy	NA	NA	NA	NA	NA	25.5	50.4	56.1	27.3	28.6	18.7	20.1	22.0	31.1
PNG I/C growth (YoY%)														
IGL	19.9	1.1	(4.0)	0.4	(1.7)	(1.8)	4.4	11.0	5.6	11.4	14.4	6.6	8.9	12.9
MGL	15.5	1.8	0.1	7.9	(0.9)	12.1	15.9	23.2	23.8	25.4	27.1	21.8	26.1	9.0
GGL	(14.1)	(47.7)	(51.0)	(19.6)	(11.1)	30.2	35.3	8.2	22.8	(15.7)	(1.1)	(12.8)	(34.3)	10.7
IRM Energy	NA	NA	NA	NA	NA	(33.5)	(36.5)	(29.2)	(9.9)	11.0	23.4	25.4	3.6	(5.7)
EBITDA margin (INR/scm)														
IGL	8.6	7.1	5.7	6.2	8.6	8.6	7.2	6.6	7.4	6.5	4.3	6.0	6.2	6.6
MGL	9.1	7.9	8.2	12.8	16.8	14.6	13.3	11.5	11.9	10.7	8.3	10.0	12.6	9.9
GGL	6.8	9.2	8.7	7.0	4.6	5.8	4.8	6.8	5.4	6.4	4.4	5.4	6.4	5.3
Adani Total Gas	12.5	12.4	12.8	10.6	12.9	13.7	13.4	13.1	13.4	12.9	10.6	10.4	11.3	12.6
IRM Energy	NA	5.7	7.3	3.1	9.2	8.9	8.4	4.8	6.3	5.3	4.2	3.2	4.7	5.9
Gross margin (INR/scm)														
IGL	14.3	12.7	11.3	12.0	14.4	14.1	12.9	13.1	13.2	11.9	9.7	12.2	11.9	12.3
MGL	14.4	13.0	13.7	18.7	22.3	20.4	19.1	17.9	17.9	17.0	14.6	17.3	19.2	15.2
GGL	9.8	13.0	12.8	10.6	8.2	9.2	8.4	10.9	8.6	10.4	8.3	10.1	10.8	8.3
Adani Total Gas	17.8	17.4	17.7	15.9	17.3	19.1	18.7	19.9	18.9	18.4	15.8	16.7	16.7	17.5
IRM Energy	NA	9.9	11.4	8.1	13.6	13.3	12.5	12.0	13.2	12.2	11.0	10.4	12.3	11.7
No. of CNG stations														
IGL	713	725	751	791	791	799	819	882	882	884	899	954	955	
MGL	292	296	301	312	312	319	320	347	348	352	361	385	385	
GGL	721	741	NA	800	810	806	817	808	811	820	825	828	830	
Adani Total Gas	349	367	382	460	467	483	505	547	559	577	605	647	650	
IRM Energy	NA	NA	NA	59	62	69	74	82	86	91	93	111	112	

Source: Company, Nuvama Research

Exhibit 9: Annual peer comparison

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	Average
Overall volume growth (%)										
IGL	14.1	9.0	(17.3)	31.2	15.8	4.2	6.6	7.3	7.1	9.1
MGL	9.2	0.1	(25.1)	35.6	14.2	5.4	12.3	10.0	8.8	7.6
GGL	5.1	44.7	(0.7)	13.7	(21.6)	11.6	3.0	(0.2)	6.7	7.7
Adani Total Gas	12.9	7.6	(11.5)	35.3	8.0	14.9	14.7			
IRM Energy	NM	NM	(28.2)	139.8	30.0	(3.3)	8.1			
CNG growth (%)										
IGL	13.5	8.2	(21.7)	36.1	19.6	3.7	6.1	7.2	6.2	9.0
MGL	9.2	0.1	(25.1)	35.6	14.2	5.4	12.3	10.0	8.8	7.6
GGL	10.5	4.2	(12.2)	51.5	22.9	12.1	12.4	12.0	10.5	13.4
Adani Total Gas	11.3	5.8	(22.6)	59.3	27.5	21.4	19.0			
IRM Energy	NM	NM	7.1	68.2	15.4	19.2	10.6			
Residential PNG growth (%)										
IGL	10.0	15.2	21.1	8.7	8.0	14.8	12.7	8.5	7.5	12.2
MGL	10.7	6.9	15.2	0.4	4.5	6.7	6.5	7.4	7.4	7.6
GGL	4.9	7.2	13.5	5.2	0.6	4.4	5.3	6.9	7.9	6.5
IRM Energy	NM	NM	NM	(32.8)	(21.9)	180.0	22.9			
Industrial/Commercial growth (%)										
IGL	23.2	18.8	(4.9)	23.1	4.2	3.0	9.3	8.3	7.0	11.1
MGL	7.8	(0.2)	(18.1)	26.2	6.0	12.3	24.5	15.4	11.1	8.9
GGL	3.5	61.7	0.5	7.8	(34.4)	12.3	(1.7)	(7.5)	4.0	6.3
IRM Energy	NM	NM	352.7	312.0	58.0	(27.8)	11.5			
EBITDA margin (INR/scm)										
IGL	5.8	6.4	7.6	7.4	6.9	7.7	6.0	6.5	7.4	6.8
MGL	8.2	9.8	11.6	8.4	9.5	14.0	10.2	10.1	10.3	10.0
GGL	4.1	4.7	6.1	5.3	7.8	5.5	5.3	5.5	5.9	5.4
Adani Total Gas	8.4	10.2	13.7	11.1	11.6	12.8	11.4			
IRM Energy	NM	NM	11.7	12.5	5.7	7.8	4.7			
Gross margin (INR/scm)										
IGL	11.0	11.9	13.9	13.0	12.5	13.6	11.7	12.1	12.9	12.4
MGL	12.9	14.7	17.4	13.8	14.9	19.9	16.7	16.4	16.4	15.5
GGL	7.0	7.0	8.4	7.7	11.4	9.2	9.3	9.7	10.0	8.6
Adani Total Gas	11.6	14.0	18.0	15.9	17.1	18.8	17.4			
IRM Energy	NM	NM	17.9	17.1	12.4	10.5	11.6			
No. of CNG stations										
IGL	500	555	612	711	791	882	954	1,054	1,154	
MGL	236	256	271	290	313	347	385	425	467	
GGL	344	396	559	711	808	808	828	898	978	
Adani Total Gas	82	115	217	334	460	547	647			
IRM Energy	23	34	46	53	62	82	111			

Source: Company, Nuvama Research

Exhibit 10: Quarterly financial snapshot

Year to March (INR mn)	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %	FY25	FY26E	FY27E
Net revenues	38,709	44,503	(13.0)	41,020	(5.6)	164,870	90,397	96,745
Raw material costs	30,028	35,887	(16.3)	32,535	(7.7)	132,199	56,348	59,355
Gross profit	8,681	8,616	0.7	8,486	2.3	32,671	34,049	37,390
Employee expenses	495	489	1.4	438	13.2	1,893	1,988	2,087
Other expenses	2,987	2,771	7.8	3,553	(15.9)	12,019	12,620	13,251
EBITDA	5,199	5,356	(2.9)	4,495	15.7	18,759	19,441	22,052
Depreciation & amortisation	1,314	1,231	6.8	1,286	2.2	5,106	5,431	5,670
EBIT	3,884	4,126	(5.8)	3,209	21.0	13,652	14,010	16,382
Less: Interest Expense	79	78	1.7	74	6.6	325	309	303
Add: Other income	594	386	54.0	744	(20.2)	2,100	2,226	2,226
Add: Prior period items	-	-	NA	-	NA	-	-	-
Less: Exceptional items (Net of tax)	-	-	NA	-	NA	-	-	-
Profit before tax	4,399	4,433	(0.8)	3,878	13.4	15,427	15,927	18,304
Less: Provision for Tax	1,131	1,135	(0.4)	1,007	12.4	4,011	4,141	4,759
Reported Profit	3,268	3,298	(0.9)	2,872	13.8	11,445	11,786	13,545
Adjusted Profit	3,268	3,298	(0.9)	2,872	13.8	11,445	11,786	13,545
No. of Dil. shares outstanding (mn)	688	688	-	688	-	688	688	688
Adjusted Diluted EPS	4.7	4.8	(0.9)	4.2	13.8	16.6	17.1	19.7
Diluted Price to Earnings Ratio (P/E) (x)						25.9	25.2	21.9
Enterprise Value / EBITDA (x)						15.7	14.8	12.9
Return on Average Equity (ROAE) (%)						14.2	13.3	13.9
As % of net revenues								
Gross profit	22.4	19.4		20.7		19.8	37.7	38.6
EBIDTA	13.4	12.0		11.0		11.4	21.5	22.8
Profit before tax	11.4	10.0		9.5		9.4	17.6	18.9
Net profit	8.4	7.4		7.0		6.9	13.0	14.0

Source: Company, Nuvama Research

GSPC group arrangement

Restructuring to simplify structure, unlock value, enhance synergies

GSPC, GSPL and GGL announced a Scheme of Arrangement to eliminate the GSPC Group's layered structure. The restructuring involves amalgamation of: i) GSPC and GGL, with GSPC shareholders receiving 10 shares for every 305 held; ii) GSPL and GGL, with GSPL holders getting 10 for every 13 held; iii) GSPC Energy and GGL—no shares change hands as GSPC Energy shall become a wholly-owned subsidiary post-merger of GSPC; and iv) and finally, de-merger and subsequent listing of GTL from GGL with shareholders receiving 1 share for every 3 held. This shall result in two companies: i) GTL—a pure gas transmission and ii) GGL—mainly CGD, gas trading & small 11 upstream E&P fields and RE assets. The restructuring aims to: i) simplify holdings by eliminating ownership layers; ii) unlock value by obviating GSPL's holdco discount; iii) enhance synergies/growth opportunities by combining interlinked business of GSPC and GGL—eliminating indirect taxes on related-party transactions (RPTs); and iv) utilise GSPC's INR72bn tax loss to offset new entity's taxable income.

INR30bn-plus in tangible synergies and ~39% EPS-accretive to GGL

We estimate INR30bn-plus in tangible synergies from the restructuring exercise by way of: i) ~INR18bn from utilisation of GSPC's INR72bn in tax losses by the new entity, which can be set off against taxable income for the next eight years; and ii) savings of ~INR3bn/year in terms of indirect taxes levied on RPTs between GSPC and GGL, which shall be eliminated on account of restructuring. Furthermore, we expect intangible synergies via enhancement in scale of operations, efficiency improvement on account of optimum utilisation of resources and better gas sourcing for GGL's CGD volumes. We also estimate the merger would be EPS-accretive for GGL's shareholders by ~39% for FY25 prior to GTL's demerger.

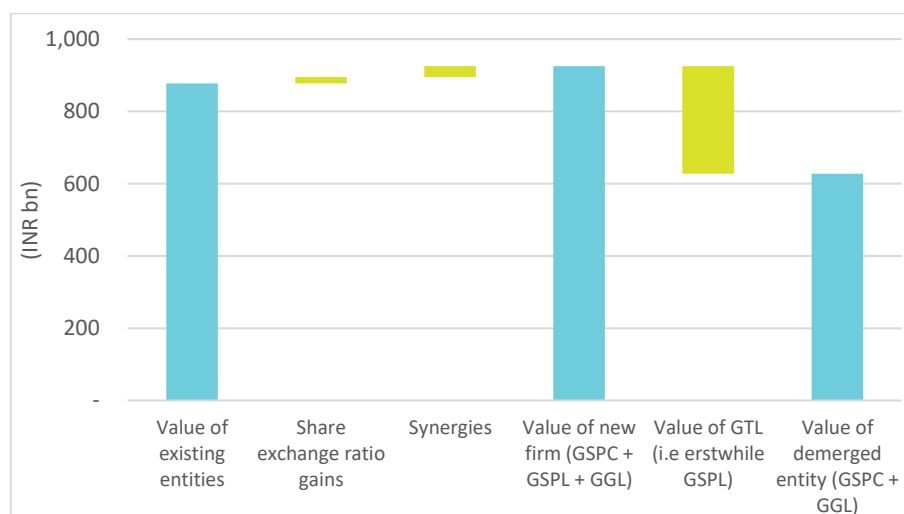
Exhibit 11: Breakdown of value of new entities and synergies – Derived calculation

Particulars	No. of shares (mn)	CMP (INR/sh)	INR mn
Gujarat Gas	688.39	606.95	417,818
GSPL	564.21	442.60	249,720
GSPC (Value considered by management)	10,756.54	19.52	210,000
Value of existing entities			877,538
Gujarat Gas	688.39	GGL 606.95	417,818
GSPL (Restated based on share exchange ratio of 10:13)	434.01	GGL 606.95	263,422
GSPC (Restated based on share exchange ratio of 10:305)	352.67	GGL 606.95	214,055
Value of new entity (ex-synergies)	1,475.07	GGL 606.95	895,295
Add: Value of tangible synergies			
Value of GSPC tax losses once merged with GGL (INR72bn @25.17%)	1,475.07	12.29	18,122
PV of tax rationalization on related party (GSPC & GGL) transactions*	1,475.07	8.23	12,141
Total value of all new entities (GSPC + GSPL + GGL)	1,475.07	627.47	925,558
GTL (Restated based on share exchange ratio of 1:3 i.e. erstwhile GSPL)	491.69	606.95	298,432
Value of demerged entity (GSPC + GGL)	940.00	667.16	627,126

Source: Company, Nuvama Research

*Based on a 5% increase p.a with 55% of GGL's FY25 raw material consumption cost with a 5% VAT rate

Exhibit 12: Built-up value (equity) of demerged entity on account of restructuring



Source: Company, Nuvama Research

Exhibit 13: Valuation build-up of merging entities as per management calculation

Particulars	No. of shares (mn)	INR/sh	INR mn
GSPC valuation as per management			
Value of trading business (based on 6.8x EV/EBITDA)	10,756.54	6.83	73,500
Value of GSPL (37.63% stake at GSPL's value)	10,756.54	9.10	97,838
Value of other investments	10,756.54	0.67	7,162
Value of other businesses (E&P, renewable power)	10,756.54	0.79	8,500
Net cash	10,756.54	2.14	23,000
Value of GSPC as per management	10,756.54	19.52	210,000
GSPL valuation as per management			
Value of transmission business	564.21	62.03	35,000
Value of GIGL, GITL (52% stake each)	564.21	20.09	11,336
Value of other investments (54.17% stake in GGL, 27.47% stake in Sabarmati Gas)	564.21	348.56	196,664
Net cash	564.21	30.13	17,000
Value of GSPL as per management	564.21	460.82	260,000

Source: Company, Nuvama Research

Exhibit 14: Restructuring to be 39%-accretive for Gujarat Gas shareholders

Particulars	INR
GGL FY25E net income (INR mn) (A)	11,725
GGL FY25E EPS (INR/sh) (B)	17.03
GGL existing no. of shares outstanding (mn)	688.39
GSPL FY25E net income (INR mn) (C)	12,901
GSPL FY25E EPS (INR/sh)	22.87
GSPL existing no. of shares outstanding (mn)	564.21
GSPC FY25E net income (INR mn)* (D)	10,184
GSPC FY25E EPS (INR/sh)	0.95
GSPC existing no. of shares outstanding (mn)	10,756.54
New (total) entity net income (INR mn) (A+C+D)	34,810
New entity (total) no. of shares outstanding prior to demerger (mn)	1,475.07
New entity FY25E EPS (INR/sh) (E)	23.60
EPS accretion (E/B-1)	39%

Source: Company, Nuvama Research

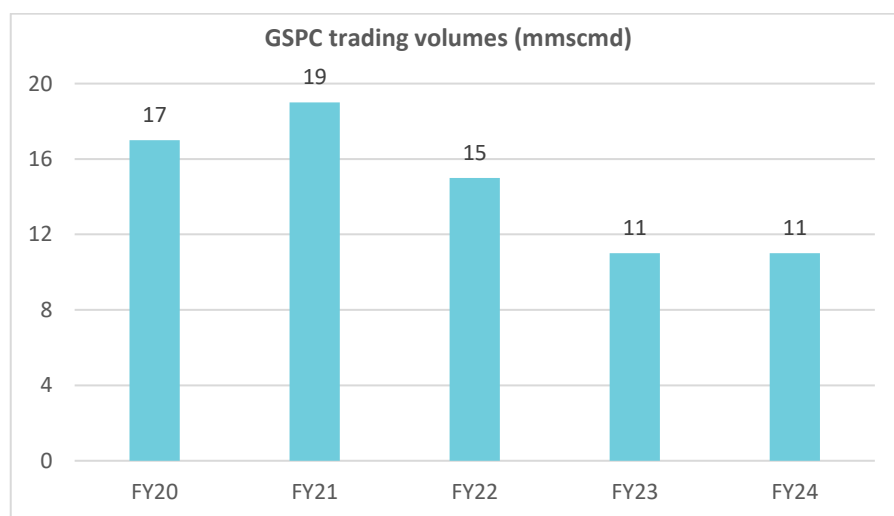
*Assuming an 18% decrease in net income, inline with our estimate of an 18% YoY decrease in GAIL's marketing EBITDA

Exhibit 15: Financial highlights of GSPC, GSPL and GGL

INR bn	GSPC					GSPL					GGL				
	FY20	FY21	FY22	FY23	FY24	FY20	FY21	FY22	FY23	FY24	FY20	FY21	FY22	FY23	FY24
Revenue	153.5	137.9	245.6	248.7	187.1	24.3	21.5	21.3	19.3	23.7	106.1	101.2	168.8	174.1	164.0
EBITDA	16.8	13.5	18.3	34.1	13.3	16.4	15.4	15.0	14.3	18.4	17.2	21.6	21.7	24.9	19.8
Profit after Tax	3.7	7.4	11.8	29.9	12.4	11.1	9.2	9.8	9.5	12.9	11.9	12.8	12.9	15.3	11.5
Net worth	10.3	17.7	29.5	59.3	71.8	67.2	75.5	84.4	92.7	102.7	32.9	44.8	56.0	69.7	76.9
Debt	60.1	48.1	44.1	-	-	16.3	10.2	0.9	-	-	20.0	9.0	4.8	-	-

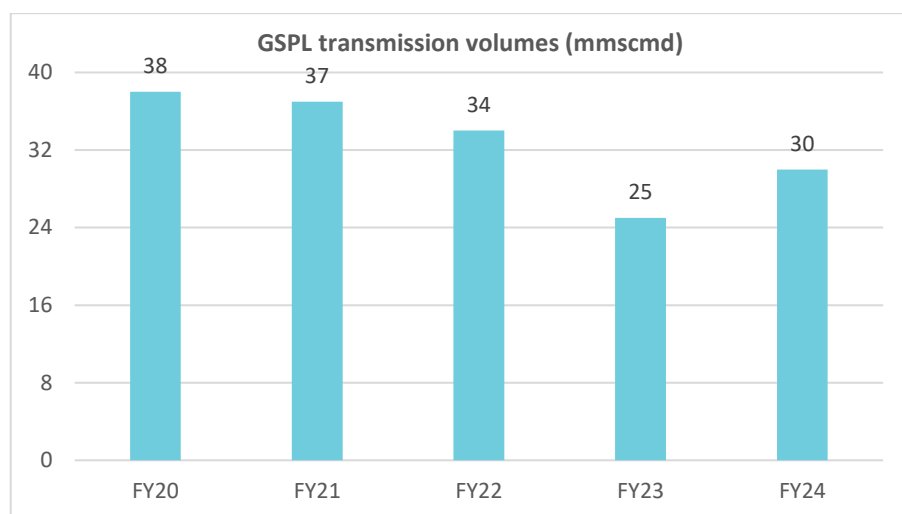
Source: Company, Nuvama Research

Exhibit 16: Overview of GSPC's Trading volumes



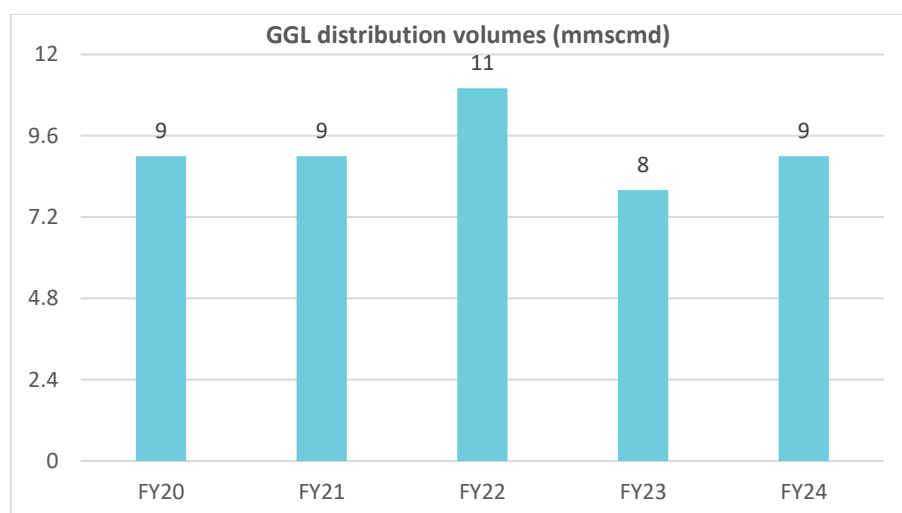
Source: Company, Nuvama Research

Exhibit 17: Overview of GSPL's transmission volumes



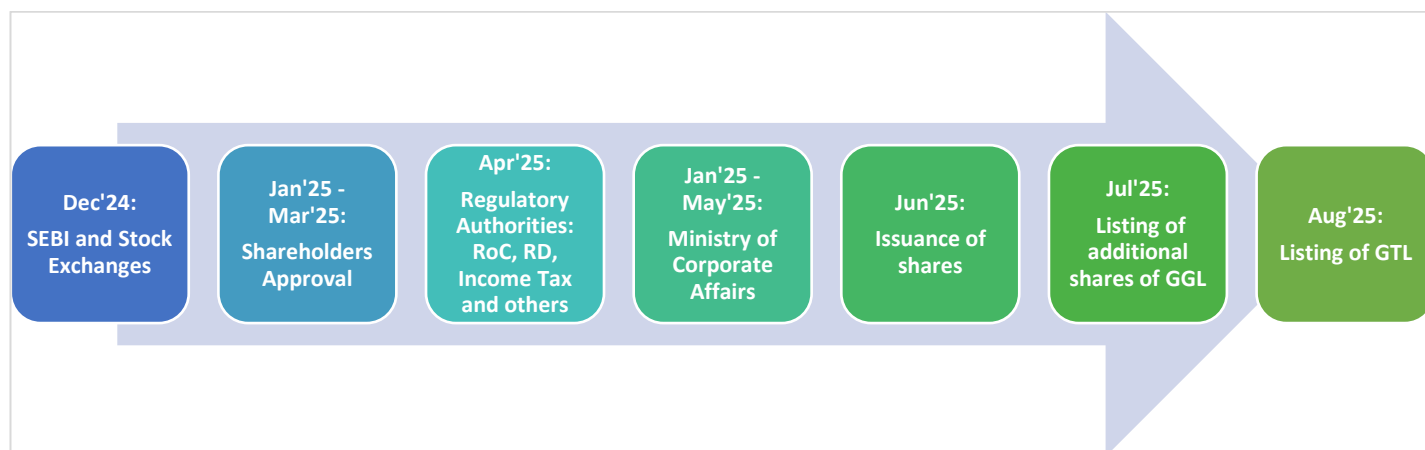
Source: Company, Nuvama Research

Exhibit 18: Overview of GGL's Distribution volumes



Source: Company, Nuvama Research

Exhibit 19: Milestones and approvals – An indicative chronology



Source: Company, Nuvama Research

Exhibit 20: Scheme of arrangement involving GSPC, GSPL, GGL and GTL

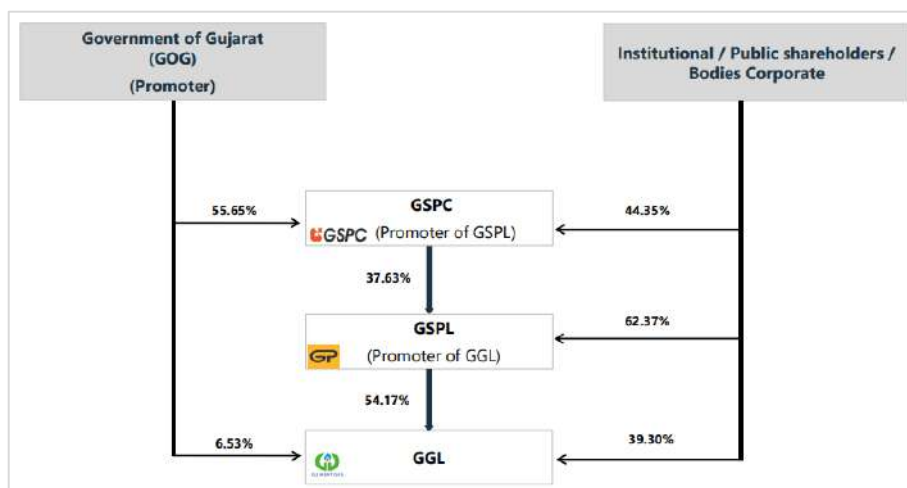
Scheme of Arrangement		
Board of Directors of all respective companies have approved 'The Scheme of Arrangement' in the Board meetings held on 30 th August 2024		
Transaction	Issuance of Equity shares	Share Exchange Ratio
Amalgamation of GSPC into GGL	Issuance of GGL's shares to shareholders of GSPC	10 shares of GGL (FV Rs. 2) for every 305 equity shares of GSPC (FV Rs. 1)
Amalgamation of GSPL into GGL	Issuance of GGL's shares to shareholders of GSPL	10 shares of GGL (FV Rs. 2) for every 13 equity shares of GSPL (FV Rs. 10)
Amalgamation of GEL into GGL	No issuance as it would become a wholly owned subsidiary prior to its amalgamation	
Demerger of gas transmission business into GSPL Transmission Limited (GTL)	GGL's shareholders to receive shares of GTL (to be listed subsequently)	1 equity share of GTL (FV Rs. 10) for every 3 equity shares of GGL (FV Rs. 2)

Source: Company, Nuvama Research

Completion by Aug-25; Gujarat government to hold ~26%

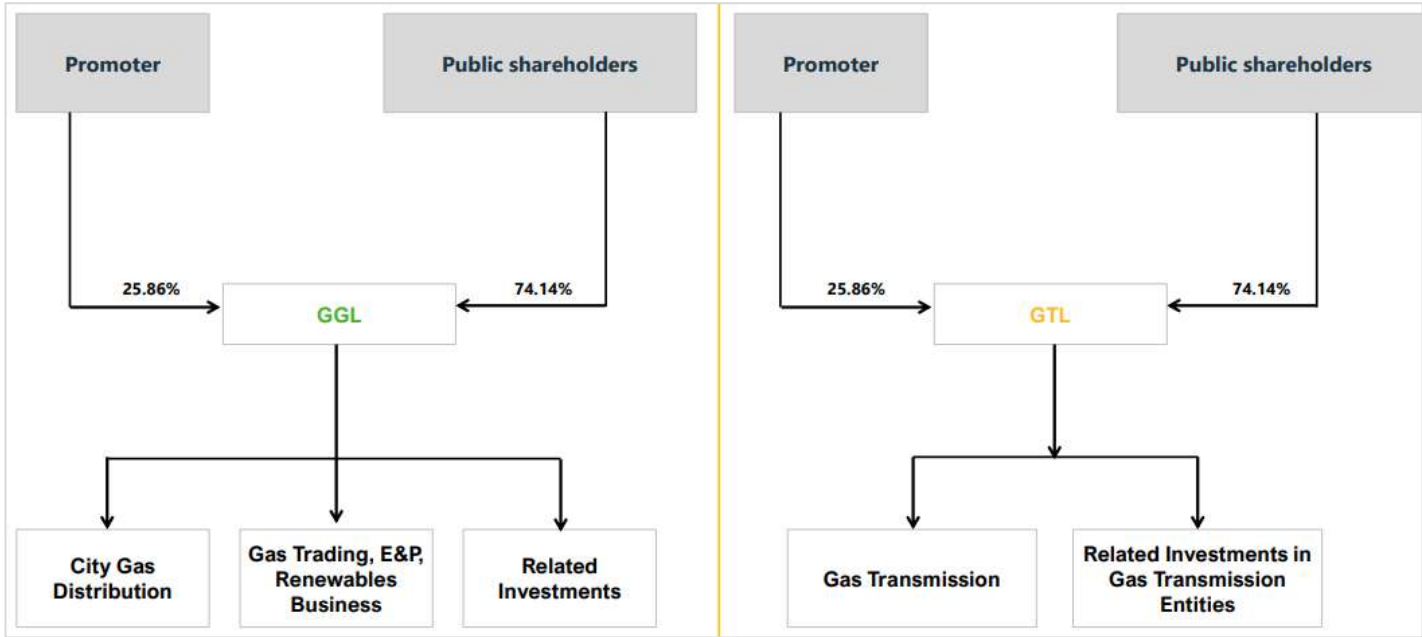
Management expects Scheme of Arrangement to be implemented by Aug-25 with listing of additional shares issued of GGL in Jul-25 and listing of GTL in Aug-25. As a result of the restructuring, the Government of Gujarat is likely to hold about 26% each in GGL and GTL.

Exhibit 21: Existing shareholding structure



Source: Company, Nuvama Research

Exhibit 22: Proposed shareholding structure



Source: Company, Nuvama Research

Company Description

Gujarat Gas (GGL) is India's largest city gas distribution company with volumes of > 10mmcmd currently (1.3x IGL's). Its new areas Thane and UT of Dadra and Nagar Haveli will add 9,500sq km to area of operations.

The approval for new GAs in Gujarat in the ninth and tenth rounds of auctions would further fortify its quasi monopoly in the state. GGL's mix is skewed to the more cyclical industrial/commercial segment (75% volumes) while the steadier domestic segment (CNG and residential) make up 25% of volumes.

Investment Theme

GGL's volumes are poised to revive as economics and regulations encourage a shift to cleaner gas. Competitiveness and stricter regulations will drive the shift to gas from alternatives.

Low penetration and favourable economics versus liquid alternatives will encourage conversions. Low penetration and convenience would drive residential PNG usage.

Given its size and infrastructure, GGL is a quasi-monopoly in India's largest city gas market, which would be further compounded by the successful bidding for new areas in the coming round of auctions.

Key Risks

A sharp uptick in LNG price or correction in oil prices will lower gas's competitiveness versus alternatives, which would impact volumes.

Change in allocation or increase in price of domestic gas would impact the steady CNG and residential PNG business.

Entry of new players following the end of marketing exclusivity would impair its quasi-monopoly in the state. Frequent regulatory interferences by PNGRB can impact the sector.

Additional Data

Management

Chairperson	Raj Kumar, IAS
Managing Director	Milind Torawane, IAS
Chief Financial Officer	Mr. Rajesh Sivadasan
Non-Executive - Non-Independent Director	Syed Jawaid Haider, IAS
Auditor	Ashok Chhajer & Associates, Chartered Accountants

Holdings – Top 10*

	% Holding		% Holding
Gujarat State P	54.17	Gujarat Alkalie	3.10
Gujarat State F	6.82	ICICI Prudentia	2.58
GOVERNOR OF GUJ	6.53	Vanguard Group	1.13
Life Insurance	6.07	Mirae Asset Fin	0.98
Gujarat Industr	3.87	Nippon Life Ind	0.90

*Latest public data

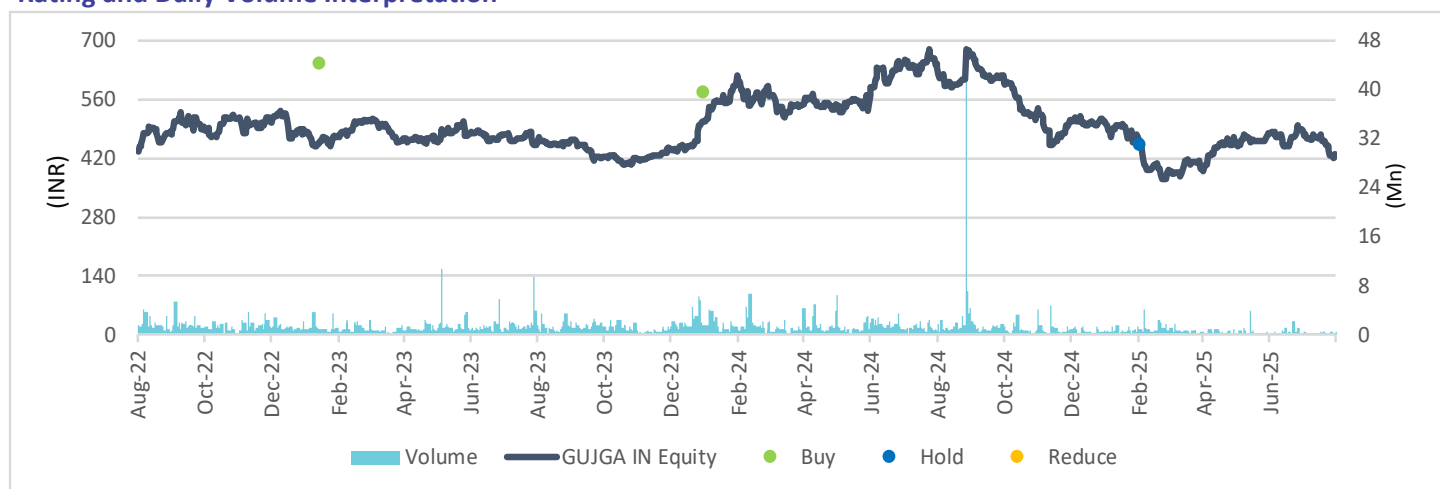
Recent Company Research

Date	Title	Price	Reco
20-May-25	Blended realisation drives beat; <i>Result Update</i>	464	Hold
07-Feb-25	Q3 undershoots; more pain ahead; <i>Result Update</i>	460	Hold
07-Nov-24	Q2 beat led by margins; a mixed Q3 likel; <i>Result Update</i>	541	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
31-Jul-25	Indraprastha Gas	Q1 miss; upside to margin on lower tariff; <i>Result Update</i>
29-Jul-25	GAIL	Q1 beat; guidance cut on soft demand; <i>Result Update</i>
28-Jul-25	Petronet LNG	Q1 miss; capturing new demand markets; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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