

Good quarter but challenges ahead

CMP: Rs 288

Outlook: Positive (Not Rated)

Technical TP: 342-356

Stock Info

BSE	539336
NSE	GUJGASLTDI
Bloomberg	GUJGA IN
Reuters	GGAS.BO
Sector	Trading
Face Value (Rs)	2
Equity Capital (Rs Cr)	138
Mkt Cap (Rs Cr)	20,290
52w H/L (Rs)	313 / 155
Avg Yearly Vol (in 000')	875

Shareholding Pattern %

(As on March, 2020)

Promoters	60.89
FII	16.86
DII	7.03
Public & Others	15.22

Stock Performance (%) 3m 6m 12m

GUJGAS	28.4	29.0	63.3
SENSEX	19.3	-18.9	-13.3

GUJGAS Vs Sensex



Bloomberg Estimates

in Cr.	FY20	FY21E	FY22E
Revenue	10300	9122	11070
EBITDA	1634	1584	1912
PAT	1199	885	1142
Adj. EPS	17.4	12.67	16.44
Adj. P/E (x)	16.5	23.1	17.8

Peer Group Comparison

in Cr. (FY20)	GUJGAS	GSPL	MGL
Revenue	10,300	12,244	2,972
EBITDA	1,634	3,223	1,053
PAT	1,199	2,285	794
Adj. EPS(Rs)	17.4	30.7	80.3
Adj. PE (x)	16.5	7.3	12.2
ROE%	36.1	35.5	26.9
Mkt Cap	19660	12560	9812

Company Background

Gujarat Gas Limited (GGL), is India's largest City Gas Distribution player with its presence spread across 23 Districts in the State of Gujarat, Union Territory of Dadra & Nagar Haveli and Thane Geographical Area (GA) (excluding already authorised areas) which includes Palghar District of Maharashtra. In 10th CGD bidding round announced by PNGRB the company has won 6 GAs comprising of 17 cities in the state of Punjab, Haryana, Madhya Pradesh and Rajasthan, making GGL a pan India Company. The company has India's largest customer base in Residential, Commercial and Industrial segments.

Key takeaways from Q4FY20

- Gujarat Gas reported good performance during 4QFY20 with a strong profit growth of 114.82% YoY to Rs250 cr due to an increase in capacity utilization and lower sourcing cost. However, on a sequential basis profit was up by 27.29%.
- The company has reported jump in net sales of 39.79% to Rs 2667 cr in Q4FY20 due to strong demand from the industrial segment. On a sequential basis revenue was up by 6.42%.
- EBITDA for the quarter stood at Rs 427 cr thereby registering 67.88% growth on a YoY basis EBITDA margin during the quarter was up by 123 bps QoQ/268bps YoY.
- Management has given guidance for Rs.600-700 cr of annual capex in FY21 & FY22, mainly in newly acquired gas.
- Gas sales volume jumped 55% YoY in Q4 FY20 over Q4 FY19 and registered a 44% growth in FY20 on comparison to FY19. Total sales volume (industrial, CNG, domestic and commercial) for Q4 FY20 stood at 905 million metric standard cubic meter and 3,436 mmscm for FY20.

Quarterly Snapshot

Rs Cr (consolidated)	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>2,667</b>	<b>2,506</b>	<b>1,908</b>	<b>6.42%</b>	<b>39.79%</b>
Raw Material Cost	2,026	1,948	1,464	4.02%	38.44%
Employee cost	41	44	45	-7.29%	-10.08%
Other Expenses	173	144	144	20.34%	19.71%
<b>EBITDA</b>	<b>427</b>	<b>370</b>	<b>254</b>	<b>15.32%</b>	<b>67.88%</b>
<b>EBITDA margin %</b>	<b>16.0%</b>	<b>14.8%</b>	<b>13.3%</b>	<b>123bps</b>	<b>268bps</b>
Other Income	19	19	19	1.39%	1.01%
Depreciation	80	79	72	1.30%	11.44%
<b>EBIT</b>	<b>365</b>	<b>309</b>	<b>201</b>	<b>18.08%</b>	<b>81.97%</b>
Finance cost	42	46	49.7	-9.60%	-16%
Exceptional Item	-	-	-	-	-
<b>PBT</b>	<b>323</b>	<b>263</b>	<b>151</b>	<b>22.98%</b>	<b>114.09%</b>
Tax Expense	72	67	34	7.20%	108.98%
Effective tax rate %	22.2%	25.4%	22.7%	-327bps	-54bps
<b>PAT</b>	<b>251</b>	<b>196</b>	<b>117</b>	<b>28.37%</b>	<b>115.59%</b>
Share of Assoc / Minority Int	-1	1	-0	-	-
<b>Consolidated PAT</b>	<b>250</b>	<b>197</b>	<b>117</b>	<b>27.29%</b>	<b>114.82%</b>
<b>PAT margin %</b>	<b>9.4%</b>	<b>7.9%</b>	<b>6.1%</b>	<b>154bps</b>	<b>328bps</b>
<b>EPS (Rs)</b>	<b>3.6</b>	<b>2.9</b>	<b>2.6</b>	-	-

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Valuation and View:

At CMP of 288, Gujarat gas currently trades at a PE of 16.5 x to its FY20 EPS of Rs 17.4. Company was marginally impacted during the COVID 19 pandemic, but gradual lifting of the lockdown, several units at Morbi have resumed operations. We believe that while lockdown has affected the demand, the city gas distribution companies would be able to partially compensate the lost volumes through better margins.

Hence, we are bullish on the company's near term outlook

Technical Chart & View



The stock is showing solid price action with higher volumes. Hence momentum on the upside is likely to continue. On the upside it may test 342 – 356 levels.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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