

Gujarat State Petronet Ltd (GUJS)

Oil & Gas | Company Update

BUY

CMP: Rs272 | Target Price (TP): Rs364 | Upside: 33.9%

March 05, 2025

Upgrading to BUY on value post correction

Key Points

- **We are raising GSPL from HOLD to BUY due to improved risk reward** based on 27% correction in the stock in the last 3m, and our unchanged estimates and SOTP-based TP at Rs364 (Exhibit - 1). This is derived with 10% discount for policy risk in GSPL standalone transportation valuation using DCF (risk factor added due to policy uncertainty/risk to volume due to volatile gas prices). This also includes the unchanged value of its 54.17% stake in GGL at Rs371/share based on NBIE's TP for GGL (~nil Hold-Co. Discount). The stock trades at 1.28x FY27E P/B).
- **GSPL is a BUY also based on GSPC group merger scheme.** This is based on the value implied for GSPL post the merger and demerger (next year) transaction (GSPLpt). The value of GSPLpt is derived by adding up (i) the value of 100 GGL shares (at CMP), and (ii) 33 GSPL transmission Ltd shares (GTL), to be allotted to a GSPL shareholder, and reducing the cost of acquiring 130 GSPL shares at the CMP. GSPL is worth Rs344/sh based on the above method (Exh 2). The stress valuation of GSPL of Rs287 under this method assuming a 20% downside in GGL CMP also implies upside of 6% from GSPL's CMP.
- We understand that 4QFY25 Gas volume is likely to sustain at 3QFY25 level~implies 10% decline YoY. Capex is likely to be Rs2.5-2.75 bn/Rs10bn in FY25/FY26E to add connectivity. Channel checks suggest that the proposed Anjar-Palanpur pipeline pending PNGRB approval (Project cost - cRs30bn) could improve connectivity to JV GIGL operated Mehsana Bhatinda pipeline. This could enhance the gas offtake (RLNG) from group company GSPC LNG from its current volume of around 5-6mmscmd (1.4-1.7mn tpa of LNG). This upside is subject to the cap on offtake of RLNG from GSPC LNG, due to take or pay contract that GSPC has with PLNG for taking gas from Dahej LNG terminal.
- **GGLGSPC GSPL group mergers scheme to see GSPL carve out a pure gas transmission entity GSPL Transmission Limited (GTL).** This process is delayed by a month due to the delay in SEBI/stock exchange approvals. The next step of shareholder approval is to begin by end Mar'25. The papers are now with the Government (MCA), which will send it to ROC. Once ROC clears it, the papers will be forwarded back to MCA for final approval – now likely by Sep'25 vs Jul-Aug'25 as per GGL 3QFY25 PPT. Issue of shares as per scheme, Final listing of additional GGL shares and new GTL shares likely by Sep'25/Oct'25. Notwithstanding the slight delay, the value proposition for GSPL shareholders as per above analysis remains intact. (See Annexure-1 for Scheme timeline).

Est change	No Change
TP Change	No Change
Rating Change	Upward

Company Data and Valuation Summary

Reuters	GSPT.BO
Bloomberg	GUJS IN Equity
Mkt Cap (Rsbn/US\$bn)	153.4 / 1.8
52 Wk H / L (Rs)	470 / 260
ADTV-3M (mn) (Rs/US\$)	354.2 / 4.1
Stock performance (%) 1M/6M/1yr	(20.7)/(39.0)/(27.0)
Nifty 50 performance (%) 1M/6M/1yr	(5.0) / (10.5) / (1.2)

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	37.6	37.6	37.6
DII's	25.6	34.9	27.8
FII's	15.8	15.2	14.7
Others	20.9	12.3	19.9
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Sales	20,315	11,227	10,133	11,038
Growth YoY%	15.3	-44.7	-9.7	8.9
Gross margin %	85.7	92.2	90.6	90.6
EBITDA	15,040	8,566	7,345	8,106
EBITDA margin %	74.0	76.3	72.5	73.4
Adj PAT	12,846	8,791	7,654	8,433
Growth YoY%	36	(32)	(13)	10
Adj EPS	22.78	15.59	13.57	14.95
RoCE	9.9	4.4	3.4	3.7
RoE	13.1	8.1	6.7	7.1
RoIC	11.6	5.2	4.0	4.3
P/E	11.93	17.44	20.03	18.18
EV/EBITDA	9.88	17.35	20.24	18.34
P/BV	1.49	1.41	1.35	1.28

Source: Company, Nirmal Bang Institutional Equities Research

[Link for 3QFY25 PPT](#)

Street estimate Rs	FY25E	FY26E	FY27E
EPS	16.15	16.85	16.26

Please refer to the disclaimer towards the end of the document.

Exhibit 1: GSPL SOTP valuation

GSPL parts		Method	Revised Equity value Rs/sh	Remarks
Gas transportation A	-	DCF	129	-
GIGL – B	52% stake	DCF	0	NIL value Due to losses
GGL- C	54.17% stake	GGL at NBIE TP	245	Nil discount – for holding co. (eliminated by GGL merger)
GSPL's other investments –D	-	-	3	GSPL's unlisted holdings, including GITL- 52% and Sabarmathi Gas -27.5%
GSPL VALUATION – E	A+B+C+D	-	377	-
Discount – F	(A+B)	Nil	13	F=10% for policy/execution risk in GSPL / GIGL vs old NIL
GSPL TP	E-F	-	364	-
CMP			272	
Upside			33.9%	
upside excl. exe risk			38.8%	

Source: Nirmal Bang Institutional Equities Research, if we use CMP for GGL value under C – it implies higher SOTP value of Rs423 for GSPL

Exhibit 2: GSPL implied value post-merger and demerger as GTL as per GSPC group restructuring - Proforma

GGL shares at CMP	Rs	GGL shares at NBIE TGP	Rs
GSPL CMP	272	GSPL CMP	272
No of sh held in GSPL	130	No of sh held in GSPL	130
Cost of 130 GSPL shares	35,334	Cost of 130 GSPL shares	35,334
GGL shares to be issued post merger	100	GGL shares to be issued post merger	100
GGL CMP	370	GGL (NBIE TP)	371
VALUE of 100 GGL shares	37,020	VALUE of 100 GGL shares	37,100
Shares to be issued in GTL post demerger	33	Shares to be issued in GTL post demerger	33
Equity value of GSPL Rsmn	72,755	Equity value of GSPL Rsmn	72,755
No of shares in new GTL	313	No of shares in new GTL	313
Proforma Value of 1 GTL share	233	Proforma Value of 1 GTL share	233
Value of 33 GTL shares	7,756	Value of 33 GTL shares	7,756
Gross proceeds	44,776	Gross proceeds	44,856
Return at CMP of GSPL	26.7%	Return at CMP of GSPL	26.9%
Implied GSPL value post transaction- Rs/sh	344	Implied GSPL value post transaction- Rs/sh	345

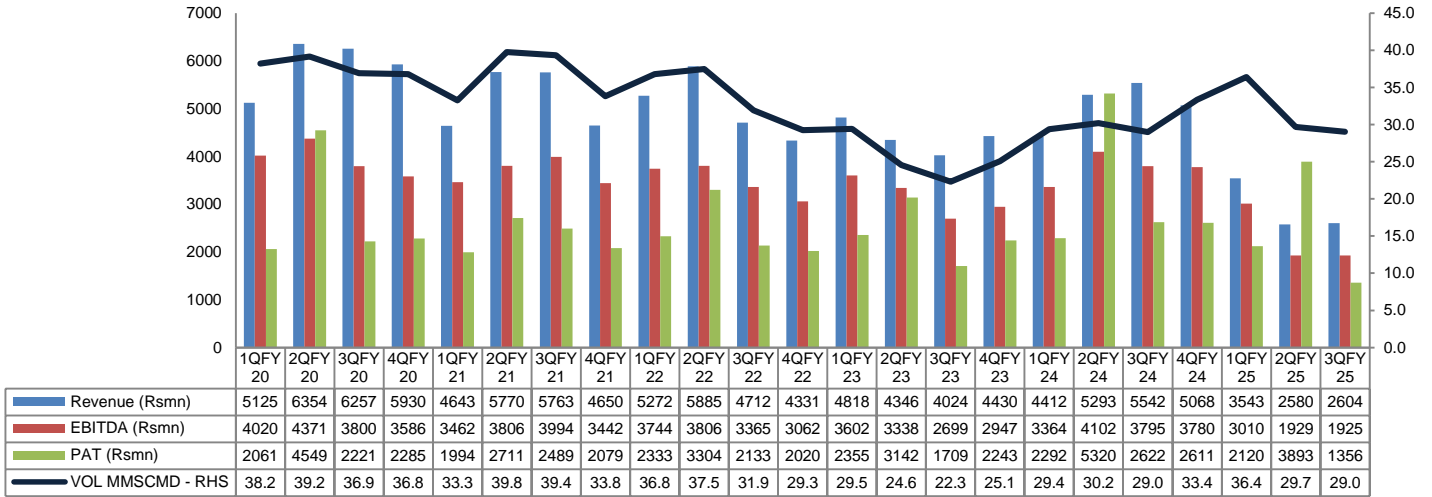
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Impact of GGL CMP and GSPL DCF value on GSPL value post scheme

GGL CMP impact			GSPL DCF value impact		
Ch %	GSPLpt value	Upside from CMP	Ch %	GSPLpt value	Upside from CMP
0	344	27%	0%	345	26.9%
10%	316	16%	-10%	317	16.4%
-20%	287	6%	-20%	288	5.9%
10%	0	0%	10%	374	37.4%

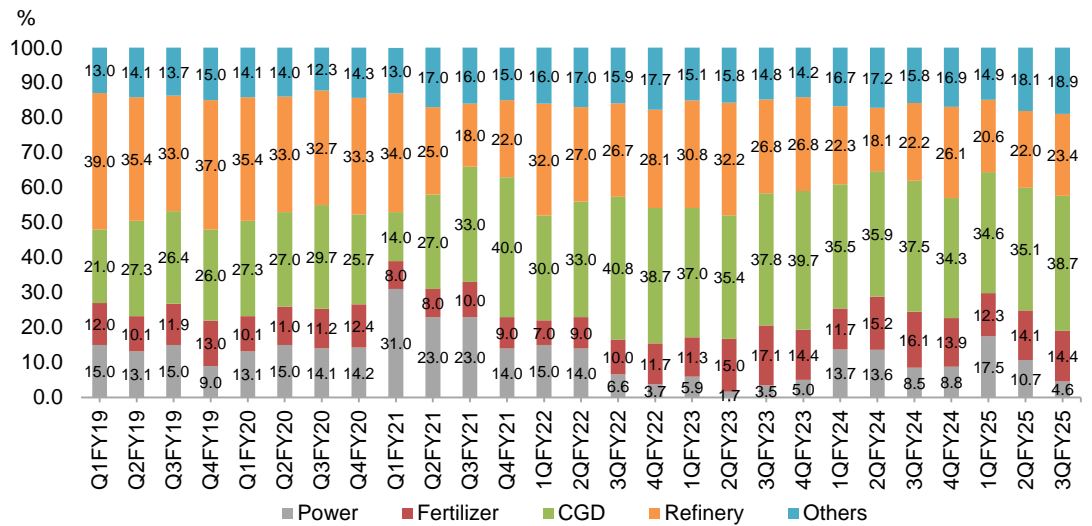
Source: Company, Nirmal Bang Institutional Equities Research, Note margin changes are in bps.

Exhibit 4: Quarterly trend in Revenue, Volume, EBITDA and PAT



Source: Company, Nirmal Bang Institutional Equities Research

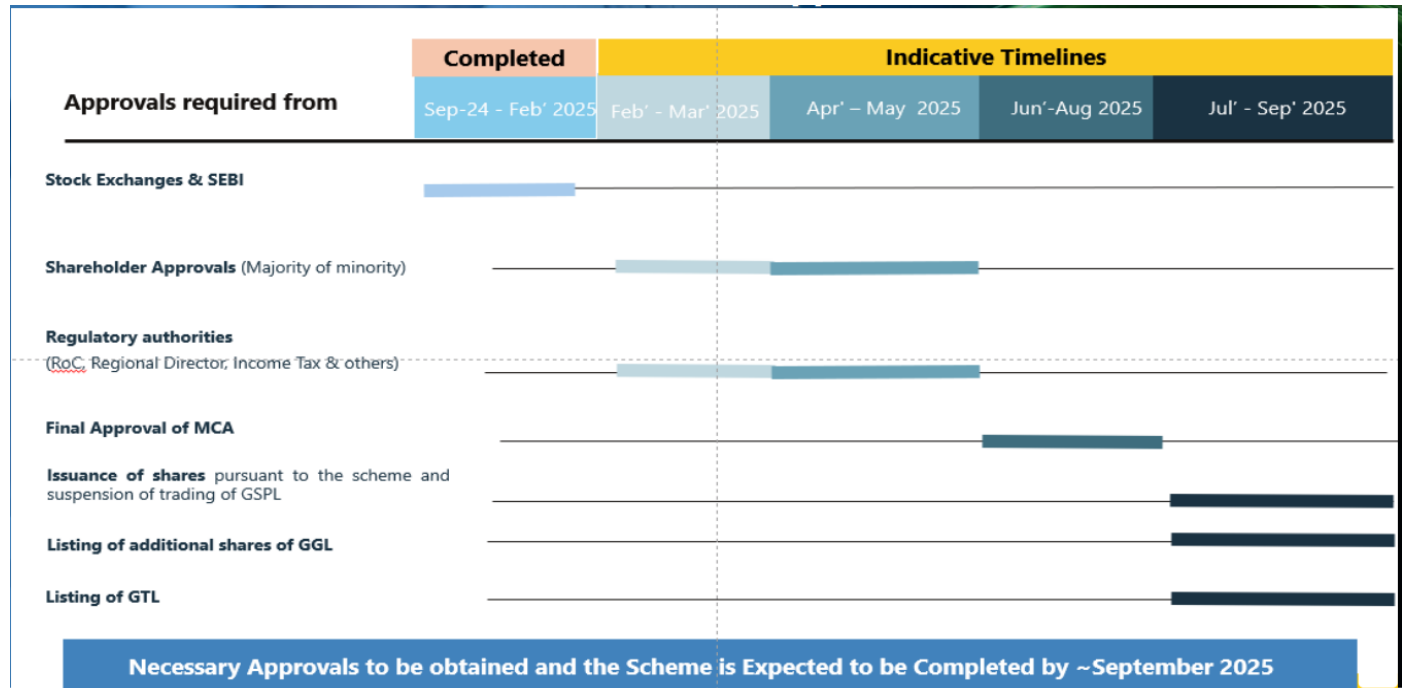
Exhibit 5: GSPL Transmission customer pie (%)



Source: Company, Nirmal Bang Institutional Equities Research

ANNEXURE 1: Milestone for GSPC Group scheme

Exhibit 6: Milestone for GSPC group scheme



Source: Gujarat gas 3QFY25 presentation, Nirmal Bang Institutional Equities Research

Standalone Financials

Exhibit 7: Income statement

Y/E March (Rsmn):	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	17,618	20,315	11,227	10,133	11,038
Growth YoY%	-12.8	15.3	-44.7	-9.7	8.9
Gross profit	15,117	17,406	10,352	9,185	10,002
Gross margin %	85.8	85.7	92.2	90.6	90.6
Staff costs	722	803	849	874	900
% of sales	4.1	4.0	7.6	8.6	8.2
Other expenses	1,807	1,564	938	966	995
% of sales	10.3	7.7	8.4	9.5	9.0
EBITDA	12,587	15,040	8,566	7,345	8,106
Growth YoY%	(9.9)	19.5	(43.0)	(14.3)	10.4
EBITDA margin %	71.4	74.0	76.3	72.5	73.4
Depreciation	1,939	1,920	2,004	2,018	2,018
EBIT	10,648	13,120	6,561	5,327	6,088
Interest	47	49	38	-	-
Other income	1,684	3,351	4,375	4,625	4,875
PBT	12,286	16,421	10,898	9,952	10,963
Effective tax	2,836	3,576	2,108	2,297	2,531
PAT	9,450	12,846	8,791	7,654	8,433
Growth YoY%	-3.5	35.9	-31.6	-12.9	10.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Balance sheet

Y/E March (Rsmn):	FY23	FY24	FY25E	FY26E	FY27E
Share capital	5642	5642	5642	5642	5642
Reserves	87090	97059	102948	108077	113727
Net worth	92732	102701	108591	113719	119369
Long term debt	-	-	-	-	-
Short term debt	0	0	0	0	0
Total debt	-	-	-	-	-
Net debt	-6,840	-4,657	-10,114	-8,376	-4,526
Other non-current liabilities	5,705	5,719	5,719	5,719	5,719
Total Equity & Liabilities	98,436	1,08,420	1,14,309	1,19,438	1,25,087
Gross block	44972	45623	46623	46623	46623
Accumulated depreciation	14860	16748	18721	20715	22708
Net Block	30112	28875	27902	25908	23915
CWIP	4257	7618	11118	20118	31618
Intangible and others	1440	1478	1453	1429	1404
Other non-current assets	1,549	1,460	1,460	1,460	1,460
Non-Current Investments	51,700	53,297	53,297	53,297	53,297
Current Investments	0	0	0	0	0
Trade receivables	1,440	1,412	831	750	816
Inventories	2,121	2,108	615	555	605
Cash & Cash Equivalents	1,357	83	5,540	3,801	1,874
Other bank balance	5,560	4,652	4,652	4,652	2,652
Other current assets	1,347	9,825	9,825	9,825	9,825
Total current assets	11825	18080	21462	19583	15772
Trade payables	510	375	245	221	240
Other current liabilities	1938	2014	2139	2138	2139
Total current liabilities	2,448	2,389	2,384	2,358	2,380
Total Assets	98,435	1,08,420	1,14,309	1,19,438	1,25,087

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Cash flow

Y/E March (Rsmn):	FY23	FY24	FY25E	FY26E	FY27E
PBT	12,286	16,421	10,898	9,952	10,963
Depreciation	1,939	1,920	2,004	2,018	2,018
Interest	(1,495)	(3,155)	(4,337)	(4,625)	(4,875)
Other adjustments	(50)	10	-	-	-
Change in Working capital	274	(62)	(2,070)	(115)	95
Tax paid	2,741	3,534	2,108	2,297	2,531
Operating cash flow	9,664	11,724	8,528	5,163	5,480
Capex	(1,982)	(4,164)	(4,507)	(9,000)	(11,500)
Free cash flow	7,682	7,560	4,021	(3,837)	(6,020)
Other investing activities	(5,037)	(5,992)	4,375	4,625	4,875
Investing cash flow	(7,019)	(10,156)	(131)	(4,375)	(6,625)
Issuance of share capital	-	-	-	-	-
Movement of Debt	(875)	-	-	-	-
Dividend paid (incl DDT)	(1,128)	(2,821)	(2,901)	(2,526)	(2,783)
Other financing activities	(23)	(21)	(38)	-	2,000
Financing cash flow	(2,026)	(2,843)	(2,939)	(2,526)	(783)
Net change in cash flow	619	(1,275)	5,457	(1,738)	(1,927)
Opening C&CE	738	1,357	82	5,540	3,801
Closing C&CE	1,357	83	5,540	3,801	1,874

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Key ratios

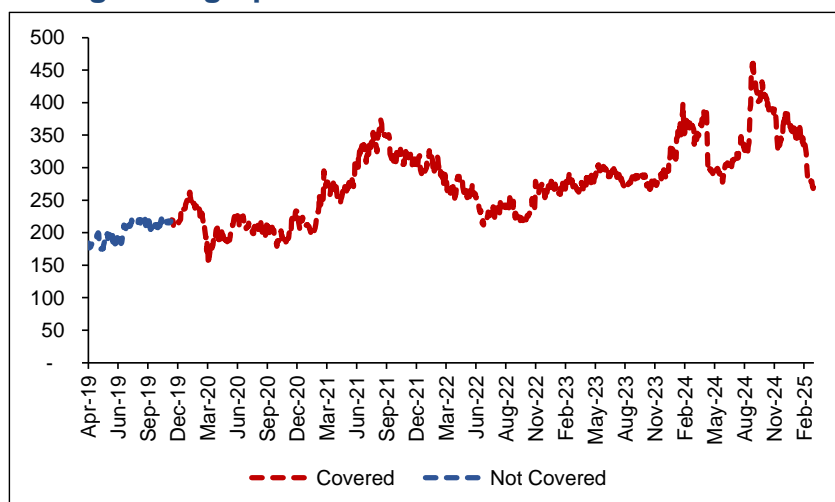
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Per share (Rs)					
Adj EPS	16.75	22.78	15.59	13.57	14.95
Book value	164.42	182.09	192.54	201.63	211.65
DPS	5.00	5.00	5.15	5.40	5.65
Valuation (x)					
P/Sales	0.02	0.01	0.02	0.03	0.02
EV/EBITDA	11.81	9.88	17.35	20.24	18.34
P/E	16.22	11.93	17.44	20.03	18.18
P/BV	1.65	1.49	1.41	1.35	1.28
Return ratios (%)					
RoCE	8.7	9.9	4.4	3.4	3.7
RoCE (pre-tax)	11.3	12.7	5.9	4.6	5.0
RoE	10.7	13.1	8.1	6.7	7.1
RoIC	9.6	11.6	5.2	4.0	4.3
Profitability ratios (%)					
Gross margin	85.8	85.7	92.2	90.6	90.6
EBITDA margin	71.4	74.0	76.3	72.5	73.4
PAT margin	53.6	63.2	78.3	75.5	76.4
Liquidity ratios (%)					
Current ratio	4.83	7.50	8.93	8.23	6.57
Quick ratio	3.96	6.63	8.67	8.00	6.32
Solvency ratio (%)					
Net Debt to Equity ratio	-0.07	-0.05	-0.09	-0.07	-0.04
Turnover ratios					
Fixed asset turnover ratio (x)	1.7	1.4	2.5	2.6	2.2
Debtor days	28	26	27	27	27
Inventory days	42	38	20	20	20
Creditor days	12	12	8	8	8
Net Working capital days	58	52	39	39	39

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
1 October 2019	Buy	258	312
31 October 2019	Buy	286	336
14 February 2020	Buy	238	313
30 March 2020	Buy	165	273
9 June 2020	Buy	223	286
8 Aug 2020	Buy	199	286
23 September 2020	Buy	208	314
12 November 2020	Buy	186	314
9 January 2020	Buy	210	340
11 February 2021	Buy	226	339
04 June 2021	Buy	307	366
05 July 2021	Buy	322	480
09 August 2021	Buy	325	498
23 September 2021	Buy	320	454
4 November 2021	Buy	325	421
11 February 2022	Buy	299	419
13 May 2022	Buy	241	415
5 August 2022	Buy	239	366
14 September 2022	Buy	254	373
11 November 2022	Buy	234	359
12 December 2022	Buy	268	432
14 February 2023	Buy	265	416
21 March 2023	Buy	271	432
12 May 2023	Buy	288	450
05 August 2023	Buy	276	423
16 October 2023	Buy	285	415
7 November 2023	Buy	273	431
15 February 2024	Buy	354	431
22 April 2024	Under Review	378	NA
09 May 2024	Under Review	291	NA
09 August 2024	Hold	336	325
02 Sept 2024	Buy	442	512
17 Oct 2024	Buy	408	500
08 Nov 2024	Buy	390	482
08 February 2025	Hold	334	364
05 March 2025	Buy	272	364

Rating track graph



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Stock Ratings Absolute Returns

BUY > 15%

HOLD -5% to 15%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.

Board No.: 91 22 6273 8000/1; Fax.: 022 6273 8010