

21 January 2026

Strength in CNG offsets industrial volatility

The stock price of Gujarat Gas (GUJGA IN) fell 4% in the past three months, broadly in-line with the benchmark Nifty Mid-Cap Index (down 3%). This was led by falling industrial gas sales volumes due to cheaper alternative fuel (propane) at Morbi. Morbi industrial volume sharply fell 50% YoY to 1.7mmscmd in Q3, partly offset by volume growth in non-Morbi industrial by 7%, CNG by 11% and household by 12%. Price cut of INR 4.5/scm was taken at Morbi from Jan 2026 to regain competitiveness. Thus, January Morbi volume recovered to ~2.2mmscmd and Feb-Mar exit run-rate has been guided at 3.0-3.2mmscmd. For future growth, GUJGA is targeting >1,000 CNG stations (833 currently). Expect CNG to gradually becoming the earnings stabilizer, with industrial PNG the swing factor. However, in the near-term, concentration at Morbi is the single biggest driver behind earnings volatility.

Based on guidance of stronger Morbi industrial volume in Q4 and an indication by the management of a drop in international LNG prices post winter, we raise FY26E/27E/28E EBITDA estimates by 7%/4%/5% and roll-over our TP to FY28E estimates. So, we raise our TP to INR 449 from INR 409. **We revise GUJGA to Accumulate from Reduce** – Any re-rating would depend on significant drop in international LNG prices versus propane, post commissioning of massive LNG export capacities in the US/Qatar in the next two years.

Decline in volume continued: Q3 EBITDA was INR 4.5bn (Elara: INR 4.7bn), up 18% YoY (and flat QoQ) as GUJGA benefitted from lower gas sourcing cost, despite a 12% volume drop. Reported PAT at INR 2.7bn was lower than our estimates of INR 2.9bn.

Industrial volume dropped on lower Morbi volume, partly offset by strong CNG volume growth: Total gas sales volume fell 12%/3% YoY/QoQ to 8.4mmscmd in Q3, as strong CNG volume growth was offset by industrial PNG volume drop. PNG-Industrial & commercial volume was down 27% YoY to 4.1mmscmd. CNG growth momentum continued, up 11% YoY to 3.5mmscmd. Household volume rose 12% YoY to 0.8mmscmd. CNG growth was supported by upgradation of daughter booster stations to online stations. Growth is expected to continue due to FDODO (full dealer owned dealer operated) push as GUJGA signed ~78 FDODO agreements, which brews medium-term CNG volume growth visibility without heavy capex.

Revise to Accumulate with a higher TP of INR 449: Based on guidance of stronger Morbi industrial volume in Q4 and an indication by the management of a drop in international LNG prices post winter, we raise FY26E/27E/28E EBITDA estimates by 7%/4%/5% and roll-over our TP to FY28E estimates. Consequently, we raise our TP to INR 449 from INR 409. So, we revise GUJGA to **Accumulate** from Reduce.

Our DCF-based TP assumes a 10.1% (unchanged) WACC, INR 5.6/scm (from INR 5.5/scm) EBITDA/scm, FY25-30E volume CAGR of 6.8% (from 6.5%) and 1% (from 2%) long-term demand growth.

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	156,902	164,870	153,293	176,315	196,662
YoY (%)	(6.4)	5.1	(7.0)	15.0	11.5
EBITDA (INR mn)	18,764	18,798	19,110	20,369	22,463
EBITDA margin (%)	12.0	11.4	12.5	11.6	11.4
Adj PAT (INR mn)	10,871	11,455	11,860	12,485	13,916
YoY (%)	(28.7)	5.4	3.5	5.3	11.5
Fully DEPS (INR)	15.8	16.6	17.2	18.1	20.2
RoE (%)	14.8	14.2	13.4	12.9	13.2
RoCE (%)	18.7	16.7	15.4	15.1	15.4
P/E (x)	25.3	24.0	23.2	22.0	19.8
EV/EBITDA (x)	14.3	14.3	14.0	13.2	12.0

Note: Pricing as on 21 January 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 449**

Upside/Downside: **13%**

CMP: **INR 399**

As on 21 January 2026

Key data

Bloomberg	GUJGA IN
Reuters Code	GGAS.NS
Shares outstanding (mn)	688
Market cap (INR bn/USD mn)	275/2,997
EV (INR bn/USD mn)	268/2,928
ADTV 3M (INR mn/USD mn)	175/2
52 week high/low	509/360
Free float (%)	25

Note: as on 21 January 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	60.9	60.9	60.9	60.9
% Pledge	0.0	0.0	0.0	0.0
FII	3.9	3.9	3.7	3.8
DII	21.8	15.0	15.0	15.1
Others	13.4	20.3	20.4	20.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.7)	0.3	9.3
Gujarat Gas	(4.3)	(14.5)	(20.0)
NSE Mid-cap	(3.4)	(2.1)	7.3
NSE Small-cap	(10.5)	(13.5)	(6.1)

Source: Bloomberg

Gagan Dixit

Aviation, Chemicals, Oil & Gas

+91 22 6164 8504
gagan.dixit@elaracapital.com



Associates
Amogh Deshpande
amogh.deshpande@elaracapital.com

Kartik Bhandari
kartik.bhandari@elaracapital.com

Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	156,902	164,870	153,293	176,315	196,662
Gross Profit	31,345	32,710	33,151	36,518	40,296
EBITDA	18,764	18,798	19,110	20,369	22,463
EBIT	14,021	13,691	13,854	14,737	16,384
Interest expense	293	325	345	345	345
Other income	1,078	2,100	2,453	2,292	2,557
Exceptional/ Extra-ordinary items	557	-	-	-	-
PBT	15,362	15,466	15,962	16,684	18,596
Tax	3,934	4,011	4,102	4,199	4,681
Minority interest/Associates income	-	-	-	-	-
Reported PAT	11,428	11,455	11,860	12,485	13,916
Adjusted PAT	10,871	11,455	11,860	12,485	13,916
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	76,893	84,537	92,482	100,847	110,171
Minority Interest	-	-	-	-	-
Trade Payables	7,002	7,199	6,617	7,690	8,591
Provisions & Other Current Liabilities	20,822	22,096	25,730	25,937	26,409
Total Borrowings	1,503	1,500	1,152	1,152	1,152
Other long term liabilities	10,364	10,820	10,994	11,179	11,374
Total liabilities & equity	116,584	126,151	136,976	146,805	157,696
Net Fixed Assets	78,912	81,230	82,973	86,341	90,262
Goodwill	-	-	-	-	-
Intangible assets	7,896	9,235	9,235	9,235	9,235
Business Investments / other NC assets	7,488	6,035	6,733	7,017	7,314
Cash, Bank Balances & treasury investments	9,160	3,269	13,785	17,751	22,838
Inventories	587	619	551	641	716
Sundry Debtors	10,298	10,240	9,240	10,627	11,854
Other Current Assets	2,243	15,525	14,458	15,194	15,477
Total Assets	116,584	126,151	136,976	146,805	157,696
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	16,340	18,059	21,779	17,086	19,679
Capital expenditure	(8,371)	(7,517)	(7,000)	(9,000)	(10,000)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	-	-	-	-	-
Free Cash Flow	7,969	10,541	14,779	8,086	9,679
Cashflow from Financing	(5,556)	(16,433)	(4,262)	(4,120)	(4,592)
Net Change in Cash / treasury investments	2,413	(5,891)	10,517	3,966	5,087
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	5.7	5.8	5.7	6.0	6.7
Book value per share (INR)	111.7	122.8	134.3	146.5	160.0
RoCE (Pre-tax) (%)	18.7	16.7	15.4	15.1	15.4
ROIC (Pre-tax) (%)	20.9	18.0	17.0	18.0	19.0
ROE (%)	14.8	14.2	13.4	12.9	13.2
Asset Turnover (x)	2.0	2.1	1.9	2.1	2.2
Net Debt to Equity (x)	(0.1)	0.0	(0.1)	(0.2)	(0.2)
Net Debt to EBITDA (x)	(0.4)	(0.1)	(0.7)	(0.8)	(1.0)
Interest cover (x) (EBITDA/ int exp)	64.0	57.9	55.5	59.1	65.2
Total Working capital days (WC/rev)	(12.5)	0.8	13.0	23.4	31.1
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	25.3	24.0	23.2	22.0	19.8
P/Sales (x)	1.8	1.7	1.8	1.6	1.4
EV/ EBITDA (x)	14.3	14.3	14.0	13.2	12.0
EV/ OCF (x)	16.4	14.9	12.3	15.7	13.6
FCF Yield	3.0	3.9	5.5	3.0	3.6
Price to BV (x)	3.6	3.3	3.0	2.7	2.5
Dividend yield (%)	1.4	1.5	1.4	1.5	1.7

Note: Pricing as on 21 January 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

(INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
Revenue	36,584	41,529	(11.9)	37,804	(3.2)	39,151	(6.6)
EBITDA	4,473	3,805	17.6	4,473	0.0	4,705	(4.9)
Depreciation	1,352	1,294	4.5	1,343	0.7	1,380	(2.0)
EBIT	3,121	2,510	24.3	3,130	(0.3)	3,325	(6.1)
Other income	546	585	(6.7)	731	(25.3)	690	(20.9)
Interest cost	87	93	(6.2)	81	7.1	75	15.9
PBT	3,580	3,002	19.2	3,779	(5.3)	3,940	(9.1)
Exceptional item	0	0	NM	0	NM	0	NM
Tax	924	786	17.5	969	(4.7)	992	(6.8)
PAT	2,656	2,216	19.8	2,810	(5.5)	2,948	(9.9)
EPS (INR)	3.9	3.2	19.8	4.1	(5.5)	4.3	(9.9)

Source: Company, Elara Securities Estimate

Exhibit 2: Quarterly operational performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Volume (mmscmd)	8.4	9.5	(11.6)	8.7	(3.3)
Average realization (INR per SCM)	47.5	47.7	(0.4)	47.5	0.0
Average cost of gas (INR per SCM)	37.2	39.3	(5.4)	37.5	(0.7)
Gross gas spread (INR per SCM)	10.3	8.3	23.7	10.0	2.8
EBITDA per SCM (INR per SCM)	5.8	4.4	33.0	5.6	3.4

Source: Company, Elara Securities Research

Conference call highlights**Volume and margin**

- ▶ GUJGA guided that CNG and domestic PNG segment may grow in double digits, while industrial PNG growth depends on natural gas and propane price differential in FY27. EBITDA margin for FY26 was guided at INR 5.5-6.5/scm.
- ▶ New well gas (NWG) allocation was 0.31mmscmd in Q3 as compared with 0.5mmscmd in Q2.
- ▶ APM gas allocation for CNG was 36%, while for domestic PNG was 100%.
- ▶ Sourcing mix in Q3 was as follows: APM at 24%, NWG at 4%, long-term contract LNG at 39% and short-term contract LNG at 33%.
- ▶ GUJGA wants to increase the share of long term contracted LNG in sourcing mix to 60-70% and is likely to reach it by 2027 end. Volume from parent company's LNG contract will partially start coming in 2026.
- ▶ Per management, domestic and commercial PNG customers are expected to increase over time as new geographical areas (GAs) mature.

Industrial PNG

- ▶ Morbi volume during the quarter was 1.68mmscmd while non-Morbi volume was 2.25mmscmd.
- ▶ Industrial PNG price was reduced by INR 4.5/scm from 1 January. GUJGA passed on the benefit of reduced spot price to Morbi customers. Industrial PNG price is INR 41 and propane price INR 38.6.
- ▶ Morbi volume increased to 2.2mmscmd post the price cut in January 2026. The management guided that February and March volume may reach 3-3.2mmscmd. Propane prices are expected to increase in February, as per management.
- ▶ Non-Morbi industrial PNG price is ~INR 3/scm higher than Morbi price.

- ▶ The management said industrial PNG volume in Morbi may reach 5mmscmd if there is no price differential to propane.
- ▶ Morbi market volume size (natural gas and propane) is 7.55mmscmd. The management said investment in Morbi ceramic industry is coming as some old units are shutting down, and new units are being set up. Total installed capacity in Morbi is +8mmscmd.

CNG

- ▶ GUJGA reported 9% growth while GAs outside Gujarat reported 22% growth. Volume in Gujarat GAs was 2.95mmscmd and volume in GAs outside Gujarat was 0.51mmscmd.
- ▶ GUJGA network may reach 1,000+ CNG stations in the next 2-3 years.
- ▶ The management said CNG volume growth has been more than CNG station addition due to upgrading of daughter booster stations to online stations, which increased compression capacity.
- ▶ Out of 833 CNG stations, 415 are online stations. More than 40 daughter booster stations have been converted to online stations in past two years.
- ▶ FDODO stations are in various stages of construction and 10 FDODO stations will be connected in FY26.

Others

- ▶ GUJGA expects next hearing by the Ministry of Corporate Affairs (MCA), regarding the scheme of amalgamation, to happen in February.
- ▶ GUJGA's infrastructure includes 833 CNG stations, 4,430 industrial PNG customers, 15,897 commercial PNG customers and 2.38mn domestic PNG customers.
- ▶ GUJGA incurred a capex of INR 4bn in 9MFY26 and planned capex in FY26 is INR 6.5-7.0bn.
- ▶ GUJGA said the impact of new zonal tariff is revenue neutral till volume reaches 8.7-8.8mmscmd. Tariff may increase by INR 1/scm post 1mmscmd volume increase.
- ▶ GUJGA is in discussion to reserve propane unloading capacity at import terminals for its upcoming propane business. It will give credit facility to potential propane customers while other suppliers will collect payment in advance.
- ▶ The management said sudden increase in LNG price is short term due to severity of the winter. It expects LNG price to come down to USD 9/MMBtu. Volume from new term contract will start to be delivered to Indian companies from mid-2026 and the company expects reasonable spot LNG prices after winters.

Exhibit 3: Major assumptions

	FY24	FY25	FY26E	FY27E	FY28E
Volume (mmscmd)	9.3	9.6	8.9	9.9	10.9
Average realization (INR per SCM)	45.9	46.9	47.1	48.9	49.3
Average cost of gas (INR per SCM)	36.3	37.2	36.5	38.4	38.8
Gross gas spread (INR per SCM)	9.5	9.7	10.5	10.5	10.5
EBITDA per SCM (INR per SCM)	5.5	5.3	5.9	5.6	5.6

Source: Company, Elara Securities Estimate

Exhibit 4: Valuation

(INR per share)	
Present value of FCFE from FY28E to FY50E	298
Present value of terminal value	71
Enterprise value	370
Add: Net Cash	24
Add: Additional value on amalgamation with group companies	55
Target price (INR)	449

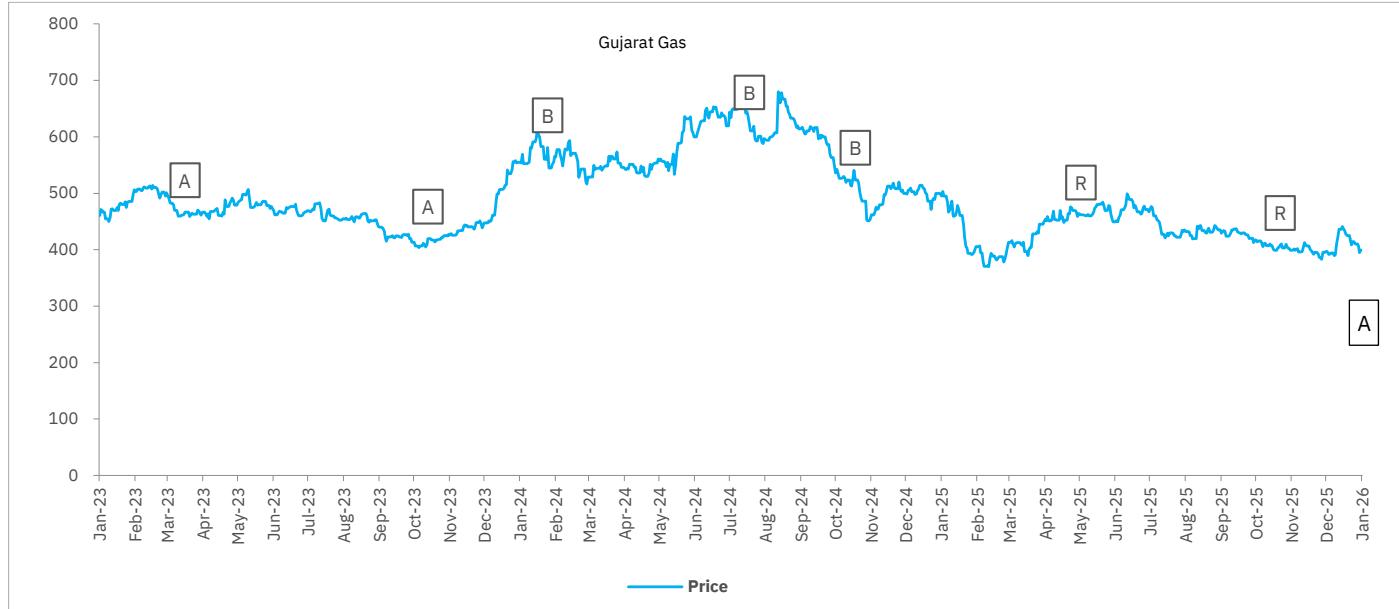
Source: Elara Securities Estimate

Exhibit 5: Change in estimate

(INR mn)	Earlier			Revised			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	157,503	178,736	199,440	153,293	176,315	196,662	(2.7)	(1.4)	(1.4)
EBITDA	17,781	19,672	21,466	19,110	20,369	22,463	7.5	3.5	4.6
EBITDA margin (%)	11.3	11.0	10.8	12.5	11.6	11.4	117.7	54.7	65.9
PAT	10,594	11,864	13,056	11,860	12,485	13,916	12.0	5.2	6.6
EPS (INR)	15.4	17.2	19.0	17.2	18.1	20.2	12.0	5.2	6.6
TP (INR)	409			449			9.8		
Rating	Reduce			Accumulate					

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
03-Aug-2022	Accumulate	505	463
10-Nov-2022	Accumulate	564	495
06-Apr-2023	Accumulate	521	466
03-Nov-2023	Accumulate	491	419
15-Feb-2024	Buy	745	581
08-Aug-2024	Buy	780	622
08-Nov-2024	Buy	666	523
18-Nov-2024	Reduce	467	453
23-May-2025	Reduce	443	463
12-Nov-2025	Reduce	409	408
21-Jan-2026	Accumulate	449	399

Guide to Research Rating

BUY (B) Absolute Return >+20%

ACCUMULATE (A) Absolute Return +5% to +20%

REDUCE (R) Absolute Return -5% to +5%

SELL (S) Absolute Return < -5%

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India
Elara Securities (India) Private Limited
One International Center, Tower 3,
21st Floor, Senapati Bapat Marg,
Elphinstone Road (West)
Mumbai – 400 013, India
Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
6th Floor, The Grove,
248A Marylebone Road,
London, NW1 6JZ,
United Kingdom
Tel : +44 20 7486 9733

USA
Elara Securities Inc.
230 Park Avenue, Suite 2415,
New York, NY 10169, USA
Tel: +1 212 430 5870
Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Asia) Pte.Ltd.
One Marina Boulevard,
Level 20,
Singapore 018989
Tel : +65 6978 4047



**Managing
Director**

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



**Head of
Research**

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558
Himani Sanghavi - himani.sanghavi@elaracapital.com - +91 22 6164 8586



**India, APAC &
Australia**

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567
Suyash Maheshwari - suyash.maheshwari@elaracapital.com - +91 22 4204 8698



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



**Corporate
Access,
Conference &
Events**

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited

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Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509