

Pick of the week

GSPL (GUJS)

Recommendation:	BUY
Target Price:	₹465
Current Price:	₹375
Time Period:	12 Months
Date:	8th April 2024



- We raise FY25-26E EBITDA (Earnings Before Interest, Tax, depreciation and Amortization) by 3-6% as GSPL realizes higher tariff on volumes swapped with Mehsana-Bhatinda pipeline.
- We revise our fair value to Rs465 on higher GUJGA valuation (post recent run-up, Rs61/share increase), lower WACC (Weighted average cost of capital) of 12% (versus 12.5% earlier) and roll-forward for GSPL's standalone business.
- We expect the company to report an EPS (Earning per share) of Rs.18.2 in FY25E and Rs.19.4 in FY26E.
- We continue to value GUJS standalone on DCF (Discounted Cash Flow) and ascribe 35% holdco discount to ~54% Gujarat Gas stake.
- We believe the holdco discount could narrow with rising shareholder returns from higher dividends and potential buyback post Gujarat government's policy for boosting shareholder returns.
- Retain BUY.