

Gujarat State Petronet Limited

Gas Transmission

Key Highlights:

- GSPL reported revenue of ₹2876 Mn in Q1FY12 as compared to ₹2580 Mn in Q4FY11 (11.5% increase Q-o-Q) and ₹2545 Mn in Q1FY11 (13% increase Y-o-Y). Revenue consisted of ₹2719 Mn from gas transmission business and ₹159 Mn from sale of electricity from its windmill project.
- Gas transmission volumes were up 4.5% Q-o-Q at 37.2 MMSCMD on account of pick up in volumes from Petronet LNG which ran at 105% capacity utilization in Q1FY12. On a Y-o-Y basis, volumes were up 1.2%. We expect volumes to be at 38 MMSCMD in FY12.
- Transmission tariffs in Q1FY12 were robust at ₹813/TSCM as per our expectations on account of more gas being transported from Petronet LNG which has to travel for a longer distance. We expect transmission tariffs to hover around ₹800/TSCM for next 2 years. On a Q-o-Q basis, transmission tariffs were up 3% while on a Y-o-Y basis they were up by 6.5%.
- EBITDA margins improved by 209 bps from 90.1% in Q4FY11 to 92.2% in Q1FY12. The improvement can be attributed to decrease in the administrative and other expenses from ₹120 Mn in Q4FY11 (4.71% of sales) to ₹59 Mn in Q1FY12 (2.07% of sales)
- Depreciation stood at ₹453 Mn in Q1FY12 showing a decline of 34.1% on a Y-o-Y basis as the company changed its depreciation rate from 8.33% in the Q1FY11 to 3.17% in Q1FY12.
- Interest expense stood at ₹324 Mn in Q1FY12 as compared to ₹236 Mn in Q4FY11 and ₹224 Mn in Q1FY11.
- Tax rate stood at 29.7% in Q1FY12 as compared to 35.3% in Q4FY11 and 31.2% in Q1FY11.
- PAT for the quarter was up 30.7% Y-o-Y to ₹1374 Mn as compared to ₹1051 Mn in Q1FY11 and was down 8.8% on a Q-o-Q basis. PAT margins were 48.3% in Q1FY12 as compared to 41.7% in Q1FY11 and 59.0% in Q4FY11.

Outlook & Valuation: We expect transmission volumes to be 38 MMSCMD in FY12 and 40 MMSCMD in FY13 with incremental volumes coming from R-LNG (Petronet LNG and Shell terminals). Further we expect the transmission tariffs to hover around ₹800/TSCM in FY12 and FY13. We continue to maintain **Accumulate** rating on the stock with a target price of ₹114/share (₹106/share for its core natural gas transmission business and ₹8/share for its investment in CGD business). At CMP, the stock trades at a P/E of 11.7x and 11.9x and EV/EBITDA of 7.2x and 7.3x for FY12E and FY13E respectively.

Financial Performance of the Company

Particulars	FY09	FY10	FY11A	FY12E	FY13E
Revenue (₹ Mn)	4875	9920	10465	10944	11520
Growth (Y-o-Y)	16.7%	103.5%	5.5%	4.6%	5.3%
EBIDTA Margins	87.2%	93.7%	92.6%	93.2%	93.2%
PAT (₹ Mn)	1229	4119	5064	4892	4824
PAT Margins	25.2%	41.5%	48.4%	44.7%	41.9%
EPS	2.19	7.37	9.00	8.70	8.57
P/E (x)	46.5	13.8	11.3	11.7	11.9
P/BV (x)	4.7	3.7	2.9	2.4	2.0
EV/EBIDTA (x)	16.0	7.3	7.2	7.2	7.3

Source: Company, ULJK Research

Quarterly Update

Accumulate

GUJS IN, GSPT.BO

CMP: ₹102

Price Target: ₹114

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ULJK Financial Services Private Limited

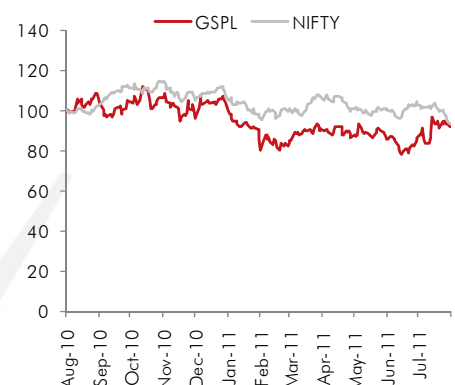
Market Data

Market Cap. (₹ Mn)	57383
Outstanding Shares (Mn)	562.6
52 Week High/Low (₹)	128/76
Avg. Volume ('000s)	1839
Face Value	10

Shareholding

	%
Promoter	37.74
MF/ Banks/ Indian Fis	32.15
FII/ NRIs/ OCB	8.20
Indian Public/ Others	21.91

Nifty and Stock Movement



Please refer to the important disclosures and analyst certifications at the end of the document

GSPL Quarterly Financial Performance

Particulars (Rs Mn)	Q1FY12	Q1FY11	y-o-y	Q4FY11	q-o-q
Income from Operations	2876	2545	13.0%	2580	11.5%
Total expenditure	224	137	63.6%	255	-12.2%
EBITDA	2652	2409	10.1%	2326	14.1%
EBITDA Margins	92.2%	94.6%	(241 bps)	90.1%	209 bps
Depreciation	453	687	-34.1%	(173)	-361.5%
EBIT	2200	1721	27.8%	2499	-12.0%
EBIT Margins	77.4%	68.4%	902 bps	97.9%	(2056 bps)
Other income	79	30	163.2%	68	15.3%
Interest	324	224	44.4%	236	37.3%
PBT	1954	1527	28.0%	2331	-16.2%
Total Tax	581	476	22.1%	825	-29.6%
PAT	1374	1051	30.7%	1506	-8.8%
PAT Margins	48.3%	41.7%	658 bps	59.0%	(1072 bps)
EPS	2.44	1.87	30.7%	2.68	-8.8%

bps: basis points

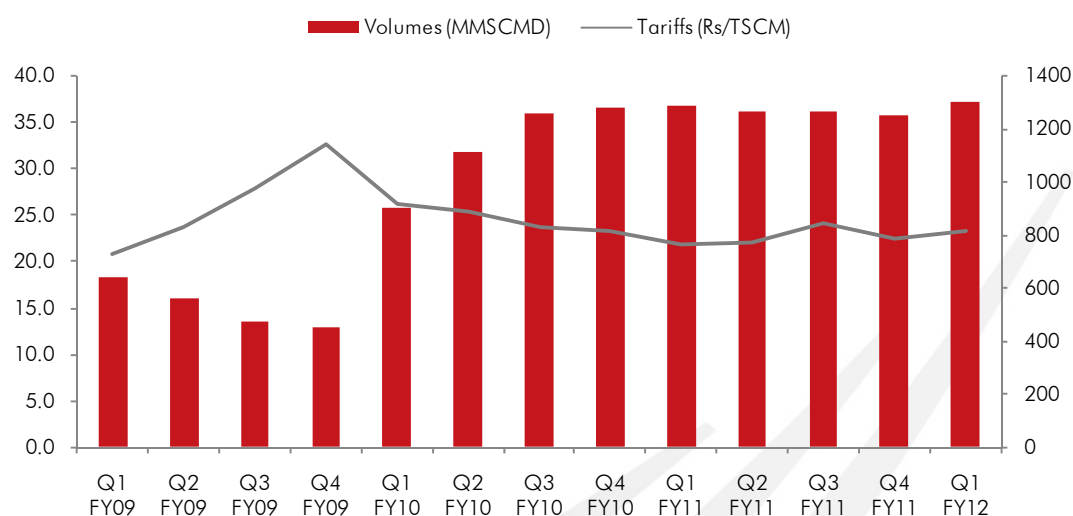
Source: Company, ULJK Research

GSPL Quarterly Operational Performance

Particulars	Q1FY12	Q1FY11	y-o-y	Q4FY11	q-o-q
Gas Transported (MMSCMD)	37.2	36.7	1.2%	35.6	4.5%
Average Gas Transmission Tariffs Charges (Rs per TSCM)	813	763	6.5%	790	3.0%

Source: Company, ULJK Research

GSPL's Quarterly Transmission Volume and Tariff trend



Source: Company, ULJK Research

Financial Statements

₹ in Millions

Income Statement

Particulars	FY09	FY10	FY11A	FY12E	FY13E
Income from Operations	4,875	9,920	10,465	10,944	11,520
Total expenditure	626	622	772	744	783
EBITDA	4,249	9,297	9,694	10,200	10,737
EBITDA Margins	87.2%	93.7%	92.6%	93.2%	93.2%
Depreciation	1,705	2,365	1,299	1,419	1,593
EBIT	2,544	6,933	8,394	8,781	9,144
EBIT Margins	52.2%	69.9%	80.2%	80.2%	79.4%
Other income	232	247	216	192	202
Interest	870	938	961	1,647	2,122
PBT	1,907	6,242	7,650	7,326	7,223
Total Tax	678	2,123	2,586	2,433	2,399
PAT	1,229	4,119	5,064	4,892	4,824
PAT Margins	25.2%	41.5%	48.4%	44.7%	41.9%
EPS	2.19	7.37	9.00	8.70	8.57

Cash Flow Statement

Particulars	FY09	FY10	FY11A	FY12E	FY13E
Profit before Tax	1,913	6,242	7,650	7,326	7,223
Depreciation	1,706	2,365	1,299	1,419	1,593
Change in Working Capital	(1,752)	1,420	(3,856)	2,621	(46)
Direct Taxes	(500)	(1,959)	(1,351)	(2,433)	(2,399)
Cash Flow from Operations	2,037	8,863	5,693	8,823	8,257
Capital Expenditure	(4,579)	(7,777)	(5,803)	(5,000)	(5,000)
Cash Flow from Investing	(4,283)	(7,617)	(5,903)	(10,000)	(11,340)
Equity Raised	2	5	16	0	0
Debt Raised	1,849	1,086	2,239	5,001	5,000
Dividend Paid and tax on dividend	(329)	(493)	(656)	(658)	(658)
Cash Flow from Financing	652	(479)	859	2,871	2,422
Net Change in Cash	(1,594)	767	648	1,694	(662)
Opening Cash & Cash Eq	2,569	975	1,742	2,390	4,084
Closing Cash & Cash Eq	975	1,742	2,390	4,084	3,423

Balance Sheet

Particulars	FY09	FY10	FY11A	FY12E	FY13E
Source of Funds					
Share capital	5,621	5,624	5,626	5,626	5,626
Reserves & surplus	6,531	10,014	14,424	18,658	22,824
Networth	12,152	15,638	20,050	24,284	28,450
ESOPs	0	0	16	16	16
Total Debt	11,509	12,595	14,835	19,835	24,835
Deferred tax Liability (Net)	1,144	1,405	2,641	2,641	2,641
TOTAL	24,805	29,639	37,541	46,760	55,926
Application of Funds					
Net Block	17,686	24,368	31,817	35,898	39,805
Capital WIP	6,446	6,491	3,546	3,046	2,546
Investments	356	666	766	5,766	12,106
Current assets, loans & adv					
Sundry debtors	544	753	698	1,049	1,105
Inventories	926	223	623	1,499	1,578
Cash & bank balance	975	1,742	2,390	4,084	3,423
Other Current Assets	153	129	167	167	167
Loans & advances	3,018	3,600	5,120	3,830	4,032
Less: Current Liab & provisions					
Current liabilities	3,742	4,848	2,894	5,454	5,741
Provisions	1,590	3,486	4,692	3,128	3,094
Net current assets	284	(1,889)	1,410	2,048	1,469
Misc Expenditure	33	3	2	2	0
TOTAL	24,805	29,639	37,541	46,760	55,926

Source: Company, ULJK Research

Key Ratios

Particulars	FY09	FY10	FY11A	FY12E	FY13E
Per Share Data					
EPS (in ₹) (Basic)	2.2	7.4	9.0	8.7	8.6
CEPS (in ₹)	5.2	11.6	11.3	11.2	11.4
Book Value (in ₹)	21.6	27.8	35.6	43.2	50.6
Growth Ratios					
Sales	16.7	103.5	4.8	5.3	5.3
PAT	23.4	236.2	22.1	(3.4)	(1.4)
Profitability Ratios (%)					
EBITDA Margin	87.2	93.7	93.3	93.2	93.2
Net profit Margin	25.3	41.8	48.7	44.7	41.9
RoCE	12.1	28.0	24.2	21.3	18.2
RoE	10.1	26.5	25.3	20.1	17.0
Valuation Matrix (x)					
PE	46.5	13.8	11.3	11.7	11.9
PE to cash earnings	19.5	8.8	9.0	9.1	8.9
P/BV	4.7	3.7	2.9	2.4	2.0
EV/EBITDA	16.0	7.3	7.2	7.2	7.3
EV/Sales	13.9	6.9	6.7	6.7	6.8
Leverage Ratio					
Debt/Equity Ratio	0.95	0.81	0.74	0.82	0.87
Interest Coverage Ratio	2.93	7.39	8.74	5.33	4.31

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Disclosure Appendix

ULJK Financial Services Pvt Ltd: (Time range– 12 months)

BUY: Returns>20%; **ACCUMULATE:** 5%<Returns<20% ; **HOLD:** -5%<Returns<5%, **REDUCE** -20%<Returns<-5% and **SELL:** Returns<-20%

Analyst(s) holding in the Stock : Nil

Analyst Certification

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