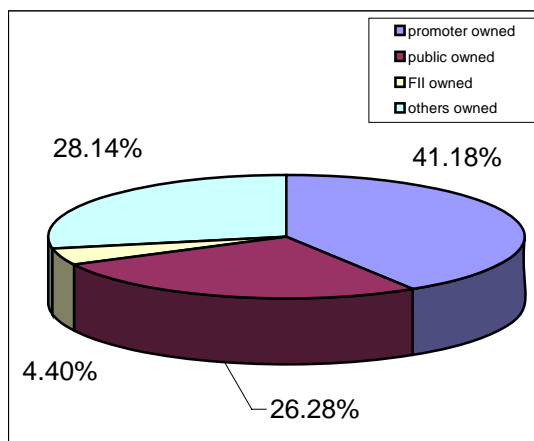


Stock statistics	22 December 2007
Market Cap (Rs Mn)	: 29840.40
52-Week high/low (Rs)	: 203/86.5
Face value	: 10
BSE Code	: 500670
NSE Code	: GNFC
Industry	: FERTILIZERS
Shares outstanding	: 155,418,783
Avg. daily vol. (30 days)	: 45.9

Shareholding Pattern (as on 30 Sep'07)



Key Statistics (as on 22 December 2007)

CMP	: 192.65
BV	: 50.27
PE	: 8.19
PB	: 3.82
Beta	: 1.20
Turnover (Rs Mn)	: 14.06
Net worth (Rs Mn)	: 7813.7

The Government of Gujarat and the Gujarat State Fertilizer Company Ltd. in 1976 jointly incorporated GNFC. Basically an agro-based company, it has expanded its horizons towards electronics and Information Technology fields. It imports and trades in Urea, Ammonium Nitro phosphate, Calcium Ammonium nitrate, diammonium phosphate and muriates of potash. The company has secured the credit of setting up the world's largest single stream, fuel based ammonia-urea plant. The company manufactures chemicals like methanol, acetic acid, formic acid, methyl formate etc. It has by far been the largest producer of formic acid, acetic acid and methanol in India. The Govt. of Gujarat has entrusted GNFC the work of development of IT in the state and it is the landmark of the company to become a multinational company.

	(In Mn)				
	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08
Sales	6878.30	5230.80	8016.90	5736.40	11411.80
EBIT	1123.40	825.20	1636.40	1188.00	1824.50
EBIDTA	1332.40	1037.60	1918.20	1458.80	2099.60
PAT	739.50	521.90	1121.80	757.90	1205.80
Equity capital	1464.80	1464.80	1554.20	1554.20	1554.20
EPS	5.05	3.56	7.22	4.88	7.76
Operating profit margin (%)	17.77	16.86	22.75	24.52	16.33
Net profit margin (%)	10.75	9.98	13.99	13.21	10.57
EBIDTA margin (%)	19.37	19.84	23.93	25.43	18.40

The company has posted tremendous results in the quarter-ended Sep 07, with the top line surging by 65.91% taking the sales to Rs 11411.80 million. EBIT and EBIDTA have shown a phenomenal rise of 62% and 58% respectively. Even the bottom line has witnessed an exponential rise of 63% with the profits jumping to Rs 1205.80 million in Q2FY08. The OPM and NPM remained almost flat at 16.33% and 10.57% respectively. The EPS stood at Rs 23.42 (TTM basis).

The company being a pioneer in its sector has extremely sound financial position and has almost doubled its fertilizer revenue in Q2FY08. The company has been on its way to shift the feedstock of the ammonia plants from LSHS to Natural gas and revamping of the urea plant bringing the benefits of reduced cost and efficient fuel utilization to its operations. Reduction of import duty by the govt. on capital goods to 7.5% has proved helpful to the company in reducing its investments costs. Rigorous efforts undertaken by the company to push the sales of MOP, SSP, DAP are expected to take the turnover of the company to higher levels. The IT initiative of the company, GNFC Infotower is gaining huge ground on the back of its international standards and is the host to the largest call centers of the area.

VALUATION

The company has shown extreme fundamental strength, which makes it a value pick. The company has survived the cyclical pattern of the fertilizer industry quite efficiently and its diversified business operations make us extremely bullish about the stock. Therefore, we initiate a BUY signal on the stock at CMP of 192, which is about 8.19 times to its earnings and 3.82 times to its book value with a target of Rs 350 in medium to long term investment horizon.

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