

Gujarat State Petronet Ltd (GSPL)

Gas Transmission

We recently met the management of Gujarat State Petronet Ltd (GSPL) & following are the key takeaways from the meeting.

Company Description:

Gujarat State Petronet Ltd, a subsidiary of GSPC Group (Gujarat State Petroleum Corporation) is in the business of gas transmission on an open access basis (transmission capacity available to all shippers on a non-discriminatory basis) in the state of Gujarat. With a network of 1692 km of transmission pipeline infrastructure, GSPL currently transmits around 37 MMSCMD of gas.

Key Strengths & positive triggers:

- Strong parentage with GSPC Group holding 37.74% stake
- Consistent performer - 3 year CAGR
 - ◊ Revenue - 46%
 - ◊ EBITDA - 51%
 - ◊ PAT - 67%
- GSPL has a pipeline infrastructure (trunk as well as spur pipelines) of 1692 km in the state of Gujarat and expects to commission 500 km in next two quarters
- GSPL plans to extend its pipeline network to 2500 km by FY13 in the state of Gujarat.
- Currently GSPL transmits around 37 MMSCMD of gas with the major clients as follows
 - ◊ RIL - 50%
 - ◊ Petronet LNG - 30-35%
 - ◊ Shell, GSPC, Cairn India, etc - 15-20%
- The management has given a guidance of 40 MMSCMD in FY12 due to increased sourcing of LNG by Petronet LNG and Shell
- The management does not expect transmission tariffs for the existing pipelines to fall below Rs 750 per TSCM
- Tariff notification from PNGRB for existing pipelines is expected in 3 to 6 months time
- GSPL will incur a capital expenditure of Rs 500 - 600 Cr each year for next 2 years to develop the transmission pipeline infrastructure in the state of Gujarat. The capex will be funded through debt and internal accruals.

Financial Performance of the Company

	FY2008	FY2009	FY2010
Revenue (Rs Mn)	4,179	4,875	9,920
EBITDA (Rs Mn)	3,645	4,279	9,325
Net Profit (Rs Mn)	999	1,259	4,146
EBITDA Margins (%)	87.2%	87.2%	93.7%
EPS	1.8	2.2	7.4
P/E (x)	53.1	43.8	13.1
P/BV (x)	4.7	4.4	3.5
EV/EBITDA (x)	16.8	15.2	7.0
EV/Sales (x)	14.6	13.3	6.5
ROCE (%)	11.3%	12.1%	28.0%
RONW (%)	8.8%	10.1%	26.5%

Source: Company, ULJK Research

Management Visit Note

Not Rated

GUJS IN, GSPT.BO

CMP: ₹96

Price Target: Under Review

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ULJK Financial Services Private Limited

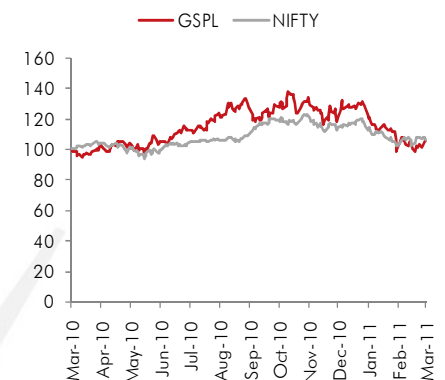
Market Data

Market Cap. (Mn)	54108
Outstanding Shares (Mn)	562.5
52 Week High/Low	128/86
Avg Volume	15,61,397
Face Value	10

Shareholding

	%
Promoters	37.74
MF/Banks/DII	30.62
FII/NRIs/OCB	11.33
Indian Public/Others	20.31

Nifty and Stock Movement



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

- GSPL recently won three cross-country pipeline bids in consortium with IOC (26%), BPCL (11%) and HPCL (11%)
 - ◊ Mallavaram (Andhra Pradesh) to Bhilwara (Rajasthan)
 - ◊ Length - 1595 km
 - ◊ Capacity - approximately 30 to 40 MMSCMD
 - ◊ Mehsana (Gujarat) to Bhatinda (Punjab)
 - ◊ Length - 1670 km
 - ◊ Capacity - approximately 15 to 20 MMSCMD
 - ◊ Bhatinda (Bhatinds) - Srinagar (Jammu and Kashmir)
 - ◊ Length - 740 km
- GSPL expects Letter of Intent from PNGRB for new pipelines in next 3 to 6 months.
- The company expects the approval for changing its depreciation rate from 8.75% to 3.17% by the end of FY11 in order to bring it on par with GAIL
- GSPL holds 36.51% stake in GSPC Gas (currently selling around 3.60 MMSCMD of natural gas) and 13.75% stake in Sabarmati Gas (currently selling around 0.85 MMSCMD of natural gas)
- GSPL expects its Wind Power Project of 52.5 MW at Maliya Miyana (Rajkot) and Gorsar (Porbandar) to commission by the end of FY11.

Valuation and Outlook:

GSPL expects transmission volumes to be up at 40 MMSCMD in FY12. Return ratios look favorable with RoCE of 28% and RoNW of 26% (FY10). At CMP of Rs. 96, GSPL trades at a PE multiple of 13.1 and P/BV multiple of 3.5 which looks attractive. We intend to initiate coverage on the stock and recommend it with a positive outlook.

Financial Statements
in ₹ Million

INCOME STATEMENT				CASH FLOW STATEMENT			
	FY2008	FY2009	FY2010		FY2008	FY2009	FY2010
Income from Operations	4,179	4,875	9,920	Cash Flow from Operating Activities	6,018	2,037	8,863
Total expenditure	534	596	594	Cash Flow from Investing Activities	(6,218)	(4,283)	(7,617)
EBITDA	3,645	4,279	9,325	Cash Flow from Financing Activities	958	652	(478)
Depreciation	1,632	1,705	2,365	Net increase/(decrease) in cash	758	(1,594)	767
EBIT	2,013	2,574	6,960	Opening cash & cash equivalents	1,811	2,569	975
Other income	294	232	247	Closing cash & cash equivalents	2,569	975	1,743
Interest	815	870	938				
PBT	1,491	1,937	6,270				
Total Tax	492	678	2,123				
PAT	999	1,259	4,146				

BALANCE SHEET				RATIOS			
	FY2008	FY2009	FY2010		FY2008	FY2009	FY2010
<u>Source of Funds</u>				<u>Per Share Data</u>			
Share capital	5,620	5,621	5,624	EPS (Rs) (Basic)	1.8	2.2	7.4
Reserves & surplus	5,789	6,531	10,014	CEPS (Rs)	4.7	5.2	11.6
Networth	11,410	12,152	15,638	Book Value (Rs)	20.3	21.6	27.8
Total Debt	9,660	11,509	12,596	<u>Growth Ratios</u>			
Deferred tax Liability (Net)	999	1,144	1,405	Sales	31.6%	16.7%	103.5%
TOTAL	22,069	24,805	29,639	PAT	11.8%	23.4%	236.2%
<u>Application of Funds</u>				EPS Growth	9.7%	21.2%	236.0%
Net Block	15,371	17,686	24,368	<u>Profitability Ratios (%)</u>			
Capital WIP	5,888	6,446	5,387	EBITDA Margin	87.2%	87.2%	93.7%
Investments	356	356	666	Net profit Margin	23.9%	25.3%	41.8%
<u>Curr assets, loans & adv</u>				ROE	8.8%	10.1%	26.5%
Sundry debtors	416	544	753	<u>Valuation Matrix</u>			
Inventories	397	926	1,327	PE (x)	53.1	43.8	13.1
Cash & bank balance	2,569	975	1,742	PE to cash earnings	20.5	18.4	8.3
Other Current Assets	234	153	129	P/BV	4.7	4.4	3.5
Loans & advances	1,880	3,018	3,600	EV/EBIDTA (x)	16.8	15.2	7.0
<u>Less: CL & Prov</u>				EV/Sales (x)	14.6	13.3	6.5
Current liabilities	4,199	3,742	4,848	Mcap/Sales (x)	12.9	11.1	5.5
Provisions	907	1,590	3,486	<u>Leverage Ratio</u>			
Net current assets	391	284	(785)	Debt/Equity Ratio	0.8	0.9	0.8
Misc Expenditure	63	33	3	Interest Coverage Ratio	2.5	2.9	7.4
TOTAL	22,069	24,805	29,639				

Source : Company, ULJK research

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Disclaimer 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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