

## Quarterly Result Update

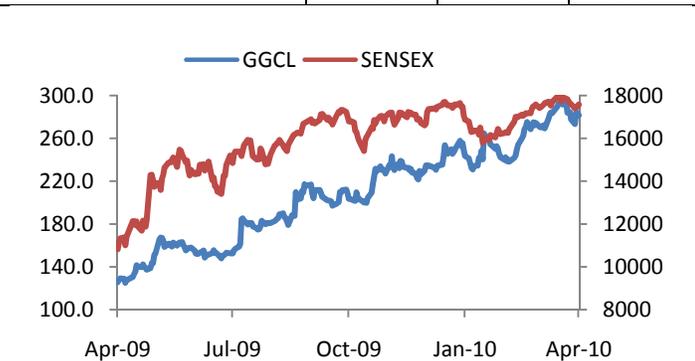
## Gujarat Gas Company Ltd

<b>Recommendation</b>	<b>Not Rated</b>
<b>CMP (23/04/2010)</b>	<b>Rs. 282.0</b>
<b>Sector</b>	<b>Oil and Gas</b>

### Stock Details

BSE Code	523477
NSE Code	GUJRATGAS
Bloomberg Code	GGAS IN
Market Cap (Rs. Cr)	3617.0
Free Float (%)	34.88%
52- wk Hi/Lo	298.0/125.0
Avg. volume-BSE (Monthly)	680323
Face Value	Rs.2.00
Dividend (CY09)	400%
Shares o/s (Cr)	12.82

Relative Performance	1Mth	3Mth	1 Yr
<b>GGCL</b>	4.39%	16.94%	121.25%
<b>SENSEX</b>	1.39%	5.45%	58.91%



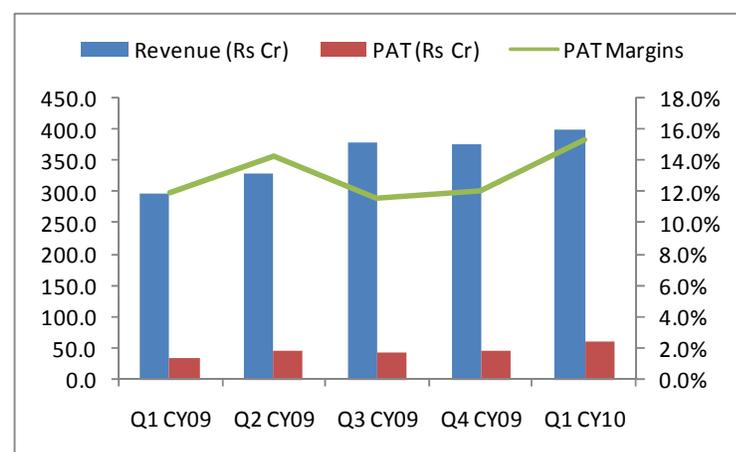
### Shareholding Pattern as of 31/03/2010

Promoters Holding	65.12%
Institutional (Incl. FII)	23.57%
Corporate Bodies	1.43%
Public & others	9.88%

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### Snapshot

Gujarat Gas Company Limited (GGCL), a subsidiary of BG Group plc (65.12%), is India largest private sector natural gas distribution company. It distributes approximately 3.2 MMSCMD of natural gas in the state of Gujarat to the entire range of customers - Industrial, Commercial, Domestic and CNG vehicles. The company's areas of operation is spread across various districts of Gujarat, including Surat, Bharuch and Ankaleshwar where it enjoys exclusive distribution rights.



Source: Nirmal Bang Research

	Q1 CY10	Q1 CY09	Q4 CY09
Gas Volumes Sold (MMSCM)	<b>291</b>	<b>232</b>	<b>274</b>
Gross Gas Spread (Rs per SCM)	<b>4.26</b>	<b>3.34</b>	<b>4.03</b>
Revenue (Rs Cr)	<b>401.4</b>	<b>296.8</b>	<b>377.9</b>
PAT (Rs Cr)	<b>61.4</b>	<b>35.7</b>	<b>46.0</b>
PAT Margins	<b>15.3%</b>	<b>12.0%</b>	<b>12.2%</b>

Source: Nirmal Bang Research

Year	Net Sales	Growth %	EBITDA	Margin %	PAT	EPS	PE	P/BV	ROE %
CY 2007A	1,213.6	29.6%	251.3	20.71%	152.95	11.93	23.6	6.1	26.2%
CY 2008A	1,273.9	5.0%	235.2	18.47%	160.65	12.53	22.5	5.0	22.3%
CY 2009A	1,386.9	8.9%	279.5	20.15%	174.17	13.58	20.7	4.0	19.5%

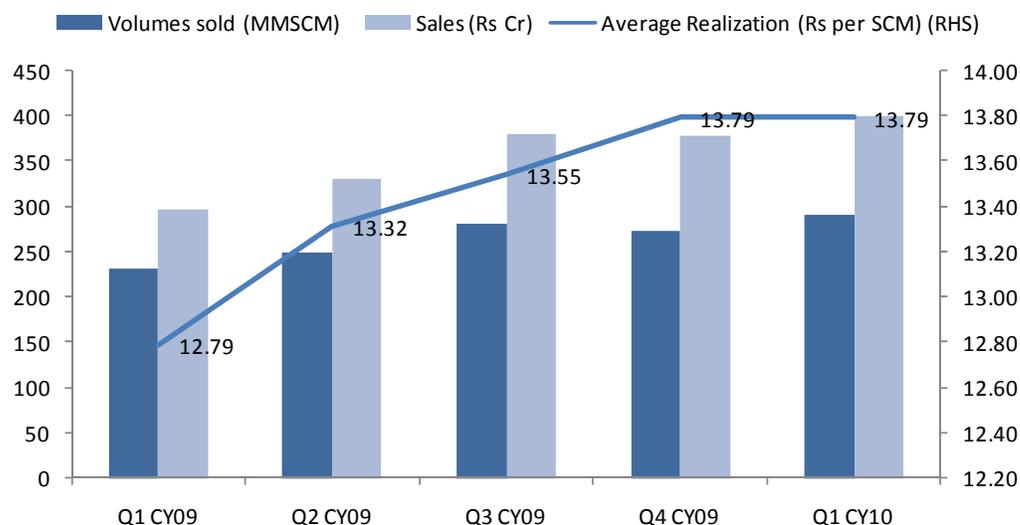
**Quarterly Performance**

Particulars (Rs. Cr.)	Q1 CY10	Q1 CY09	y-o-y	Q4 CY09	q-o-q
Income from Operations	409.3	305.7	33.9%	386.1	6.0%
Total expenditure	307.3	250.2	22.8%	309.3	-0.6%
EBITDA	102.0	55.5	83.8%	76.9	32.7%
EBITDA Margins	24.9%	18.2%	677 bps	19.9%	501 bps
Depreciation	12.5	10.6	18.1%	12.7	-1.3%
EBIT	89.5	44.9	99.4%	64.2	39.4%
EBIT Margins	21.9%	14.7%	718 bps	16.6%	524 bps
Other income	3.9	7.1	-44.7%	6.3	-37.7%
Interest	0.03	0.03	9.1%	0.04	-27.4%
PBT	93.4	51.9	79.8%	70.4	32.6%
Total Tax	31.6	16.0	97.5%	24.2	30.8%
PAT	61.7	35.9	71.9%	46.2	33.5%
Minority Interest	0.3	0.2	83.7%	0.2	41.0%
Profit attributable to the group	61.4	35.7	71.8%	46.0	33.4%
PAT Margins	15.0%	11.7%	331 bps	11.9%	308 bps
EPS	4.79	2.79	71.8%	3.59	33.4%

Source: Nirmal Bang Research      bps: basis points

- GGCL reported revenues of Rs 409.3 Cr in Q1 CY10, a 33.9% increase over Rs 305.7 Cr in Q1 CY09. On a q-o-q basis it registered a growth of 6.0%. This robust increase is attributed to the fact that gas volumes sold in Q1 CY10 were 291 MMSCM compared to 232 MMSCM in Q1 CY09, an increase of 25% y-o-y.
- The company had an average realization of Rs 13.79 per SCM in Q1 CY10 as compared to Rs 12.79 per SCM in Q1 CY09 resulting in robust increase in revenues on y-o-y basis.
- EBIDTA has increased by 83.8% y-o-y from Rs 55.5 Cr in Q1 CY09 to Rs 102 Cr in Q1 CY10. Gross gas spread has increased from 3.34 Rs per SCM in Q1 CY09 to 4.26 Rs per SCM in Q1 CY10 resulting in improved EBIDTA margins for the company. EBIDTA margins in Q1 CY10 were 24.9% as compared to 18.2% in Q1 CY09.
- GGCL has reported a net profit of Rs 61.4 Cr in Q1 CY10 as compared to Rs 35.7 Cr, a 71.8% y-o-y increase. Whereas on a q-o-q basis it registered a growth of 33.4%. PAT margins improved by 331 bps from 11.7% in Q1 CY09 to 15.0% in Q1 CY10.

**Gas Volumes Sold and Revenue**



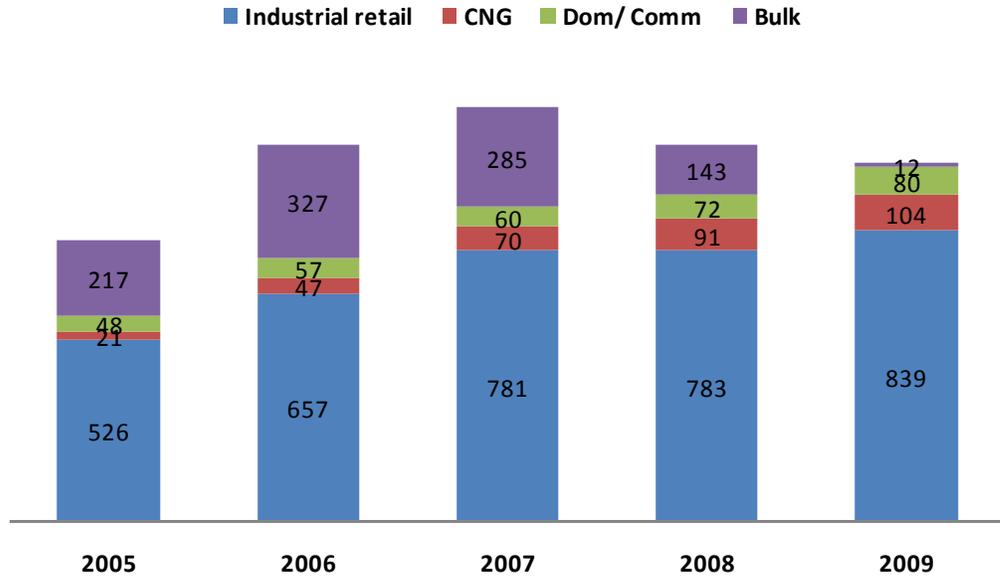
Source: Nirmal Bang Research

The gas volumes sold in Q1 CY10 were 291 MMSCM as compared to 232 MMSCM, an increase of 25% y-o-y. Growth in distribution volumes came largely from higher supplies of natural gas from indigenous sources and procurement of short term RLNG. While Panna Mukta Tapti (PMT) gas supplied by GAIL still constitute the highest share of gas sourcing mix, short term RLNG was purchased to supplement short term shortfall.

The company has received an allocation of 0.6 MMSCMD from KG D6 gas from the Government of India. Also the company is actively exploring options to procure firm RLNG for longer term growth. This should address the concerns regarding the supply of gas to GGCL.

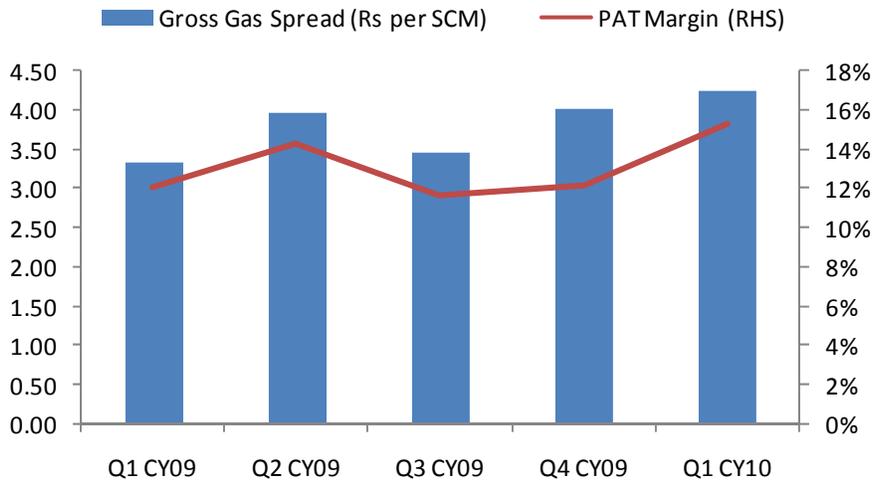
GGCL currently distributes gas to more than 280000 industrial, commercial and domestic customers through a pipeline network of approximately 3300 kms and CNG to over 115000 vehicles through 33 retail outlets. Industrial retail volumes grew partly as gas supplies increased and also as new customers were added. More than 5700 vehicles were converted to CNG during Q1 CY10. Also two new two new CNG outlets were added during the quarter.

**Natural Gas Distribution Mix (MMSCM)**



Source: Nirmal Bang Research

The gross gas spread in last few quarters has shown an improvement suggesting that the company has been successful in achieving its objective of acquiring high margin industrial retail customers and reducing the number of low margin industrial bulk customers.



Source: Nirmal Bang Research



**Outlook**

With management showing active interest in securing the long supply of gas through firm RLNG as well as Government of India allocating 0.6 MMSCMD of KG D6 gas, the supply concerns seems to be ebbing. Also the company is focused on increasing its high margin industrial retail client base and CNG customers, which gives us the confidence in the long term profitability of the company. At the current price of Rs 282.5 per share, the stock is trading at the PE of 14.7x annualized earnings of Q1 CY10 and looks good with a long term perspective.



**NOTE**

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