

August 9, 2011

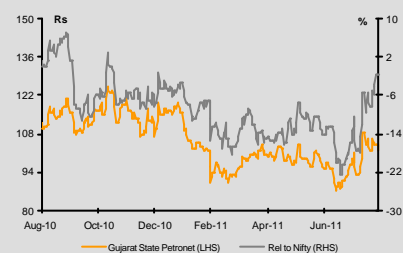
Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs. 102	Rs. 120
EPS change FY12E/13E (%)	NA
Target Price change (%)	NA
Nifty	5,119
Sensex	16,990

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	6	1	(8)
Rel. to Nifty	17	14	7	(2)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Oil & Gas
Bloomberg	GUJS@IN
Equity Capital (Rs mn)	5626
Face Value(Rs)	10
No of shares o/s (mn)	563
52 Week H/L	128/77
Market Cap (Rs bn/USD mn)	57/1,267
Daily Avg Volume (No of sh)	723989
Daily Avg Turnover (US\$m)	1.6

Shareholding Pattern (%)

	Jun-11	Mar-11	Dec-10
Promoters	37.7	37.7	37.7
FII/NRI	11.8	14.1	14.9
Institutions	19.7	19.0	18.2
Private Corp	6.0	5.5	5.4
Public	24.8	23.7	23.8

Source: Capitaline

Dhaval Joshi

dhaval.joshi@emkayglobal.com

+91 22 6612 1282

- Transmission tariff grew by 6.7% YoY & 4.2% QoQ to Rs.0.81/scm and volume grew marginally by 1.2% YoY & 3.4% to 36.8mmscmd
- EBIDTA at Rs.2.6bn, against Rs.2.4bn, growth of 10% YoY mainly due to higher realization and higher income from sale of electricity (Rs. 158mn against Rs.23.8mn a year ago)
- Profitability jumped by 30.7% to Rs.1.37bn YoY, due to change in depreciation rate policy plus lower tax paid on account of tax exemption on wind mill revenue/project
- Valuations look attractive at 9.8x FY13E EPS and 1.9x P/Bv, maintain BUY rating on the GSPL with TP of Rs.120

Highlights of the results

GSPL reported results which were in line with our estimates. Revenue for the quarter was at Rs. 2.8bn (against our expectation of Rs.2.7bn), growth of 13% YoY, mainly on account of higher transmission volume and better realisation. EBIDTA during the quarter was at Rs.2.6bn, growth of 10.1% YoY. During the quarter depreciation cost has significantly declined by 34% to Rs.0.4bn, mainly attributable to change in depreciation rate to 3.17%, resulting in a higher profitability for the quarter at Rs.1.5bn, growth of 39.7% YoY. Moreover, during the quarter company has paid lower tax of Rs.0.6bn (effective tax rate of 29.7% compared to actual tax rate of 33%) mainly on account of tax exemption on wind mill revenue/project, resulting in a higher profitability for the quarter.

Transmission tariff grew by 6.7% YoY & 4.2% QoQ to Rs.0.81/scm, but volume remains flat at 35.5mmscmd

Transmission tariff for Q1FY12 grew marginally by 6.7% YoY and 4.2% QoQ to Rs0.81/scm, mainly on account of marginal improvement in spot volumes during the quarter. However, transmission volume for the quarter stood at 3344.8mmscmd (36.8mmscmd) growth of 1.2% YoY and 3.4% on QoQ basis.

Expects transmission volume at 40mmscmd in FY12E and 45mmscmd in FY13E

GSPL expects transmission volume at 40mmscmd and 45mmscmd by FY12E and FY13E respectively backed by new demand from the gas based power plant, located at Hazira and Pipava (351 MW each) and from other industries. However we expect supply deficit to continue in the future also and this can only be met by imported RLNG at the reasonable price.

Valuations

The current volume growth for FY12E and FY13E is already priced in but due to expected reduction in KG D6 gas from current level of 50mmscmd would raised the concern on the future volume growth of the company. However valuation looks attractive at CMP of Rs.102. Currently stock trades at 9.8x FY13E EPS and 1.9x FY13E P/Bv, we maintain our BUY rating on the GSPL with target price of Rs.120.

Valuation table

Rs Mn	Net Sales	EBIDTA Core	EBIDTA (%)	APAT	AEPS	EPS % chg	RoE (%)	P/E	EV/EBIDTA	P/BV
FY10	10008	9413	94.1	4137	7.4	235.4	29.8	13.9	7.2	3.7
FY11	10465	9694	92.6	5064	9.0	22.4	28.4	11.3	7.4	2.9
FY12E	11320	10595	93.6	5453	9.7	7.7	24.3	10.5	6.8	2.3
FY13E	12342	11527	93.4	5865	10.4	7.6	21.4	9.8	6.1	1.9

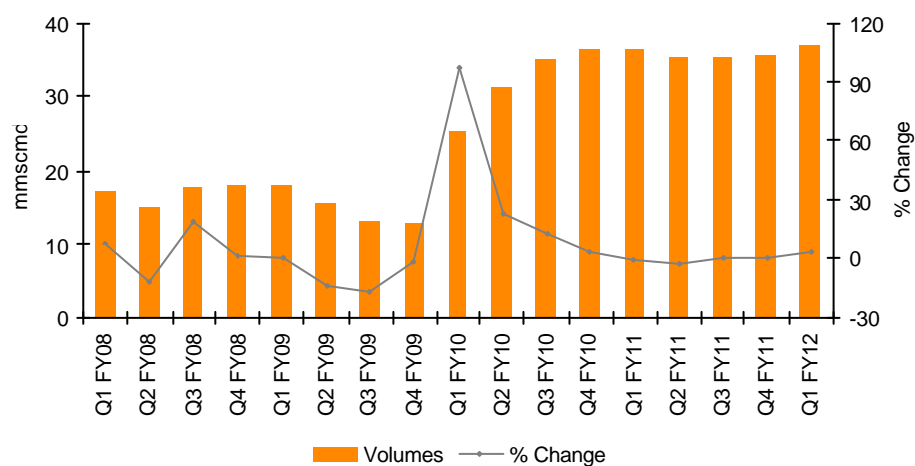
Financial Snapshot

Rs Mn

Rs mn	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	YoY (%)	QoQ (%)
Revenue	2545	2544.7	2795.2	2580.2	2876	13.0	11.5
Expenditure	136.5	208.3	172.2	254.42	223.4	63.7	-12.2
<i>as % of sales</i>	5.4	8.2	6.2	9.9	7.8		
Consumption of RM	0	0	0.0	0.0	0.0		
<i>as % of sales</i>	0.0	0.0	0.0	0.0	0.0		
Employee Cost	25.7	41.9	40.6	44.61	56.1	118.3	25.8
<i>as % of sales</i>	1.0	1.6	1.5	1.7	2.0		
Other expenditure	110.8	166.4	131.6	209.81	167.3	51.0	-20.3
<i>as % of sales</i>	4.4	6.5	4.7	8.1	5.8		
EBITDA	2408.5	2336.4	2623.0	2325.8	2652.6	10.1	14.1
Depreciation	687.1	759.78	25.4	-173.1	452.6	-34.1	-361.5
EBIT	1721.4	1576.7	2597.6	2498.9	2200.0	27.8	-12.0
Other Income	29.8	68.1	50.4	68.06	78.5	163.4	15.3
Interest	224.3	241.67	258.7	235.9	323.9	44.4	37.3
PBT	1526.9	1403.1	2389.3	2331.0	1954.6	28.0	-16.1
Total Tax	475.792	487.92	797.9	824.55	580.8	22.1	-29.6
Adjusted PAT	1051.1	915.2	1591.4	1506.5	1373.8	30.7	-8.8
(Profit)/loss from JV's/Ass/MI	0	0	0.0	0.0	0.0		
APAT after MI	1051.1	915.2	1591.4	1506.5	1373.8	30.7	-8.8
Extra ordinary items	0	0	0.0	0.0	0.0		
Reported PAT	1051.1	915.2	1591.4	1506.5	1373.8	30.7	-8.8
Reported EPS	1.87	1.63	2.83	2.68	2.44	30.7	-8.8

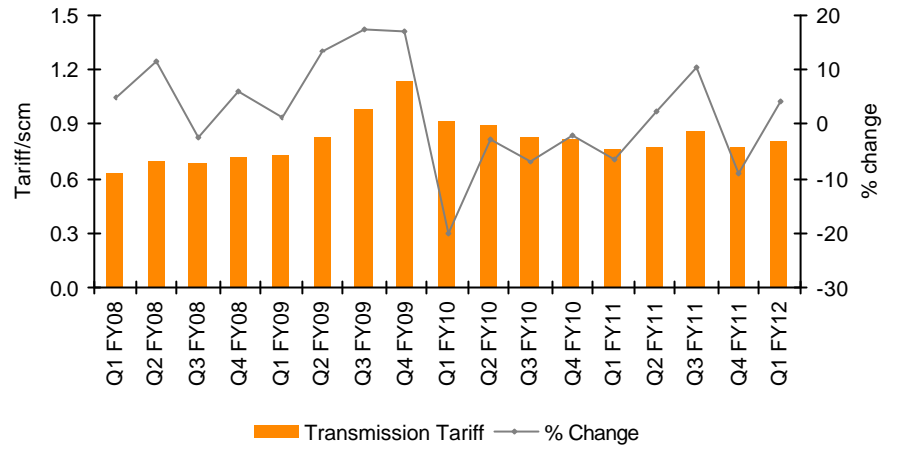
Margins (%)						(bps)	(bps)
EBIDTA	94.6	91.8	93.8	90.1	92.2	-240.4	209.3
EBIT	67.6	62.0	92.9	96.8	76.5	885.7	-2,035.3
EBT	60.0	55.1	85.5	90.3	68.0	796.6	-2,238.1
PAT	41.3	36.0	56.9	58.4	47.8	646.7	-1,061.9
Effective Tax rate	31.2	34.8	33.4	35.4	29.7	-144.6	-565.8

Transmission volume trend



Source: Company, Emkay Research

Transmission tariff trend



Source: Company, Emkay Research

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Net Sales	10008	10465	11320	12342
<i>Growth (%)</i>	105.3	4.6	8.2	9.0
Expenditure	595	771	724	815
Materials Consumed	0	0	0	0
Employee Cost	99	153	170	197
Other Exp	496	619	555	617
EBITDA	9413	9694	10595	11527
<i>Growth (%)</i>	121.8	3.0	9.3	8.8
EBITDA margin (%)	94.1	92.6	93.6	93.4
Depreciation	2365	1299	1309	1450
EBIT	7048	8395	9286	10077
EBIT margin (%)	70.4	80.2	82.0	81.7
Other Income	158	216	213	216
Interest expenses	938	961	1237	1406
PBT	6269	7650	8262	8887
Tax	2131	2586	2809	3022
<i>Effective tax rate (%)</i>	34.0	33.8	34.0	34.0
Adjusted PAT	4137	5064	5453	5865
<i>Growth (%)</i>	235.4	22.4	7.7	7.6
Net Margin (%)	41.3	48.4	48.2	47.5
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adjusted PAT After JVs/Ass/MI	4137	5064	5453	5865
E/O items	0.0	0.0	0.0	0.0
Reported PAT	4137	5064	5453	5865
PAT after MI	4137	5064	5453	5865
<i>Growth (%)</i>	235.4	22.4	7.7	7.6

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
PBT (Ex-Other income)	6269	7650	8262	8887
Depreciation	2365	1299	1309	1450
Interest Provided	938	961	1237	1406
Other Non-Cash items	0	0	0	0
Chg in working cap	1419	-2678	193	688
Tax paid	1958	2586	2809	3022
Operating Cashflow	8863	4430	7979	9194
Capital expenditure	-7777	-7000	-7000	-5000
Free Cash Flow	1086	-2570	979	4194
Other income	0	0	0	0
Investments	0	0	0	0
Investing Cashflow	-7617	-7000	-7000	-5000
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	1086	3000	701	-428
Interest Paid	-1075	-961	-1237	-1406
Dividend paid (incl tax)	-493	-658	-658	-658
Income from investments	0	0	0	0
Others	0	0	0	0
Financing Cashflow	-478	1598	-981	-2276
Net chg in cash	767	-973	-3	1918
Opening cash position	975	1742	769	767
Closing cash position	1742	769	767	2685

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	5624	5624	5624	5624
Reserves & surplus	10015	14421	19216	24424
Net worth	15639	20046	24841	30048
Minority Interest	0	0	0	0
Secured Loans	12145	15145	15845	15418
Unsecured Loans	450	450	450	450
Loan Funds	12595	15595	16295	15868
Net deferred tax liability	1405	1405	1405	1405
Total Liabilities	29639	37045	42541	47321
Gross Block	33255	38255	44255	47255
Less: Depreciation	8886	10185	11494	12944
Net block	24369	28070	32760	34311
Capital work in progress	5387	7387	8387	10387
Investment	666	666	666	666
Current Assets	7549	6522	7080	9595
Inventories	1327	1251	1444	1601
Sundry debtors	753	1061	1147	1251
Cash & bank balance	1742	769	767	2685
Loans & advances	3600	2580	2791	3043
Other current assets	129	860	930	1014
Current lia & Prov	8334	5599	6351	7636
Current liabilities	4848	4559	5174	6304
Provisions	3486	1039	1177	1332
Net current assets	-785	924	728	1959
Misc. exp	3	0	0	0
Total Assets	29639	37045	42541	47321

Key ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
EBITDA Margin	94.1	92.6	93.6	93.4
Net Margin	41.3	48.4	48.2	47.5
ROCE	26.5	25.8	23.9	22.9
ROE	29.8	28.4	24.3	21.4
RoIC	37.1	34.4	31.2	31.0
Per Share Data (Rs)				
EPS	7.4	9.0	9.7	10.4
CEPS	11.6	11.3	12.0	13.0
BVPS	27.8	35.6	44.2	53.4
DPS	1.0	1.0	1.0	1.0
Valuations (x)				
PER	13.9	11.3	10.5	9.8
P/CEPS	8.8	9.0	8.5	7.9
P/BV	3.7	2.9	2.3	1.9
EV / Sales	6.8	6.8	6.4	5.7
EV / EBITDA	7.2	7.4	6.8	6.1
Dividend Yield (%)	1.0	1.0	1.0	1.0
Gearing Ratio (x)				
Net Debt/ Equity	0.7	0.7	0.6	0.4
Net Debt/EBITDA	1.1	1.5	1.4	1.1
Working Cap Cycle (days)	-101.0	-78.4	-83.3	-102.1

Recommendation History: Gujarat State Petronet – GUJS IN

Date	Reports	Reco	CMP	Target
27/05/2011	GSPL Q4FY11 Result Update	Buy	97	120
14/02/2011	GSPL Q3FY11 Result Update	Buy	94	135
22/12/2010	Natural Gas Sector Report			

Recent Research Reports

Date	Reports	Reco	CMP	Target
01/08/2011	Indraprastha Gas Q1FY12 Result Update	Accumulate	412	425
28/07/2011	GAIL Q1FY12 Result Update	Accumulate	458	510
21/07/2011	Petronet LNG Q1FY12 Result Update	Buy	153	170
31/05/2011	IOCL Q4FY11 Result Update	Accumulate	320	381

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

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