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# Initiating Coverage Gujarat State Petronet Ltd.

27-May-2021



# Gujarat State Petronet Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Gas Transmission	Rs. 277.5	Buy at LTP & add more on dips to Rs 245-249 band	Rs. 307	Rs. 329	2 quarters

HDFC Scrip Code	GSPLTD
BSE Code	532702
NSE Code	GSPL
Bloomberg	GUJS IN
CMP May 26, 2021	277.5
Equity Capital (Rs cr)	564.0
Face Value (Rs)	10.0
Equity Share O/S (cr)	56.4
Market Cap (Rs cr)	15651
Book Value (Rs)	125.4
Avg. 52 Wk Volumes	858542
52 Week High	311.4
52 Week Low	177.5

Share holding Pattern % (Mar, 2021)	
Promoters	37.6
Institutions	47.2
Non Institutions	15.2
Total	100.0

## Fundamental Research Analyst

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### Our Take:

Gujarat State Petronet Ltd. (GSPL) continues to derive strength from its established position as the second largest player in the gas transmission business after GAIL in India. It operates at a strategic location (monopoly in Gujarat pipeline infrastructure) which connects to all major natural gas supply sources making it one of the leaders in this segment. Almost 62% of Gujarat state will be covered within the influence of DMIC (Delhi Mumbai Industrial corridor). Presently, the company transports over 35 MMSCMD of natural gas to around 133 customers including Refineries, Steel Plants, Fertilizer Plants, Petrochemical Plants, Power Plants, Glass industries, Textiles, Chemical, City Gas Distribution (CGD) Companies and other industries. Government's thrust to increase the share of natural gas (NG) in the energy basket from 6.3% to 15% by 2030, provides a strong visibility of sustainable and steady growth in NG consumption.

City Gas Distribution (CGD) is expected to be one of the fastest growing sectors in India which will increase the usage of CNG & PNG. Government of India has given major thrust to this sector by pushing expansion of CGD network across the country. PNGRB had invited bids in its 9th & 10th round for setting up CGD network in various parts of the country. In the long term, the company will be a beneficiary of increasing gas consumption and its connectivity to new LNG terminals in Gujarat. We estimate volumes at 45.2 mmscmd and 48.6 mmscmd for FY22E and FY23E, respectively.

GSPL, being one of the largest players in the gas transmission business, is expected to benefit even as it is expanding its network and sales efforts anticipating future demand. Increasing volumes backed by increase in demand coupled with expected tariff revision from PNGRB will increase profitability of the company. GSPL's robust volume outlook on the back of strong demand from CGD entities and the power sector, visibility of its earnings, stable margins and steady cash flows bring positive view on the stock. The upward revision of transmission tariffs by PNGRB is a positive for the stock and will lead to increased profitability. GSPL investments and large exposures in CGD entities like Gujarat Gas (54.4% stake) and Sabarmati Gas (27.5%) would also create value for investors in future.

### Valuation & Recommendation:

Natural gas contributes around ~7% of the overall energy mix in India and major consuming sectors are fertilizers, petrochemicals and sponge iron along with power and CGD (City Gas Distribution). Power & fertilizer sectors have always been the biggest contributor to India's total natural gas demand. Government's focus has been on providing easy access to Gas as a fuel and hence the PNGRB has allotted new geographical areas under 9<sup>th</sup> and 10<sup>th</sup> round of bidding for CGD. CGD sector would be adding up transportation volume in near future.

Further, infrastructure facilities for unloading, storage and re-gasification of imported LNG is also being improved by expansion at existing terminals and green-field capacities being established at various locations across the country. Therefore, increasing demand may lead to positive effect on volume growth front.

With a presence across the oil & gas value chain predominantly, the company has also interests in the regasification, transmission and distribution of gas. GSPL is also the parent company of city gas distributor, Gujarat Gas Ltd. With strong demand for gas, GSPL's open-access operating model, significant share in gas transmission business and its strong financial profile makes us positive on the stock. GSPL's holdings in CGDs (54.4% stake in GGAS and 27.5% stake in Sabarmati Gas) imply its standalone transmission business is undervalued.

**Taking the SOTP based valuation, we believe the base case fair value of the stock is Rs 307 (value of standalone business at 3.75x FY23E EV/EBITDA + valuation of Gujarat Gas at 50% discount and unlisted investments) and the bull case fair value of the stock is Rs 329 (value of standalone business at 4.0x FY23E EV/EBITDA + valuation of Gujarat Gas at 45% discount and unlisted investments) over the next two quarters. Investors can buy at LTP and add further on dips in the Rs 245-249 band (value of standalone business at 2.5x FY23E EV/EBITDA + valuation of Gujarat Gas at 55% discount and unlisted investments). At the LTP of Rs 277.5, the stock is trading at 6.8x FY23E EPS and 2.5x FY23E EV/EBITDA, based on consolidated numbers.**

## Financial Summary (Standalone)

Particulars (Rs Cr)	Q3FY21	Q3FY20	YoY-%	Q2FY21	QoQ-%	FY20	FY21E	FY22E	FY23E
Total Operating Income	580	626	-7	577	1	2369	2261	2761	2950
EBITDA	398	380	5	381	5	1575	1518	1878	2023
Depreciation	51	50	3	55	-8	197	189	202	217
Other Income	7	5	44	52	-86	65	70	82	91
Interest Cost	22	38	-43	25	-12	165	118	94	70
Tax	85	75	14	81	6	170	323	419	460
APAT	248	222	11	271	-9	1109	958	1244	1366
Diluted EPS (Rs)	4.4	3.9	12	4.8	-9	19.7	17.0	22.1	24.2
RoE-%						15.6	13.5	15.8	15.4
P/E (x)						16.1	16.3	12.6	11.5
EV/EBITDA						10.9	10.9	8.5	7.5

(Source: Company, HDFC sec)



## Q3FY21 results review

GSPL's natural gas transmission volume grew by 6.6% YoY and down by 1% QoQ to 39.4 mmscmd in Q3FY21, Volume break-up in mmscmd was: Refinery 7.1, Power 9.1, CGD 13.0, Fertilisers 3.9, and others 6.3. City gas distribution sector was the largest contributor to volume growth YoY. On a QoQ basis, volume offtake mix for CGD sector increased to 32% vs. 27%; Refinery/petchem sector's offtake declined to 18% from 25% while power sector's offtake was steady at 23%. Calculated blended transmission tariff for Q3 stood at was Rs 1,245/tscm (-7/+0% YoY and QoQ).

GSPL's physical and financial performance of the company reflect a strong recovery after the second quarter due to gradual easing of restrictions. Standalone net revenue was down by 7% YoY to Rs 580 crore in Q3FY21. EBITDA was up by 5% YoY to Rs 398 crore. EBITDA margin was up at 68.7% in Q3FY21 vs. 60.7% in Q3FY20. Net Profit grew 11.4% YoY to Rs 247.5 crore in Q3FY21. PAT margin increased to 42.7% in Q3FY21 vs. 35.5% in Q3FY20.

## Recent Triggers

### **Gas Transmission Agreements (GTA) provide medium-term revenue visibility**

GSPL enters into gas transmission agreements with its customers which typically provide for commercial terms such as quantity, quality, schedule, payment terms, security terms, events of default and remedies for the transportation arrangements. The tenure of these agreements ranges from 1 month to more than 15 years. Majority of GTAs also provide for 'ship or pay' agreement for a minimum off-take requirement generally covering around 90% of contracted volume, which require customers to pay transportation tariff regardless of the actual volume of natural gas transported.

GSPL has various contracts on hand with reputed clients located in the region, which includes large industries and city gas distribution entities which use natural gas either as feedstock, fuel or supply it for further distribution. Total contracted volume on hand as on 01 August, 2020 was 50.75 mmscmd which provides a medium-term visibility to its revenue stream. Further, majority of GTAs which expired during FY20 were largely renewed.

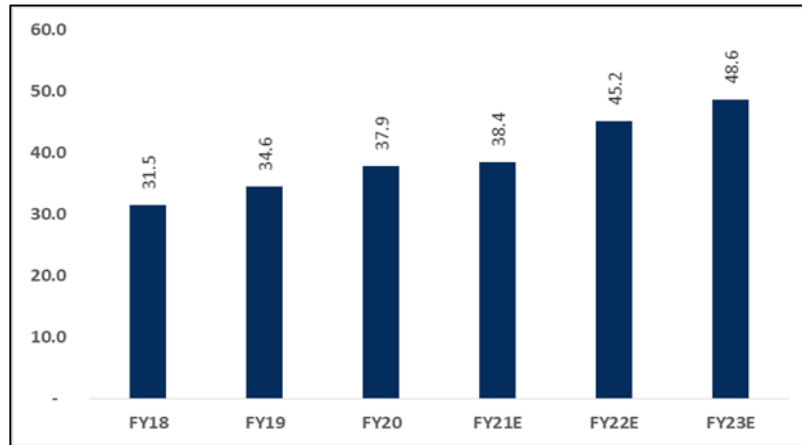
GSPL India Transco Ltd (GITL), a subsidiary of GSPL signed a Gas Transportation Agreement (GTA) with Ramagundam Fertilizers & Chemicals Ltd (RFCL) on July 8, 2016, to supply 2 million metric standard cubic metres per day (MMSCMD) of natural gas for a period of 20 years. Under the terms of the GTA, GITL would transport about 2 MMSCMD of natural gas from Mallavaram field in Andhra Pradesh to RFCL's plant at Ramagundam in Telangana through the Mallavaram-Bhopal- Bhilwara-Vijaipur Natural Gas Pipeline (MBBVPL) being developed by GITL.

## On-going capital expenditure programs to help volume growth going forward

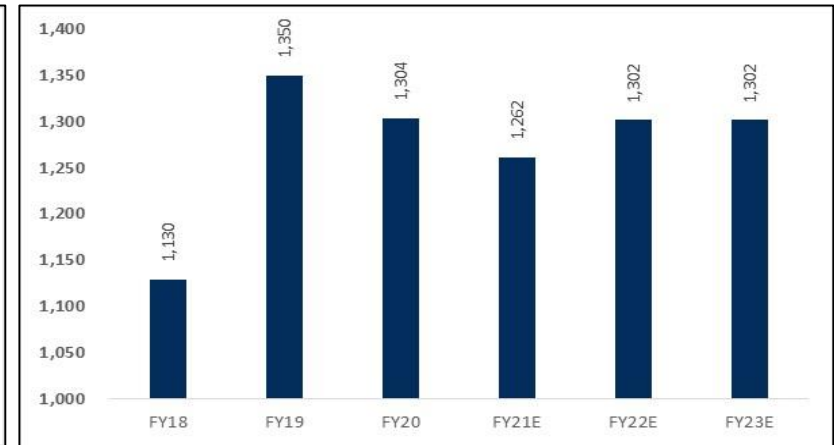
GSPL along with its consortium partners, Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd is implementing three cross country pipeline projects awarded by Petroleum and Natural Regulatory Board (PNGRB): Mallavaram (AP) to Bhilwara (Rajasthan), Mehsana (Gujarat) to Bhatinda (Punjab) and Bhatinda (Punjab) to Shrinagar (J&K).

In July 2011, PNGRB had awarded the GSPL led JVs to lay pipelines on three routes. viz. Mehsana-Bhatinda (~1,670 km), Bhatinda-Jammu-Srinagar (~740 KM) and Mallavaram-Bhilwara Pipeline (~1,881 km). GSPL, along with consortium partners, has formed two Special Purpose Vehicles named GSPL India Transco Ltd (GITL) and GSPL India Gasnet Ltd. (GIGL) to construct cross country pipelines. GIGL is associated with Mehsana-Bhatinda Pipeline and Bhatinda-Jammu-Srinagar pipeline. GITL for Mallavaram-Bhopal-Bhilwara-Vijaipur pipeline. GSPL owns 52% stake in these SPVs with the balance being held by IOCL (26%), BPCL (11%) and HPCL (11%). The total project cost for the two JVs was originally estimated at around Rs 13,000 crore to be funded in a debt to equity ratio of 70:30. Some of the segments out of the above projects are already awarded and some more are likely to be awarded in the near to medium term. Work on the Mehsana-Bhatinda pipeline is 90% complete. In this Phase-I is currently flowing ~4mmscmd of gas and has already become cash flow profitable and Phase II commissioning is expected by Jun'21, post which total volumes should reach 9.5-10mmscmd in its first year.

Transmission volume mmscmd



Blended Tariff Rs/tscm



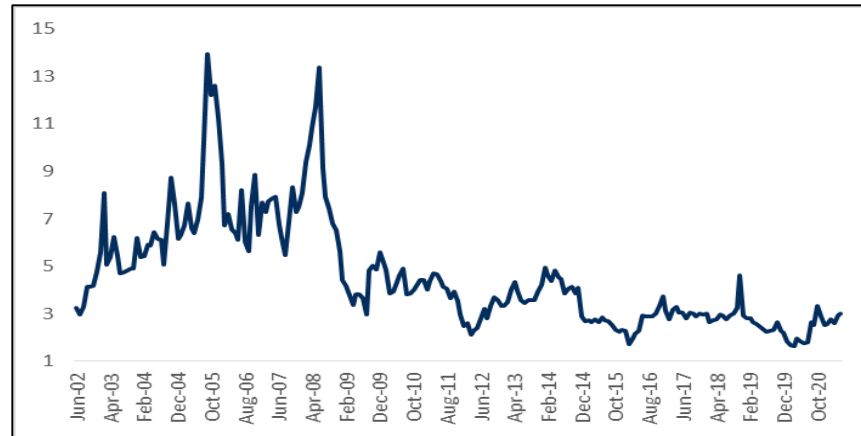
In addition to current pipeline network of GSPL, approximately 3000 km will be developed in Gujarat with an outreach to all the 25 districts of Gujarat thereby enabling industry, households and transportation. GSPL plans expand its pipeline network outside state of Gujarat by way of participating in Natural Gas Pipeline bidding carried out by PNGRB. GSPL is also participating in CGD bidding carried out by PNGRB.

The volume growth was up by 10% on average basis and it has remained strong over the past five years. Blended Tariff Rs/tscm (thousand standard cubic meters) in FY20 stood at Rs 1304/tscm. We expect a 5-8% volume growth rate over the next five years. Available LNG regasification capacity is expected to jump 55% to 42.5mtpa (from currently around 27.5mtpa) over the next 3-4 years in Gujarat. We estimate volumes at 45.2 mmscmd and 48.6 mmscmd for FY22E and FY23E, respectively and expect Blended Tariff Rs1302/tscm for FY22E and FY23E.

### **Gas Prices are likely to be subdued even longer than crude, which is good for company:**

Gas prices could be much more subdued as compared to crude, with a lot more gas produced in US; Consumption in other countries hasn't picked up in the manner it was expected to. It is good for CGD companies in India; subdued gas prices could create more demand and more business opportunities in India.

### **Natural Gas (Future, NYMEX, mmbtu)**



(Source: Investing.com, HDFC sec)

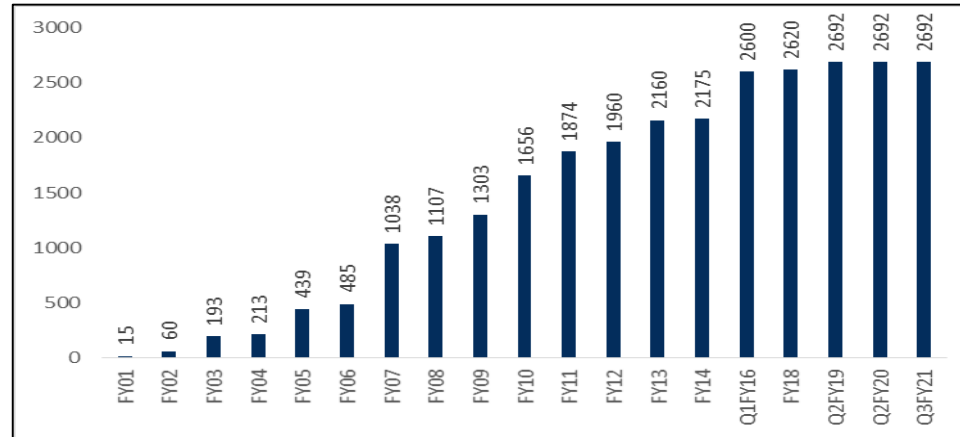
Lower state taxes on natural gas coupled with a rise in imported coal price has improved the demand outlook for natural gas in Gujarat. As Gujarat Gas expands its footprint in Gujarat, GSPL would also benefit out of higher transmission volumes.

## Long-term Triggers

### **Operational and demographic advantage supports to generate revenue**

- GSPL has an open access and it is a pure gas transmission company. The company does not purchase or sell natural gas. Open access enables natural gas consumers to separately negotiate their natural gas supplies from several suppliers. Operating on an open access allows GSPL to target both natural gas suppliers and consumers resulting in increased revenues from a broader customer base. Operating as a transmission only entity helps GSPL to minimize risks associated with fluctuations in natural gas prices.
- GSPL commenced its operations with transmission of gas being provided by GSPC. Over a period of time, GSPL has invested significantly in developing its pipeline network which is now connected to major gas supply sources in Gujarat including designated collection points near the natural gas fields of Hazira, re-gasified LNG from Shell's terminal at Hazira, Petronet LNG Ltd.'s terminal at Dahej, GSPC LNG's terminal at Mundra along with the Panna-Mukta-Tapti gas fields.

### **Operational milestone (Cumulative Network Lengths, Kms)**



(Source: Company, HDFC sec)



- Gujarat is the highest natural gas consuming state with around 40% of total domestic gas consumption in the country. This translates into steady utilization of GSPL's transmission pipelines.
- Gujarat is the primary origination or entry point for both domestic natural gas produced in the Arabian Sea and imported LNG for Western and Northern India, owing to its strategic location and oceanic access to LNG exporting countries in the Middle East and Asia.
- With its 2,694 km long pipeline network pipeline as on 31 March, 2021, commissioned from Vapi- Hazira-Vadodara-Ahmedabad-Kalol-Himmatnagar-Mehsana-Palanpur- Rajkot-Morbi-Anjar-Jamnagar-Jafrabad, GSPL is presently the second largest gas transmission pipeline network operator in the country (after GAIL). GAIL's market share is around 70% in gas transmission business, with primary focus towards serving Western and Northern India.

## **GSPL's robust network could bring opportunity to garner its revenue going forward**

- GSPL has connected to all major industrial clusters in the state and company has ensured the availability of gas across the state through its robust network. Company has second position in gas transmission network in India by length and transmission volume. The company has connected with industrial cluster and units for supplying gas to SMEs/ Industrial units like Sanand, Mandali –Becharji.
- The company is exploring opportunities to obtain connectivity / access to Greenfield / brown field terminals in the State. The company has also initiated discussions with operators of upcoming domestic fields to ensure early monetization of critical natural resources. Available LNG regas capacity is expected to jump by 75% to 42mmtpa in the next 3 years in Gujarat, presenting a huge volume growth opportunity for GSPL.
- The company is poised to compete with other entities for ensuring transmission of additional gas through its network through reliability of supplies and competitiveness in tariff.
- The company sees its foray into CGD business as an opportunity and challenge as several players have now shown keen interest in the CGD segment. Earlier, the company was working towards development of CGD networks in Geographical Areas of Amritsar and Bhatinda. On 29 June, 2020, Petroleum and Natural Gas Regulatory Board (PNGRB) has accepted proposal for transfer of Authorization of Amritsar District GA (Geographical Area) and Bhatinda District GA to Gujarat Gas (GGL).
- The company is also holding stake in the GGL and Sabarmati Gas Ltd. (SGL) which are into the business of developing City Gas Distribution Network and Company's CGD business is also complementary to the development of cross country pipelines that are being developed by the Company through its subsidiaries.





## **Strong parental support, as one of the leading public sector energy companies in India**

GSPL's promoter Gujarat State Petroleum corporation Ltd (GSPC) has emerged as India's leading player in the Oil & Gas sector. GSPC has established its strong presence across the entire energy value chain, as natural gas is a cleaner fuel. It has been the endeavor of GSPC Group towards securing a reliable supply of hydrocarbon resources at affordable prices to supplement the energy needs of the country. The company has an international portfolio with exploration acreage in Australia and Indonesia.

GSPC holds PI (Participative Interest) in 21 onshore and offshore exploration and production blocks/fields. Out of which, it holds PI in 18 producing fields in the Cambay Basin, 01 producing field in Krishna Godavari Basin and holds PI in 01 exploration block, each in Mumbai Offshore and Kutch Offshore. Company conducts all exploration, development and production activities through unincorporated joint ventures with other domestic oil and gas companies and foreign partners.

The GSPC Group has twelve companies under its umbrella. It has established itself as one of the largest state-owned E&P entities with a commanding presence across the entire hydrocarbon value chain. The company employs innovation and new technologies to constantly better its operations in both upstream and downstream segments.

GSPC's Oil & Gas portfolio also consists 2 international blocks spread across Australia and Indonesia. Being the leading gas marketer of non-domestic gas in India, GSPC has expanded gas trading activity outside Gujarat to various other states as well. GSPC reported sales of Rs 15,232 crore in FY20 vs. Rs 14,368 crore in FY19 and reported net profit of Rs 366 crore in FY20 vs. Rs 221cr in FY19, on standalone basis. GSPC's consolidated net debt has reduced from a peak of Rs.26200 cr in FY17 to Rs.7600 cr in FY20 due to divestment, improved profitability and lesser capex.

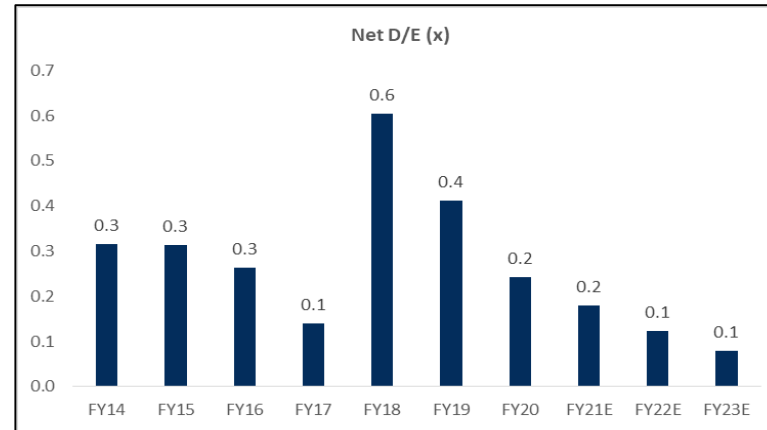
In the midstream section of the value chain, Gujarat State Petronet Limited (GSPL), a subsidiary of GSPC has emerged as a leading gas transportation player.

## **Strong fundamentals led by healthy debt protection metrics and liquidity of the standalone transmission business**

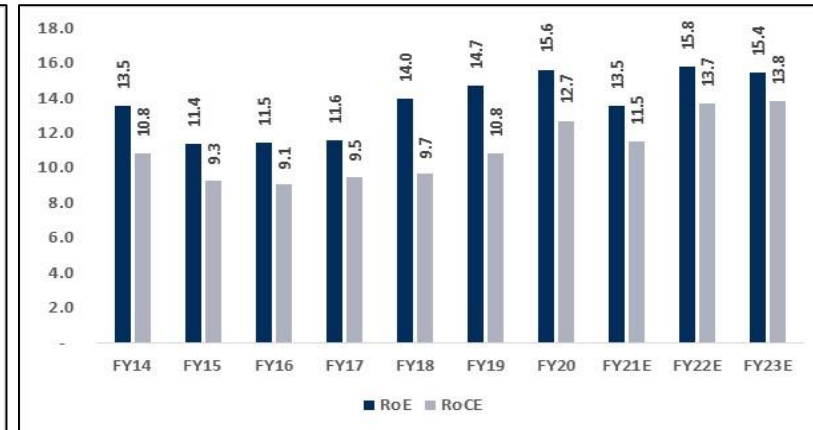
- GSPL has reported stable and strong revenue growth in the past. In FY20, the company generated total standalone revenue of Rs 2,369 crore, which grew at a CAGR of 21.3% over the past four years. We expect standalone revenue to grow by 22.1% and 6.8% in FY22E and FY23E, respectively.

- The company could see standalone net profit margin at 45-46.5% band over the past and it was supported by cost rationalisation efforts. The company has reported net profit at Rs 974 crore in FY20, which grew at a CAGR of 19% over the past four years. Net profit could grow by 29.9% and 9.8% in FY22E and FY23E, respectively.
- The high debt has remained concern for investors over the past few years. However, debt protection metrics are robust, backed by debt of Rs 1630 crore and sizeable network of Rs 6,723 crore, and cash and cash equivalents stood at Rs 1,465 crore as on 31 March, 2020. Total debt to equity ratio of transmission business stood at 0.2x and 0.5x for consolidated business, as on 31 March, 2020. The company's Capex has increased over recent years which indicates good upcoming expansion.
- Due to transfer of CGD network of GSPL in Amritsar & Bhatinda in Punjab to GGL, the large amount of bank guarantees submitted by GSPL have been returned which provides additional cushion. Better cash flows could also support debt reduction. Not only lower interest costs will mean higher net profits, the company may also reward shareholders with higher dividend.
- The net working capital cycle of its transmission business declined. Debtors days fell to 25 days in FY20 vs. 41days in FY19 and inventory days declined to 19 days in FY20 vs. 25 days in FY19.
- Overall the Return on Equity (RoE) has increased over the recent years due to improving the financial position of the company. The company has recommended a dividend of Rs 2/ per share to shareholders for the FY20, dividend payout stood at 12% and yield is 0.7%.

**Net Debt to Equity-Standalone (x)**



**Return Ratio-Standalone (%)**



(Source: Company, HDFC sec)

## What could go wrong?

- Demand slowdown due to second wave of COVID-19 pandemic, sharp rise in LNG prices, and emerging competition are key concerns. Gas volumes moved away from spot LNG as prices saw an abrupt spike in Jan-Feb'21,
- Factors affecting supply include decline in exploration and production activities, decline in domestic gas production, and decline in importation of LNG and government regulations affecting allocation of gas supplies.
- GSPL's proposed investments in cross-country pipelines (Mehsana-Bhatinda-Srinagar and Mallavaram-Bhilwara) given limited visibility on incremental supply and demand of gas, are required to achieve reasonable utilization levels in the medium term. Any disruption on gas supply could impact its business going forward.
- Its scheduled expiry for part of its Gas Transmission Agreements (GTAs) in the near to medium term could impact its business profile. However, as per past experience, this is an ongoing process and over the years the company has seen renewal of its contracts.
- GSPL's high pressure and low pressure pipeline network had been authorized by Petroleum and Natural Gas Regulatory Board (PNGRB), which has an established methodology to determine the tariff for the transportation of natural gas. The methodology provides for tariff review at five-year intervals. Besides, PNGRB monitors regular activities. Frequent regulatory interferences by PNGRB can impact the sector. So far, the regulator has not cut tariff for adjustment of the lower tax rate. PNGRB has notified regulations for unified transmission tariff structure with unified tariff at 12% post-tax RoCE. However, tariff revision post the corporate tax rate cut has not yet been proposed/notified.
- GSPL has planned to undertake capex over the next five years towards expansion of existing pipeline network, laying new spur lines and capacity augmentation, Major debt funded capex could impact its profitability going forward.
- Infrastructure bottleneck for laying pipeline could significantly delay ongoing project and add to cost burden.

## Company Profile:

Gujarat State Petronet Ltd (GSPL) is India's second largest Natural Gas Infrastructure and Transmission Company. GSPL is primarily engaged in transmission of natural gas through pipeline on an open access basis from supply points to demand centers. Further, it is also engaged in generation of electricity through Windmills. The transmission network of the company envisages development of systematic and seamless pipeline network across Gujarat connecting various suppliers and users. The suppliers of natural gas include traders, producers and LNG terminals. The users comprise industries such as power, fertilizer, steel, chemical plants and local distribution companies. Besides, GSPL has set up 52.50 MW Wind Power Project at Maliya Miyana (District-Rajkot) and Gorsar & Adodar (District-Porbandar).



GSPL is a GSPC Group company, a Government of Gujarat (GoG) owned company. GSPC held 37.63% equity stake in the company as on June 30, 2020. It owns and operates around 2,685 km of gas transmission pipeline in the state of Gujarat as on March 31, 2020. GSPL also sells electricity generated through its 52.50 MW windmills.

## Subsidiaries Companies

### **Gujarat Gas Ltd:**

GSPL is holding 54.4% stake in Gujarat Gas Ltd, as on 31 March, 2021. Gujarat Gas Ltd is the largest City Gas Distribution Company with its presence spread across various Districts in the State of Gujarat, Punjab, Rajasthan, Haryana, Madhya Pradesh, Maharashtra and Union Territory of Dadra and Nagar Haveli distributing natural gas to various industrial, commercial and domestic residential segment customers. Further, the company is also engaged in the business of distribution of CNG to transport segment customers through CNG filling stations. Gujarat Gas has total 25 CGD licenses and operates in 42 Districts and six States and one Union Territory which accounts to almost 11 % of total CGD licenses issued by PNGRB in India and 1 pipeline license. Gujarat Gas Ltd is supplying natural gas to more than 14.4 Lakh residential, over 12,600 commercial and non-commercial segments and around 3700 industrial customers as on 31 March, 2020. Gujarat Gas also supplies natural gas in the form of Compressed Natural Gas (CNG) through 403 CNG stations catering to the automotive sector in the operational areas.

### **Sabarmati Gas Ltd:**

Sabarmati Gas Ltd (SGL) is engaged in the business of development of City Gas Distribution networks in Gandhinagar, Sabarkantha and Mehsana Districts of North Gujarat and the company has initiated activities to develop CGD Network in Patan District. The sales volumes of the SGL from all the segments have increased to 9.47 Lakh SCMD in FY20 as compared to 9.25 Lakh SCMD in FY19. SGL has network of 601 Kms of steel pipeline and 5135 Kms of MDPE pipeline and customer base of 189333 domestic customers, 336 industrial customers and 801 commercial customers as well as 105 CNG stations as on 31 March, 2020.

The company has a total shareholding of 27.5% in Sabarmati Gas Limited as on 31 March, 2020. SGL contributed to approx 2% of total transmission revenues of GSPL in FY20.

# Gujarat State Petronet Ltd.

## Valuation based on SOTP

SOTP	GSPL's Holding-%	Unit	Base Case Value	Bull Case Value	Add on dip	Valuation Rationale
Value of Transmission Business (A)		Rs/share	144	153	99	EV/EBITDA for FY23E (Base Case Value at 3.75x, Bull Case Value at 4.0X, and Add on dip at 2.5x)
Value of stake in Gujarat Gas (B)	54.4	Rs/share	141	154	125.7	Holding in Gujarat Gas at 50% discount for Base Case Value, 45% discount for Bull Case Value and 55% discount for Add on dip, CMP @ Rs 514
Value of Sabarmati Gas (C)	27.5	Rs/share	9	9	9	P/E base
Other investments (D)		Rs/share	14	14	14	At book value
Target price (A+B+C+D)	Rs/share	Rs/share	307	329	247	
Upside		Rs/share	11%	19%	-11%	

## Peer comparison (Consolidated)

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)		
		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
GAIL	67494	56400	67600	75900	7100	9900	10100	5400	7400	7500	10.4	12.7	11.4	12.8	9.3	9.2
GSPL	15651	14500	15586	17485	3656	4539	5016	2215	2862	3229	28.4	27.3	23.7	9.7	7.6	6.8

# Gujarat State Petronet Ltd.

## Financials (Standalone)

### Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>1877</b>	<b>2369</b>	<b>2261</b>	<b>2761</b>	<b>2950</b>
Growth (%)	41.0	26.2	-4.5	22.1	6.8
Operating Expenses	335	794	743	883	927
<b>EBITDA</b>	<b>1543</b>	<b>1575</b>	<b>1518</b>	<b>1878</b>	<b>2023</b>
Growth (%)	34.4	2.1	-3.6	23.7	7.7
<b>EBITDA Margin (%)</b>	<b>82.2</b>	<b>66.5</b>	<b>67.1</b>	<b>68.0</b>	<b>68.6</b>
Depreciation	180.0	196.6	189.5	202.1	217.0
<b>EBIT</b>	<b>1362.6</b>	<b>1378.3</b>	<b>1328.5</b>	<b>1676.0</b>	<b>1805.7</b>
Other Income	59	65	70	82	91
Interest expenses	219	165	118	94	70
<b>PBT</b>	<b>1203</b>	<b>1279</b>	<b>1280</b>	<b>1663</b>	<b>1826</b>
Tax	408	170	323	419	460
<b>RPAT</b>	<b>795</b>	<b>1109</b>	<b>958</b>	<b>1244</b>	<b>1366</b>
Exceptional Gain/(loss)	0	134	0	0	0
<b>APAT</b>	<b>795</b>	<b>974</b>	<b>958</b>	<b>1244</b>	<b>1366</b>
Growth (%)	18.9	22.6	-1.7	29.9	9.8
EPS	14.1	19.7	17.0	22.1	24.2

### Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCE OF FUNDS</b>					
Share Capital	564	564	564	564	564
Reserves	5180	6158	6863	7777	8782
<b>Shareholders' Funds</b>	<b>5744</b>	<b>6723</b>	<b>7427</b>	<b>8342</b>	<b>9346</b>
Long Term Debt	2366	1630	1330	1030	730
Net Deferred Taxes	523	408	416	425	433
Long Term Provisions & Others	65	121	122	126	129
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Source of Funds</b>	<b>8697</b>	<b>8882</b>	<b>9296</b>	<b>9922</b>	<b>10638</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	3607	3586	3700	3802	3996
CWIP	419	237	290	342	387
Other Non-Current Assets	4400	4755	4749	4775	4785
<b>Total Non Current Assets</b>	<b>8426</b>	<b>8578</b>	<b>8739</b>	<b>8919</b>	<b>9169</b>
Current Investments	0	0	0	0	0
Inventories	128	126	128	150	162
Trade Receivables	208	164	156	191	204
Cash & Equivalents	158	96	397	803	1269
Other Current Assets	29	139	133	162	173
<b>Total Current Assets</b>	<b>524</b>	<b>525</b>	<b>814</b>	<b>1307</b>	<b>1808</b>
Short-Term Borrowings	0	0	0	0	0
Trade Payables	24	41	38	46	48
Other Current Liab & Provisions	229	180	218	257	291
<b>Total Current Liabilities</b>	<b>253</b>	<b>221</b>	<b>257</b>	<b>303</b>	<b>339</b>
Net Current Assets	271	304	557	1003	1469
<b>Total Application of Funds</b>	<b>8697</b>	<b>8882</b>	<b>9296</b>	<b>9922</b>	<b>10638</b>

# Gujarat State Petronet Ltd.

## Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	1,203	1,279	1,280	1,663	1,826
Non-operating & EO items	-59	-65	-70	-82	-91
Interest Expenses	219	165	118	94	70
Depreciation	180	197	189	202	217
Working Capital Change	-127	-118	54	-65	-10
Tax Paid	-408	-170	-323	-419	-460
<b>OPERATING CASH FLOW ( a )</b>	<b>1,007</b>	<b>1,287</b>	<b>1,250</b>	<b>1,393</b>	<b>1,552</b>
Capex	-197	7	-356	-356	-457
Free Cash Flow	811	1,295	893	1,037	1,096
Investments	-96	-334	0	0	0
Non-operating income	126	13	80	93	103
<b>INVESTING CASH FLOW ( b )</b>	<b>-167</b>	<b>-314</b>	<b>-277</b>	<b>-263</b>	<b>-354</b>
Debt Issuance / (Repaid)	-692	-736	-300	-300	-300
Interest Expenses	-219	-165	-118	-94	-70
FCFE	-100	395	475	643	725
Share Capital Issuance	0	0	0	0	0
Dividend	-136	-136	-254	-329	-362
Others	0	0	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-1,047</b>	<b>-1,036</b>	<b>-672</b>	<b>-724</b>	<b>-732</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-206</b>	<b>-62</b>	<b>301</b>	<b>407</b>	<b>466</b>

## Key Ratios

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
<b>PROFITABILITY RATIOS (%)</b>					
EBITDA Margin	82.2	66.5	67.1	68.0	68.6
EBIT Margin	72.6	58.2	58.8	60.7	61.2
APAT Margin	42.3	41.1	42.4	45.1	46.3
RoE	14.7	15.6	13.5	15.8	15.4
RoCE	10.8	12.7	11.5	13.7	13.8
<b>SOLVENCY RATIOS (x)</b>					
Net Debt/EBITDA	1.5	1.0	0.9	0.5	0.4
Net D/E	0.4	0.2	0.2	0.1	0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	14.1	17.3	17.0	22.1	24.2
CEPS	17.3	20.8	20.3	25.6	28.1
Dividend	2.0	2.0	3.7	4.9	5.3
BVPS	101.8	119.2	131.7	147.9	165.7
<b>TURNOVER RATIOS (DAYS)</b>					
Debtor	40	25	25	25	25
Inventory	25	19	21	20	20
Creditors	5	6	6	6	6
<b>VALUATION(x)</b>					
P/E	19.7	16.1	16.3	12.6	11.5
P/BV	2.7	2.3	2.1	1.9	1.7
EV/EBITDA	11.6	10.9	10.9	8.5	7.5
EV / Revenues	9.5	7.3	7.3	5.8	5.1
Dividend Yield (%)	0.7	0.7	1.3	1.7	1.9
Dividend Payout (%)	14.2	11.6	22.0	22.0	22.0

(Source: Company, HDFC sec)



598.71	685.65	685.65	685.65	685.65	685.65	685.65	685.65	685.65	685.65
(+22.11)	(+12.55)	(+12.55)	(+12.55)	(+12.55)	(+12.55)	(+12.55)	(+12.55)	(+12.55)	(+12.55)
142.09	167.22	167.22	167.22	167.22	167.22	167.22	167.22	167.22	167.22
(+35.13)	(+17.66)	(+17.66)	(+17.66)	(+17.66)	(+17.66)	(+17.66)	(+17.66)	(+17.66)	(+17.66)

One Year Stock Price Chart



(Source: Company, HDFC sec)



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