

Nov 29, 2018

Gujarat State Petronet Ltd

Gujarat State Petronet Limited (GSPL) is a natural gas infrastructure and transmission company engaged in gas transportation business. The Company is engaged in transmission of natural gas through pipelines on an open access basis from supply points to demand centers. It also generates electricity through windmills. In the immediate future key positive are softening of LNG prices, recent rupee appreciation, and possibility of ban on use of polluting fuels like furnace oil and pet coke. In the medium to long term, earnings are expected to improve due to upward pipeline tariff revision and higher natural gas transmission. GSPL's management is optimistic about tariff hike by Petroleum and Natural Gas Regulatory Board (PNGRB). Additionally, rising city gas distribution growth opportunities, potential shift to natural gas due to environmental/pollution norms (industrial / CNG) and volumes from Mundra LNG terminal adds support to long term volumes. Going forward, the company is expected to report higher volumes as incremental demand comes from existing players will start to show in the numbers. Also fall in import duty of LNG will boost demand. Government is encouraging the use of LNG/natural gas in the country and it is poised to benefit from it. Increasing volumes backed by increase in demand coupled with tariff revision from PNGRB will increase profitability of the company. The company has reported a healthy return on equity of 14% in FY18 as compared to ~12 during FY14-17. **Hence Buy.**

BUY

CMP ₹188

Stock Info

Sector	Gas Distribution
Market Cap (` cr)	10,628
52 Week High / Low	210/149
Avg. Daily Volume	39984.04
Face Value (`)	10
BSE Sensex	36,170
Nifty	10,859
Reuters Code	GSPT.BO
Bloomberg Code	GUJS IN

Shareholding Pattern (%)

Promoters	37.7
MF / Banks / Indian FIs	31.4
FII / NRIs / OCBs	17.0
Indian Public / Others	13.9

Abs. (%)	3m	1yr	3yr
Sensex	(6.6)	7.6	38.4
GSPL	2.5	(8.5)	41.1

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Disclosure of Interest Statement
Gujarat State Petronet Ltd

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

 Accumulate (5% to 15%)
 Reduce (-5% to -15%)

 Neutral (-5 to 5%)
 Sell (< -15)