

Gujarat Gas Ltd

Gujarat Gas (GUJGA) is engaged in Natural Gas Business in India. Natural gas business involves distribution of gas from sources of supply to centres of demand and to the end customers. The company is steady in its operations with 8.3% 3 yr sales CAGR. The growth momentum in sales sped up and the TTM sales grew by 25.6% as on 3QFY19.

The company's revenues are further expected to increase on the back of PNG industrial volume growth on strict implementation of the NGT order, ban on fuel oil use in Gujarat, Delhi Mumbai Industrial Corridor (DMIC) and switching of Tarapur industrial units to PNG. Further in Maharashtra, the NGT has issued order to the state's PCB to prepare action plan against the polluting units in Tarapur, which are still using fuel oil/petcoke. Same time, GUJGA is aggressively pursuing expansion into newer areas, maintaining capex guidance of Rs6-7bn annually. Initial strategy is to tap potential from existing network from Rajasthan until rural Thane region near Mumbai. Simultaneously, this would help tapping volumes from new areas such as Dahej, Punjab (GUJGA has license for about 6 areas) and Rajasthan, that offer 4-5 mmscmd potential.

On the financial health front, the company is reducing its debt year after year and currently stands at 1.1x. Simultaneously interest coverage ratio is also increasing and stands at 3.9x as of FY19. Currently, the stock trades at 13.9x EV/EBITDA and delivers 18.7% RoCE. Considering all the positing operational factors, we recommend BUY on the stock.

BUY

CMP ₹286

Stock Info

Sector	Oil&Gas
Market Cap (₹ cr)	19,719
Beta	0.7
52 Week High / Low	314/116
Avg. Daily Volume	83,643
Face Value (₹)	2
BSE Sensex	40,894
Nifty	11,993
Reuters Code	GGAS.BO
Bloomberg Code	GUJGA IN

Shareholding Pattern (%)

Promoters	60.9
MF / Banks / Indian FIs	6.3
FII / NRIs / OCBs	11.1
Indian Public / Others	21.8

Abs. (%)	3m	1yr	3yr
Sensex	1.5	15.2	42.7
GUJGAS	47.9	142.1	131.8

Jaikishan Parmar

022 – 3935 7600 Ext: 6810

jaikishan.parmar@angelbroking.com

Research Team Tel: 022 - 39357600

E-mail: research@angelbroking.com

Website: www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Disclosure of Interest Statement

Gujarat Gas

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)