

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 30.1% as on 2QFY19.

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 11.9x EV/EBITDA and delivers 18.7% RoCE. Considering all the positive operational factors, we recommend BUY on the stock.

BUY

CMP ₹230

Stock Info

Sector	Healthcare
Market Cap (₹ cr)	15,805
Beta	0.7
52 Week High / Low	270/115
Avg. Daily Volume	1,05,706
Face Value (₹)	2
BSE Sensex	41,559
Nifty	12,222
Reuters Code	GGAS.BO
Bloomberg Code	GUJGA IN

Shareholding Pattern (%)

Promoters	60.9
MF / Banks / Indian FIs	5.7
FII / NRIs / OCBs	12.1
Indian Public / Others	21.3

Abs. (%)	3m	1yr	3yr
Sensex	15.1	13.9	57.6
GUJGAS	36.0	70.4	109.0

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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)