



Gujarat State Petronet Limited or “GSPL” is a GSPC Group company and a pioneer in developing energy transportation infrastructure and connecting natural gas supply basins and LNG terminals to growing markets. The company has continuously expanded its pipeline network in Gujarat wherein the current span of the Grid under operation is approximately 1900 Km.

Moderate financial performance in FY 11

During FY 11, GSPL recorded flattish growth of 4.8% in Net Sales to Rs 1039 Crore as compared to Rs 992 Crore (FY 10). This was despite steady growth in Volumes by 11.4% to 13005 MMSCM (35.6 MMSCMD) as tariffs dropped over 6% to Rs 799/’000SCM (FY 11) compared to Rs 849/’000SCM (FY 10). For the quarter too, performance was lower than anticipated as Net Sales rose 1.1% YoY and fell 8.6% QoQ to Rs 255 Crore (Q4, 11). Imputed by lower volumes, transmission tariffs remained weak for Q4 11 too and reported 1.3% growth YoY while slipped 7.2% QoQ.

EBITDA tracks Top-line; Bottom-line incited by low Depreciation

For FY 11, EBITDA was higher by modest 3% to Rs 969 Crore though for the Mar 11 quarter, it fell by 5.4% YoY and 11.3% QoQ to Rs 233 Crore. EBITDA margin for both annually and quarterly basis dipped by over 200 bps and stood at 90.1% (Q4, 11) and 92.6% (FY 11). This was due to the twin effect of lower tariffs and higher Other Exp.

Net profit however, surged by 39.7% for the quarter to Rs 151 Crore and jumped by 22.4% annually to Rs 506 Crore aided by change in the depreciation policy of the company. It's quarterly depreciation came-in at Rs -17 Crore while for FY 11 it stood (-45.1%) at Rs 130 Crore due to the change in its dep policy and change in rate of dep from 4.75% to 3.17% SLM (30 year life). In Q311, GSPL accounted for change in depreciation rate from 8.33% (12 year life) to 4.75%.

GSPL operates the largest Intra-state gas network in the country

Currently GSPL holds the largest gas transmission network in Gujarat and is undergoing expansion to enhance its network to 2500 Km over the next two-three years. At present, the company transports over 35 MMSCMD of natural gas to more than 30 customers including Refineries, Steel Plants, Fertilizer Plants and Power Plants among others. The ongoing expansion is anticipated to step-up its gas supply volumes to around 45 MMSCMD over the next few years. We expect GSPL to record Transmission volumes of 38.3 MMSCMD and 40.6MMSCMD for FY 12E and FY 13E respectively.

We are optimistic about the overall growth prospects of the Gas Transmission sector in India and remain bullish on GSPL owing to its dominant network positioning in Gujarat meanwhile the recent orders from PNGRB shall help it to enhance its transmission network in different parts of the country. **We recommend an “Accumulate” rating on the stock for a Medium to Long-Term Target of Rs 112.**

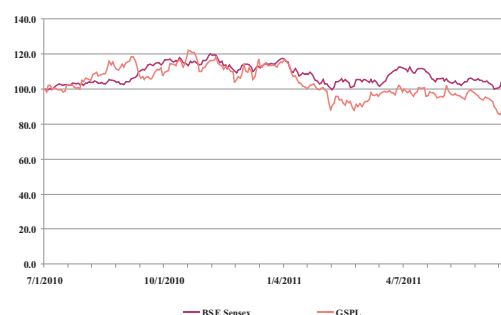


Gujarat State Petronet Ltd.

Industry: Natural Gas Transmission

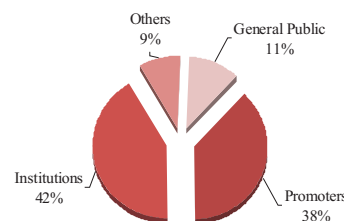
Current Price	89
Target Price	112
Market Cap (Cr.)	5001
52 Week H/L	128/84
FV	10
Book Value/Share	36
BSE Sensex	18845
NSE Nifty	5647
BSE Code	532702
NSE Code	GSPL
Reuters Code	GSPT.NS
Bloomberg Code	GUJS:IN

1 Yr Stock / Index Performance



Stock/Index Performance %	3 M	6 M	12 M
GSPL	-12.7%	-24.5%	-13.0%
BSE Sensex	-3.0%	-8.3%	7.6%
NSE Nifty	-3.1%	-8.3%	7.5%

Share Holding Pattern as on Mar 31, 2011



Particulars (In Rs. Crore)	FY 10	FY 11	FY 12E	FY 13E
Operating Income	1000.9	1046.5	1071.2	1158.5
Operating Expenses	59.5	77.2	86.8	98.9
EBITDA	941.3	969.4	984.4	1059.6
Depreciation	236.5	129.9	149.2	167.1
Interest	93.8	96.1	138.8	162.8
Net Profit	413.8	506.4	481.7	505.7
EPS (in Rs.)	7.4	9.0	8.6	9.0
P/E	12.1	9.9	10.4	9.9
P/BV	3.2	2.5	2.1	1.8

Tapan Trivedi
 Tel - 0484-2796211
 Email: tapan.trivedi@jrg.co.in

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Corporate Office: JRG Securities Ltd, JRG House, Ashoka Road, Kaloor, Kochi, Kerala – 682017, Tel: 91-484-2796211-332

E-mail: jrg.research@jrg.co.in

Institution Desk: JRG Securities Ltd., Universal Industrial Estate, 210/211, 2nd Floor, J.P. Road, Near Wadia High School, Andheri (W), Mumbai – 400058; Tel: 91-22- 26711059/26719939

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