

Gujarat Gas Company Limited

CMP Rs. 368.0
BUY

Result Update
Q2CY09

Gujarat Gas Company LTD (GGCL) reported decent set of numbers for the second quarter ended 30th June 2009. The company reported Net Revenues of Rs. 3,316 Million for Q2CY09 as compared to Rs. 3061 Million in the corresponding quarter of the previous year, representing a jump of 9.07%. The profit after tax (PAT) was Rs. 476 Million compared to Rs 441 Million in the corresponding quarter of the previous year (which included a settlement income of Rs 105 Million received from a gas transporter). Thus on a like to like bases the PAT has grown at a healthy rate of 41.67%. EPS for the quarter ended June 2009 stood at Rs. 7.38.

Operating Parameters

In comparison the quarter ended March 2009, GGCL reported decent performance for June 2009. The top-line grew by 10.74% Q-o-Q from Rs. 3,036.59 Mn. for Q1CY09 to Rs. 3,392.48 Mn. for Q2CY09. Cost of Materials as a percentage of Sales decreased by almost 300 bps to 68.59% for Q2CY09 as against 71.59% for the last quarter. Operating Profits increased by 35.16% Q-o-Q to Rs. 756.97 Mn. for Q2CY09 from Rs. 560.04Mn. for Q21CY09. OPM improved by 403 bps Q-o-Q. The company reported an increase of 30.1% Q-o-Q in Reported PAT from Rs. 363.97 Mn. for Q1CY09 to Rs. 473.51 Mn. for Q2CY09.

Key results highlights for the quarter

- Increase in RLNG procurement of up to 0.07mmscmd in June 09. This has been the main contributor to the increase in volumes over the previous quarter. The extra procurement of gas was utilised mainly to meet the demands of the industrial retail segment.
- The price hike of 15% has contributed mainly to the value increase for the company. This price increase was taken by the company in the industrial and the retail segments only.
- The CNG segment grew by 16% for the company as compared the corresponding quarter of the last year. More than 95000 vehicles ply on CNG in the company's markets.
- The company has added 10,200 households for PNG during the quarter.

Our View

The second half of each calendar year is the busiest part of the year as all the major festivals fall in the next six months. In our view the company will take full advantage of the same and will show handsome growth for the next two quarters. Due to the announcement of one bonus equity share for every one share held, the stock rallied by 14.18% on the BSE today. As a bonus issue has no effect on the financials of the company, we feel that this euphoria will be short lived. Any meaningful change that the company will witness in its financial performance will surface going forward, as in our view there will be a clear volume increase going forward with the spot gas prices tanking in the last few months and KG Basin gas hitting the markets, being a reality in some time. At CMP of Rs. 368.0, the scrip trades at 12.3x CY10E earnings of Rs. 29.8 per share. Maintain BUY.

Gujarat Gas : Q2CY09 Quarterly Analysis

Earnings Statements								
YE March (Rs. Mn.)	Q209	Q208	Y-Y(%)	Q109	Q-Q(%)	6MCY09	6MCY08	Y-Y(%)
Net Revenues	3392.5	3110.3	9.1%	3063.6	10.7%	6456.1	6446.3	0.2%
Cost of Materials	2326.8	2174.4	7.0%	2193.3	6.1%	4520.1	4557.4	-0.8%
<i>Gross Profit</i>	<i>1065.7</i>	<i>935.9</i>	<i>13.9%</i>	<i>870.2</i>	<i>22.5%</i>	<i>1935.9</i>	<i>1888.9</i>	<i>2.5%</i>
Staff Costs	111.1	99.4	11.7%	99.2	11.9%	210.3	192.0	9.5%
Other Expenses	197.6	265.2	-25.5%	211.0	-6.3%	408.6	415.4	-1.6%
Total Expenditure	2635.5	2539.0	3.8%	2503.5	5.3%	5139.1	5164.8	-0.5%
<i>Operating Profit</i>	<i>757.0</i>	<i>571.3</i>	<i>32.5%</i>	<i>560.0</i>	<i>35.2%</i>	<i>1317.0</i>	<i>1281.5</i>	<i>2.8%</i>
Other Income	66.4	179.0	-62.9%	75.7	-12.3%	142.0	225.3	-37.0%
EBITDA	823.3	750.3	9.7%	635.7	29.5%	1459.0	1506.7	-3.2%
Depreciation	116.3	103.1	12.8%	109.5	6.2%	225.8	203.1	11.2%
EBIT	707.0	647.2	9.2%	526.2	34.4%	1233.2	1303.6	-5.4%
Interest	0.3	0.3	19.1%	0.3	5.4%	0.6	0.6	8.8%
PBT	706.7	647.0	9.2%	525.9	34.4%	1232.6	1303.1	-5.4%
Tax	230.7	206.4	11.8%	160.2	44.0%	390.9	413.5	-5.5%
PAT	473.5	439.0	7.9%	364.0	30.1%	837.5	888.0	-5.7%
Equity Capital	128.3	128.3		128.3		128.3	128.3	
EPS	7.4	6.8	7.9%	5.7	30.1%	13.1	13.8	-5.7%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q209	Q208	Y-Y bps	Q109	Q-Q bps	6MCY09	6MCY08	Y-Y bps
OPM (%)	22.3%	18.4%	394.4	18.3%	403.3	20.4%	19.9%	52.1
EBITDA (%)	24.3%	24.1%	14.6	20.8%	351.9	22.6%	23.4%	-77.4
EBIT (%)	20.8%	20.8%	3.1	17.2%	366.4	19.1%	20.2%	-112.2
PAT (%)	14.0%	14.1%	-15.8	11.9%	207.7	13.0%	13.8%	-80.4
Operational Parameters								
YE March (Rs. Mn.)	Q209	Q208	Y-Y bps	Q109	Q-Q bps	6MCY09	6MCY08	Y-Y bps
RM Consumed	68.6%	69.9%	-132.2	71.6%	-300.7	70.0%	70.7%	-68.5
Staff Cost	3.3%	3.2%	7.8	3.2%	3.5	3.3%	3.0%	27.9
Other Expenditure	5.8%	8.5%	-270.0	6.9%	-106.1	6.3%	6.4%	-11.5
Effective Tax Rate	32.6%	31.9%	74.2	30.5%	217.9	31.7%	31.7%	-1.8

Gujarat Gas : Financials

Earnings Statement						
Particulars (Rs. Mn.)	CY 05	CY 06	CY 07	CY 08	CY 09E	CY 10E
Total Revenues	7468.42	9685.01	12446.23	13012.53	14574.03	16322.92
- Growth (%)		29.68	28.51	4.55	12.00	12.00
Total Expenditure	5993.60	8192.63	9933.36	10660.13	11914.27	13368.47
Operating Profit	1474.82	1492.38	2512.87	2352.40	2659.76	2954.45
Forex Gain/(Loss)	0.00	0.00	0.00	0.00	0.00	0.00
Other Income	283.44	161.22	174.95	412.11	389.08	474.58
EBITDA	1758.26	1653.60	2687.82	2764.50	3048.84	3429.03
Depreciation	273.70	318.72	384.40	417.96	488.44	560.29
EBIT	1484.56	1334.87	2303.43	2346.54	2560.40	2868.74
Interest	29.16	21.98	1.06	1.11	1.00	1.00
PBT	1455.40	1312.90	2302.37	2345.43	2559.40	2867.74
Tax	467.44	431.30	765.67	730.26	844.60	946.35
PAT Before EI	987.96	881.60	1536.69	1615.18	1714.80	1921.38
- Growth (%)		-10.77	74.31	5.11	6.17	12.05
Minority Interest	6.67	6.43	7.23	8.69	9.55	10.51
PAT	981.29	875.17	1529.46	1606.49	1705.24	1910.87

Ratio Analysis						
Particulars	CY 05	CY 06	CY 07	CY 08	CY 09E	CY 10E
OPM (%)	19.7%	15.4%	20.2%	18.1%	18.3%	18.1%
EBITDA (%)	23.5%	17.1%	21.6%	21.2%	20.9%	21.0%
PBIT (%)	19.9%	13.8%	18.5%	18.0%	17.6%	17.6%
PAT (%)	13.1%	9.0%	12.3%	12.3%	11.7%	11.7%
Interest Cover (x)	50.9	60.7	2,173.0	2,110.2	2,560.4	2,868.7
EPS (Rs.)	76.5	68.2	23.9	25.1	26.6	29.8
P/E (x)	4.8	5.4	15.4	14.7	13.8	12.3
P/BV (x)	1.3	1.0	4.0	3.3	2.7	2.3
BVPS (Rs.)	289.3	354.9	91.3	112.9	135.8	161.9
Market Cap (Rs. Mn.)	4,719.6	4,719.6	23,598.0	23,598.0	23,598.0	23,598.0
M Cap/Sales (x)	0.6	0.5	1.9	1.8	1.6	1.4
EV (Rs. Mn.)	5,083.1	4,588.2	23,422.5	23,373.3	23,100.9	22,917.6
EV/EBITDA (x)	2.9	2.8	8.7	8.5	7.6	6.7
EV/Sales (x)	0.7	0.5	1.9	1.8	1.6	1.4
ROCE (%)	35.0%	29.1%	39.3%	32.4%	29.4%	27.6%
RONW (%)	26.5%	19.2%	26.1%	22.2%	19.6%	18.4%
Debt/Equity Ratio (x)	0.1	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	4.8	5.2	5.2	5.0	5.5	5.5
Debtors T/o Days	21.9	31.0	25.7	34.8	32.0	32.0
Advances T/o Days	8.0	10.6	9.9	6.9	9.0	9.0
Creditors T/o Days	21.9	31.0	25.7	34.8	32.0	32.0
Working Cap T/o Days	(35.4)	(25.8)	(18.1)	(18.5)	(14.5)	(12.1)
Fixed Assets T/o (Gross)	8.0	10.6	9.9	6.9	9.0	9.0
DPS (Rs.)	10.0	12.5	3.0	3.0	3.0	3.0
Dividend Payout (%)	13.1%	18.3%	12.6%	12.0%	11.3%	10.1%
Dividend Yield (%)	2.7%	3.4%	0.8%	0.8%	0.8%	0.8%

Gujarat Gas : Financials

Balance Sheet						
Particulars (Rs. Mn.)	CY 05	CY 06	CY 07	CY 08	CY 09E	CY 10E
Equity Capital	128.25	128.25	128.25	128.25	128.25	128.25
Stock Options Outstanding Account	0.00	0.00	0.00	2.88	2.88	2.88
Preference Capital		144.00	144.00	144.00	144.00	144.00
Reserves	3639.67	4312.33	5602.84	6971.15	8438.70	10111.88
Shareholders Funds	3767.92	4584.58	5875.09	7246.27	8713.83	10387.01
Minority Interest	26.11	31.16	36.95	44.22	53.78	64.29
Borrowed Funds	530.04	29.40	0.00	0.00	0.00	0.00
Deferred Tax Liability	428.62	464.87	453.35	498.39	549.58	606.93
Deposits	677.92	865.01	1119.26	1273.69	1397.19	1533.04
Total Liabilities	5430.60	5975.01	7484.65	9062.58	10714.38	12591.27
Fixed Assets	4136.05	5217.61	5732.68	6162.17	7183.61	8123.32
Investments	1950.83	1399.49	2350.19	3545.62	4095.62	4995.62
Amount Recoverable from ESOP Trust	0.00	0.00	0.00	10.50	10.50	10.50
Assets held for Disposal	9.13	9.13	0.00	0.00	0.00	0.00
Current Assets	885.34	1405.03	1664.37	2032.01	2494.61	2900.74
Inventory	97.63	137.80	176.99	179.25	219.61	245.96
Stock on Hire	0.07	0.00	0.00	0.00	0.00	0.00
Lease Receivable	8.16	0.01	98.19	139.24	139.24	139.24
Sundry Debtors	448.91	823.51	875.56	1241.09	1277.72	1431.05
Other Current Assets	0.85	0.77	0.63	1.60	1.60	1.60
Loans & Advances	163.15	282.19	337.49	246.16	359.36	402.48
Cash & Bank Balance	166.57	160.76	175.51	224.68	497.08	680.41
Current Liabilities	1608.71	2089.35	2282.14	2692.28	3074.52	3443.46
Sundry Creditors	1372.32	1801.29	1963.39	2357.83	2675.23	2996.26
Provisions	236.40	288.06	318.75	334.46	399.29	447.20
Net Current Assets	-723.38	-684.32	-617.77	-660.27	-579.91	-542.72
Miscellaneous Expenditure	57.97	33.10	19.56	4.56	4.56	4.56
Total Assets	5430.60	5975.01	7484.65	9062.58	10714.38	12591.27

Cash Flow						
Particulars (Rs. Mn.)	CY 05	CY 06	CY 07	CY 08	CY 09E	CY 10E
Opening Cash & Bank	106.8	166.6	160.8	175.5	224.7	497.1
Profit After Tax	981.3	875.2	1,529.5	1,606.5	1,705.2	1,910.9
Investment Income	(283.4)	(161.2)	(175.0)	(412.1)	(389.1)	(474.6)
Interest Paid	29.2	22.0	1.1	1.1	1.0	1.0
Miscellaneous Exp W/Off	0.0	24.9	13.5	15.0	0.0	0.0
Depreciation	273.7	318.7	384.4	418.0	488.4	560.3
Impairment Loss	0.0	0.0	26.9	(17.1)	(9.9)	0.0
Deferred Taxation	(56.0)	36.3	(13.7)	45.0	51.2	57.4
Others	79.9	(24.6)	(22.2)	(40.2)	0.0	0.0
Change in Working Cap	52.5	(44.9)	(51.8)	91.7	192.0	146.1
CF - Operating Activities	1,077.0	1,046.3	1,692.8	1,707.9	2,039.0	2,201.1
Change in Fixed Assets	(1,592.1)	(1,375.7)	(892.9)	(797.9)	(1,500.0)	(1,500.0)
Change in Investments	(155.2)	551.3	(950.7)	(1,195.4)	(550.0)	(900.0)
Investment Income	283.4	161.2	175.0	412.1	389.1	474.6
CF - Investing Activities	(1,463.8)	(663.2)	(1,668.6)	(1,581.2)	(1,660.9)	(1,925.4)
Increase in Equity	0.0	(4.1)	4.3	(0.0)	0.0	0.0
Changes in Preference Capital	0.0	144.0	0.0	0.0	0.0	0.0
Changes in Borrowings	529.9	(500.6)	(29.4)	0.0	0.0	0.0
Changes in Deposits Accepted	96.4	187.1	254.3	154.4	123.5	135.9
Change in Minority Interest	6.7	5.1	5.8	7.3	9.6	10.5
Interest Paid	(29.2)	(22.0)	(1.1)	(1.1)	(1.0)	(1.0)
Dividend Paid	(157.3)	(198.5)	(243.2)	(238.2)	(237.7)	(237.7)
CF - Financing Activities	446.5	(389.0)	(9.4)	(77.6)	(105.6)	(92.3)
Net Change in Cash	59.7	(5.8)	14.8	49.2	272.4	183.3
Closing Cash & Bank Balance	166.6	160.8	175.5	224.7	497.1	680.4

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Gujarat Gas

- NO
YES
YES

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Contact

Ridhim Thapar

Analyst - Investment Research

ridhim@ppfas.com

91 22 2284 6555 Extn 312

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Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

www.ppfas.com