



Farsight

## MORNING FARSIGHT

Thursday, November 22, 2018

**GSFC**

**CMP:RS 107**

**TRGT:RS 130**

**TIME HORIZON: 1 YEAR**

GSFC looks a good buy, due to strong workings seen from the company in Q2FY19, wherein, both the division viz., Fertilizer and Industrial Products performed exceptionally well, while upward revision in receivable subsidy due to escalation in input prices of Urea further boosted revenue and PAT. Company's revenue rose to Rs 2,672 cr from Rs 1,770 cr QoQ and Rs 1,540 cr YoY, a growth of 51% QoQ and 74% YoY. Even if we exclude concessional subsidy of Rs 93 cr included in Revenue of Q2FY19 (Rs 15 cr for FY18, Rs 26 cr for Q1FY19 and Rs 52 cr for Q2FY19), still the revenue growth is quite strong at 46%QoQ and 68% YoY. Segment wise, Fertiliser Segment reported multifold rise in EBIT at Rs 169 cr against Rs 55 cr YoY, while Industrial Products division saw its EBIT rising to Rs 129 cr from Rs 95 cr QoQ and 28 cr YoY. EBITDA for Q2FY19 was at Rs 318 cr, a growth of over 228% over same quarter last year. PAT was placed at Rs 224 cr against Rs 71cr QoQ and Rs 79 cr YoY, with an EPS of Rs 5.83 for Q2FY19 and Rs 7.40 for H1FY19. Going ahead, with focus on selling more NPK fertilisers, the company is targeting niche market, fetching higher margins. It is also gearing up for selling more sulphur-based fertilisers, because there is deficiency of this soil nutrient in most part of the country. Company has also initiated schemes like Door to Door delivery, Retailers Registration Scheme and more demonstration through demo plots and targeting new markets like Himachal Pradesh and Utrakhhand. New products like sulphur WOG, magnesium sulphate, bentonite sulphur and city compost were introduced in the product basket during the quarter. On the Industrial Products front also, there is better price realisation in Caprolactam and Nylon-6. Company is also holding 19.82% stake in GNFC (worth Rs 1,105 cr), 6.82% stake in Gujarat Gas (worth Rs 587 cr), 2.25% stake in Gujarat Alkalies (worth Rs 95 cr) and 14.79% stake in Gujarat Inds Power (worth Rs 181cr), which aggregates to Rs 1,968 cr and GSFCs' current market cap is Rs 4,207 cr. On an estimated core EPS of Rs 13 for FY19, stock is trading at PE of 8.2x. Share ruling at Rs 107 can move to Rs 130 in 1 year.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.