



MORNING FARSIGHT

Wednesday, August 08, 2018

Gujarat Gas

CMP:RS 782

TRGT:RS 840

TIME HORIZON: 1 YEAR

Gujarat Gas, India's largest city gas distribution company, supplying natural gas (piped and compressed) and currently supplies piped natural gas (PNG) to industrial, commercial, domestic customers and compressed natural gas to transportation sector, with presence in 18 Geographical Areas (GM) largely spread across Gujarat, is looking a good buy, post strong Q1FY19 earnings and revival of buying interest in CGD companies from DIIs. For Q1FY19, Gujarat Gas reported revenue growth of 19.5%YoY and 2% QoQ at Rs 1,813 cr, thanks to steady volume growth of 5.2% YoY to 6.6 mmscmd. Better realisations of Rs 30.1/scm lead to EBITDA of Rs 249 cr (up 11.6%YoY). Going forward, the company plans to focus more on the growth of CNG and domestic PNG segment. The company has set up 44 CNG stations during FY18 and is aiming to add 200 CNG stations in the coming years to tap the opportunity of robust CNG vehicle conversion rates (50,000/annum currently). Gujarat Gas has taken appropriate price hikes in the last six months to adjust to rising LNG costs and although current LNG prices are still at elevated levels, Gujarat Gas has the ability to take required price hikes to adjust the same. Gujarat Gas has been rapidly expanding its reach in Gujarat by way of securing licences to expand its CGD network across five new areas, making it to a total of 19 districts of Gujarat, Dadra and Nagar Haveli, Thane and Palghar in Maharashtra. In the latest CGD bidding rounds, Gujarat Gas has participated in 21 geographical areas. Share ruling at Rs 782 can move to Rs 840 in the next 1 year.

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