



ENERGY Gujarat State Petronet ₹349.80

# Step on the gas

Geared up to deliver healthy revenue growth as government pushes for higher gas usage

SATYA SONTANAM  
BL Research Bureau

The stock of Gujarat State Petronet Limited (GSP) has rallied by around 65 per cent in the last one year to ₹349.80. This was on the back of renewed demand for natural gas as the economy picked up and favourable regulatory measures for the industry, especially for the city gas distribution (CGD) network.

GSP, which is the largest natural gas transmission player next to GAIL in India, will be a beneficiary of government's push to increase the share of gas in India's energy mix. This, coupled with GSP's expansion plans to cater to the rising gas demand, makes the company look well placed to deliver healthy revenue growth.

At the current market price, GSP is valued at about 11 times its estimated earnings (Bloomberg consensus) for the next one year as against the last five-year average of about 10 times. While the stock is slightly expensive relative to historical levels, it seems to be a good bet for long-term investors given the scope for growth from the structural shift happening (increase in the share of gas in energy mix). Thus, investors with high-risk appetite can consider accumulating the stock on dips.

**Volume visibility**

The company transported over 146.2 mmscmd (million metric standard cubic metre per day) of natural gas in FY21, lower by 3 per cent y-o-y, to customers including refineries, fertilizer plants, petrochemical plants, power plants, CGD companies and other industries.

GSP's current pipeline network connects to major gas supply sources in Gujarat. These include collection points near the natural gas fields of Hazira, re-gasified LNG from Shell's terminal at



Hazira, Petronet LNG's terminal at Dahej, GSPC LNG's terminal at Mundra along with the Panna-Mukta-Tapti gas fields.

Going ahead, the re-gas capacity alone in Gujarat is expected to increase by more than 50 per cent from the current levels of 24 mmtpa (million metric tonne per annum) due to new LNG terminals, adding more to business prospects.

The government's thrust to increase the share of natural gas (NG) in the energy basket from around six per cent now to 15 per cent by 2030, will be another driver for sustainable business to GSP. The company has received necessary approvals from the Petroleum and Natural Gas Regulatory Board (PNGRB) for developing additional connectivity with Petronet's Dahej terminal, to ensure requisite infrastructure for offtake of higher volumes from the terminal.

Further, discussions with PNGRB for achieving connectivity with other

upcoming terminals in Gujarat, are also underway.

In addition to current gas transmission network of about 2,700 km, additional 3000 km is expected to be developed in Gujarat with an outreach to all the 25 districts of Gujarat in the long-run. The company plans to expand its pipeline network outside the state of Gujarat by way of participating in Natural Gas Pipeline bidding carried out by PNGRB.

GSP will also be a huge beneficiary of city gas distribution network in India, for which various steps are being taken by the government.

The company's shareholding in the CGD players - Gujarat Gas (54.17 per cent holding) and Sabarmati Gas (27.47 per cent) will give a leg-up to the earnings of the GSP going ahead.

GSP network's share of sales to CGD players has already increased to 40 per cent in Q4 FY21 from 25 per cent and 30 per cent in FY19 and FY20 respectively.

Further, the new draft rules brought in by the petrol and natural gas ministry to limit sale of natural gas only by licensed entities, if becomes law, will reduce the risk of

competition for CGD players such as Gujarat Gas, which results in GSP becoming an indirect beneficiary.

**Decent financials**

Until FY20, GSP has reported strong revenue growth with three-year CAGR of 27.8 per cent to about ₹12,200 crore. During the same period, the net profit went up by a CAGR of 45 per cent to ₹1,730 crore. This is on the back of incremental tariffs announced by PNGRB for the transportation of natural gas and the reduction in costs.

Gas transmission tariffs are regulated and determined by PNGRB based on utilisation, capital and operating expenditure and working capital requirements. The regulator, in September 2018, revised the gas transmission tariff for GSP's High Pressure Gas Pipeline by 28 per cent to ₹34/mmBtu and for low-pressure gas pipeline to ₹4.08/mmBtu from ₹1.88/mmBtu.

Performance in FY21 has been modest due to the impact of Covid-19. Consolidated revenue declined by 5 per cent while net profit declined by 7 per cent. Gas was markedly less impacted than oil or coal demand in FY21. However, the first quarter of FY22 showed a decent pick-up in financial metrics driven by growth in transmission volume.

In terms of debt, the company is well placed with debt to equity at less than 0.5 times, leaving scope for leverage required for capital expansion of the company.

Robust volume outlook, high margins, low debt and steady cash flows bring positive outlook for GSP.

Key risks include spike in gas prices that will lower the demand for natural gas, consequentially impacting the transmission volume. Also, lower than expected capacity enhancement in the gas infrastructure in the country and fixation of lower tariffs for transmission going ahead, may also dent the volumes.

## Chart Focus: Buy Star Cement

YOGANAND D  
BL Research Bureau

The stock found support at ₹56 in March 2020. Since then, it has been in an intermediate-term uptrend. The support band between ₹93 and ₹95 had cushioned the

stock between January and April this year. Subsequently, the stock resumed to trend upwards. But it met with a resistance at around ₹115 in June and started to move sideways. On Friday, the stock gained 6.4 per cent accompanied by extraordinary volume and

closed slightly above the resistance of ₹115. The daily relative strength index has entered the bullish zone from the neutral region. The stock has potential to extend the uptrend. So, investors can buy with stop-loss at ₹107; targets at ₹126 and ₹134.

LET'S CELEBRATE OUR FREEDOM WITHOUT FORGETTING OUR SAFETY! HAPPY INDEPENDENCE DAY

Enjoy freedom with BOI Digital Banking products

AZADIS KA AMRIT MAHOTSAV

Bank of India Relationship beyond banking

Fuelling India's Pride Be it in oil-fields or hockey field

Congratulations TEAM INDIA and our 3 ONGCians for their stellar performance

Mandeep Singh ONGC, Gurjant Singh ONGC, Sumit Kumar ONGC

EXTRACT OF FINANCIAL RESULTS FOR THE QUARTER ENDED 30<sup>th</sup> JUNE, 2021

Sl. No	Particulars	Standalone			Consolidated		
		Quarter ended 30.06.2021	Quarter ended 30.06.2020 <sup>A</sup>	Year ended 31.03.2021	Quarter ended 30.06.2021	Quarter ended 30.06.2020 <sup>A</sup>	Year ended 31.03.2021
1	Total Income from Operations	23,021.64	13,011.29	68,141.09	1,08,135.63	62,496.06	3,60,572.31
2	Net Profit / (Loss) for the period (before Tax, Exceptional items)	6,750.17	904.12	15,027.76	10,194.37	2,001.68	29,190.88
3	Net Profit / (Loss) for the period before Tax (after Exceptional items)	6,750.17	904.12	16,402.79	10,194.37	2,001.68	30,109.65
4	Net Profit / (Loss) for the period after Tax (after Exceptional items)	4,334.75	496.58	11,246.44	6,846.73	1,085.05	21,343.45
5	Total Comprehensive Income for the period (Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax))	6,596.95	1,388.72	13,665.31	10,000.79	1,545.59	23,208.17
6	Equity Share Capital (Face value of ₹ 5/- each)	6,290.14	6,290.15	6,290.14	6,290.14	6,290.15	6,290.14
7	Other Equity	-	-	1,98,268.43	-	-	2,14,690.85
8	Earnings Per Share (Face value of ₹ 5/- each) - not annualised						
	(a) Basic (₹)	3.45	0.39	8.94	4.76	0.09	12.92
	(b) Diluted (₹)	3.45	0.39	8.94	4.76	0.09	12.92

**Oil and Natural Gas Corporation Limited**

ONGC GROUP OF COMPANIES

CIN No. L74899DL1993G00154155 Regd. Office: Plot No. 5A-5B, Nelson Mandela Road, Vasant Kurji, New Delhi, South West Delhi - 110070 Tel: 011-26754002, Fax: 011-26129091, E-mail: secretariat@ongc.co.in

www.ongcindia.com | @ONGC | company/ONGC | ongcdhelic | Instagram/ongcofficial

Think LNG, Think of Petronet LNG

Growth in volume throughput of the current quarter Q1, FY 2021-22 over the corresponding quarter Q1, FY 2020-21 by 10%

Growth in Profit Before Tax (PBT) of the current quarter Q1, FY 2021-22 over the corresponding quarter Q1, FY 2020-21 by 22%

Growth in Profit After Tax (PAT) of the current quarter Q1, FY 2021-22 over the corresponding quarter Q1, FY 2020-21 by 22%

Extract of Unaudited Financial Results for quarter ended 30<sup>th</sup> June, 2021

S. No.	Particulars	Standalone				Consolidated			
		Quarter ended		Year ended		Quarter ended		Year ended	
		30/6/2021	31/3/2021	30/6/2020	31/3/2021	30/6/2021	31/3/2021	30/6/2020	31/3/2021
1.	Total income from operations (net)	8,59,790	7,57,532	4,88,357	26,02,290	8,59,790	7,57,532	4,88,357	26,02,290
2.	Net Profit for the period (before tax and exceptional items)	85,117	85,612	69,660	3,96,765	84,846	85,612	69,660	3,93,858
3.	Net Profit for the period before tax (after exceptional items)	85,117	85,612	69,660	3,96,765	88,488	87,067	67,616	3,95,751
4.	Net Profit from ordinary activities (after tax)	63,567	62,337	52,023	2,94,937	67,006	63,792	49,979	2,93,923
5.	Other Comprehensive Income	-	(284)	-	(284)	1	(325)	-	(325)
6.	Total Comprehensive Income	63,567	62,053	52,023	2,94,653	67,007	63,467	49,979	2,93,598
7.	Equity share capital	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000
8.	Other Equity (excluding revaluation reserve)	10,78,517	10,14,950	9,97,320	10,14,950	10,97,697	10,30,690	10,12,071	10,30,690
9.	Earnings per share (Face value of Rs. 10/- each)								
	(a) Basic (Rs.)	4.24	4.16	3.47	19.66	4.47	4.25	3.33	19.59
	(b) Diluted (Rs.)	4.24	4.16	3.47	19.66	4.47	4.25	3.33	19.59

**Notes:**

1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company at the meeting held on 13<sup>th</sup> August 2021. The Statutory auditors of the Company have carried out limited review of the aforesaid results.

2. The above is an extract of the detailed format of the Statements of limited review of Standalone and Consolidated Financials Results, for the quarter ended 30<sup>th</sup> June 2021, filed with the stock exchanges under Regulation 33 of the SEBI (listing and other disclosure requirements) Regulations' 2015. The full format of the Statements of limited review of Standalone and Consolidated Financials results are available on the websites of National Stock Exchange, The Bombay Stock Exchange and the website of the company (www.petronetng.in).

Place : New Delhi  
Date : 13<sup>th</sup> August 2021

By order of the Board  
Vinod Kumar Mishra  
Director (Finance)  
DIN : 08125144

CIN: L74899DL1998PLC093073  
World Trade Center, 1<sup>st</sup> Floor, Babar Road, Barakhamba Lane, New Delhi - 110001

Email : info@petronetngfoundation.org  
Website : www.petronetngfoundation.org  
CIN : U85320DL2017NL315422

Taral GAS

www.petronetng.in