

GUJARAT STATE PETRONET LIMITED (GSPL)

Date: 25/05/2023

Reco. Price: 276-296 • Target: 330-350 • Stoploss: 267

Time Frame: 3-6 months

GSPL-WEEKLY CHART



Chart as on 25/05/2023

Technical Outlook

- The stock on a weekly scale is on the verge of giving breakout of a cup and handle pattern. As per this pattern, the stock can test the levels of 350-370 in the medium term.
- The 34-Weekly EMA is close to 269. As a result, any dips around 270 could be used for accumulating the stock.
- The RSI on a weekly scale has witnessed breakout of short term consolidation, suggesting strength.
- Based on the above technical set up, we recommend to accumulate GSPL in the range of 276-296 with a stop loss of 267 on a closing basis for the target of 330-350 in the short-term.

Fundamental Rationale

- We expect strong growth in transmission volumes for gas utilities such as GSPL to be supported by a robust gas demand outlook, which in turn would be due to: 1) demand recovery from the power, CGD (City Gas Distribution) and fertiliser sectors and 2) regulatory push to switch to gas from polluting industrial/auto fuels. Moreover, the recently-notified unified tariff for gas pipeline operators provides a massive volume opportunity and would drive growth in the long term.
- Gujarat is the primary origination or the entry point for both domestic natural gas produced in the Arabian Sea and imported RLNG (Re-gasified and Liquefied Natural Gas) for western and northern India, owing to its strategic location and oceanic access to LNG exporting countries in the Middle East and Asia. Furthermore, it is also the highest natural gas-consuming state, with around 40% of total domestic natural gas consumption in the country. All these factors translate into steady utilisation of GSPL's natural gas transmission pipelines.
- GSPL has various contracts in hand with reputed clients located in the region, which includes large industries and CGD entities which use natural gas either as feedstock, fuel or supply it for further distribution.
- GSPL has an extensive network in Gujarat, covering 25 out of 33 districts in the state. GSPL follows leading strategy and develops natural gas pipeline network in newer markets after a thorough research and assessment of potential for gas demand from various user segments. Furthermore, for laying any natural gas pipeline, GSPL would have to undergo bidding process to obtain exclusive

authorisation from the PNRB (Petroleum and Natural Gas Regulatory Board), which ensures no duplication of the pipeline and low level of competition.

- In the last five years FY18-FY23, GSPL operating revenues and profitability have grown by a CAGR of 20% and 17% respectively. Further, during the same period, the company's operating profit grew by a CAGR of 16%. Moreover, company has managed to maintain its operating margin in the range of 19-31% during the same period. At the Current market price Stock is providing a good dividend yield of 0.66%. **Hence we recommend to "ACCUMULATE" the stock.**

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