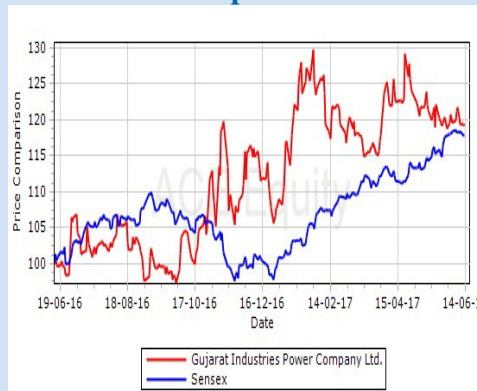


Company Details

CMP:	Rs.104.00
Face value:	Rs.10.00
Market cap:	Rs.1573.52 Crs.
EPS	Rs.15.16
52 week high:	Rs.116.50
52 week low:	Rs.84.00
BSE Code:	517300
NSE Code:	GIPCL
Sector	Power Generation

Financial Highlights (YoY)

Rs. in crores			
	FY17	FY16	% Var
Net Sales	1,310.56	1,352.23	(3.08)
Total Expendit	880.20	945.57	(6.91)
PBDIT	430.36	406.66	5.83
Op.Profit	501.38	442.87	13.21
OPM (%)	38.26	32.75	16.81
PBT	300.97	249.70	20.53
PAT	229.24	188.25	21.77
EPS (Rs.)	15.16	12.45	21.77
Equity	151.25	151.25	-

Share Price Graph**Research Analyst**

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Company Background

Gujarat Industries Power Company Ltd., a Gujarat-based company incorporated in 1985, is engaged in power generation. It was jointly promoted by Gujarat Urja Vikas Nigam Ltd. (GUVNL)], Gujarat Alkalies and Chemicals Ltd. (GACL), Gujarat State Fertilizers and Chemicals Ltd. (GSFC), and Petrofils Co-operative Ltd. (PCL) and caters to their captive power requirements. It also conducts research and development operations such as identification and completion of geological survey work at chosen sites and conducting seismic survey for mapping of lignite deposits at the said area. It also caters to the power needs of Gujarat Industrial Power Corporation and has current capacity of 929.4 MW.

Financial Performance

The net sales of the Company at Rs.1694.66 crores during FY17 are down by 3.1% but PAT at Rs.229.24 crores is up by 21.8% compared to that during FY16. Its operating profit margin has improved from 32.8% during FY16 to 38.3% during FY17. The EPS, on face value of Rs.10, has increased from Rs.12.45 for FY16 to Rs.15.16 for FY17.

The board has recommended dividend of Rs.2.70 per share for FY17 and the share of the Company trading-cum-divided.

Investment Rationale

- Indian power sector is experiencing massive change that has reinvented the industry outlook on persistent economic growth that keeps driving electricity demand. The government's aim of providing 'Power for all' has accelerated capacity additions to the power sector in the country. The expansion in industrial activity coupled with growing population, increasing penetration and per-capita usage have boosted the demand for electricity. Increasing foreign as well as domestic investments across the value chain are also providing further impetus.
- The Government of Gujarat has consented to allot 500 MW expansions Phase-III to the Company, for which site selection, environmental clearance and engineering activities by consultants are in progress. In January 2012, it Commissioned a 5 MW photovoltaic solar power station at its Vastan mines. As at 31 March 2017, its total capacity of wind power projects in Gujarat stood at 112.4 MW.
- With a vision to transform itself into a national level player, it has become a dynamic Independent Power Producer (IPP) with total installed generation capacity of 829 MW and two Wind Power Projects of 51 MW and 97.4 MW under implementation. It also has its own captive lignite mines at Vastan for its Surat lignite power plant. In April 2010, it commissioned 2 x 125 MW SLPP Phase II.
- During FY17, its mining division did well. The total requirement of lignite was met from its captive Vastan and Mangrol-Valia lignite mines. Sufficient quantity of lignite has been stocked for operations during the monsoon to meet the demand of all the four units.
- The Company plans to optimize utilization of its assets and infrastructure through initiatives like the Joint Water Supply Scheme (JWSS), DM Water Plant and Laboratory. These efforts are yielding fruitful results and the management is confident that the Company will earn substantial revenue from such efforts in the coming years.
- Recently, the Company** has commissioned 12.6 MW (6 WTGs x 2.1 MW) Wind Turbine Generators (WTGs) of the Kuchhdi Wind Farm site, Porbandar district in state of Gujarat for which Certificate of Commissioning has been issued by Gujarat Energy Development Agency (GEDA). With the commissioning of above WTGs, the 50.4 MW Wind farm site is now fully operational.
- The Company has reduced its debt burden from Rs.1113.54 crores at the end of FY11 to Rs.312.17 crores at the end of FY17, bringing down its Debt:Equity ratio to 0.14:1 at the end of FY17.
- The book value of the share of the Company works out to Rs.147.83 and it is trading below its book value at price to Bv of 0.7x.**
- The Company has continuously paid dividend since 2004 and recommended dividend of Rs.2.70 for FY17 that provides tax free dividend yield of 2.6%.**
- The promoters hold 58.2% equity capital of the Company, followed by DIIs, FIIs and non-promoter corporates that hold 18.6%, 3.9% and 7.3% and the balance 12% shares are held by the public.

Concerns

Increase in input costs and competition from other players are some of the concerns.

Valuation

The share of the Company is trading at a lower P/E of 6.9x against that of sector at 14.4x. Keeping in view the positive outlook for power generation & distribution companies, improved performance of the Company during FY17, expansion plans, low debt:equity ratio, share trading-cum- dividend, and lower PE & P/BV ratios, we recommend a buy on the share of this Company with an expected price appreciation of about 30% over the next 12 months.

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