

Key Data	
NSE / BSE Code	GSFC / 500690
Sector	Agri Inputs
Industry	Fertilizers
Face Value / Book Value (₹ per share)	2 / 120
Dividend Yield	2.51%
52 H/L (Rs)	91 / 58
Market Cap. (Rs mn)	34,906
Shares Outstanding (mn)	398.47
6M Avg Traded Volume (NSE+BSE)	591,320

Shareholding Pattern				
	Jun-16	Mar-16	Dec-15	Sep-15
Promoters	37.8%	37.8%	37.8%	37.8%
DII	14.1%	14.0%	14.4%	14.4%
FII	20.2%	20.9%	21.2%	21.6%
Others	27.9%	27.3%	26.6%	26.2%
Total	100.0%	100.0%	100.0%	100.0%

Key Ratios				
	FY13	FY14	FY15	FY16
P/E (x)	6.75	10.21	8.73	9.21
P/B (x)	0.89	0.83	0.78	0.74
EV/Sales	0.62	0.71	0.71	0.62
EV/EBITDA	4.82	7.28	5.56	6.28
ROCE	11.22%	7.07%	7.84%	7.12%
ROE	13.14%	8.17%	8.97%	8.01%

Earnings Summary				
(In ₹ mn)	FY13	FY14	FY15	FY16
Net Sales	62,532	54,124	54,265	61,633
Sales Growth	14.44%	-13.45%	0.26%	13.58%
EBITDA	7,980	5,288	6,927	6,134
EBITDA Margin	12.76%	9.77%	12.77%	9.95%
PAT	5,181	3,422	4,005	3,793
PAT Margin	8.29%	6.32%	7.38%	6.15%
EPS (₹)	13.00	8.59	10.05	9.52
Price Performance	CY13	CY14	CY15	YTD
Absolute	-19%	94%	-30%	20%
Relative to NIFTY	-26%	63%	-25%	12%

#### Analysts:

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## GSFC LTD

**CMP: Rs 87**

### **BUY with a target upside of 25%**

- ▶ GSFC (Gujarat State fertilizers & chemicals Ltd.), incorporated in 1962, is engaged in manufacturing of Fertilisers (71% of revenue) and Chemicals (29% of revenue) and is amongst the most profitable companies in the industry. The company has a market share of 8% while its PAT contributes 31% of the total industry as at March 2016. In the Fertiliser division, the company manufactures Urea , Di-Ammonium Phosphate , Ammonium Sulphate , Ammonium Phosphate Sulphate , etc. In the Chemicals division, GSFC manufactures Caprolactam , Melamine , MEX Oxime , Nylon-6 Chips.
- ▶ GSFC is reducing its dependence on fertilizers and investing heavily in the industrial product segment. Over the next 3-4 years the company will invest Rs 58 bn in the Industrial segment and will further strengthen its foothold in these products in the domestic market. The company is likely to emerge as a chemical mammoth (in the next 5-6 years) once these capex are complete.
- ▶ The company has been facing issues regarding availability of phosphoric acid which has hampered production of complex fertilisers. Besides, price of phosphoric acid has also been at elevated levels and has only recently started to come down. Owing to these factors, the company has decided to secure the supply of phos acid by setting up manufacturing facility at its Sikka complex. The company will incur a capex of Rs 12bn which will be funded by a mix of debt and equity. The management believes benefits from this could be to the tune of Rs 3.5bn at current prices.
- ▶ GSFC has entered into a joint venture with RCF and Faradast Energy Falat Company (FALAT) for the development of a 1.3-million-tonne (mt) urea plant at Chahbahar in Iran. The project entails investment of Rs 6,500 crore. Also it is exploring the possibility of setting up a urea plant in the Republic of Congo. It may bolster its capacity to provide adequate soil nutrients .This move will help GSFC to shift marginally from P&K to Urea fertilisers and increase its market share in the Urea business.
- ▶ GFSC has received Rs 1bn as a subsidy payment in Q1FY17 which decreases the outstanding subsidy dues to Rs 1.5 bn. Also the management is confident of receiving Rs 8bn of subsidy for Ammonium Sulphate which is currently under dispute with the government. This will significantly reduce the debt and improve the balance sheet strength of the company. Also, the reduction in prices of raw material was not taken in the P&L in Q1FY17 which will boost its future earnings.
- ▶ We recommend **buy** on GFSC Ltd with a target price of **Rs 110 per share**

Source: Company, ACE Equity, Destimoney Research

**Technical View**

On the weekly charts, the Stock is exhibiting a breakout from an Ascending triangle pattern. The Breakout occurred with a heavy rise in volumes. RSI Indicator is above 70 level which indicates strong upward momentum. Accumulate GSFC between 88/83 with a stop-loss of 71 for targets 110/125.



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