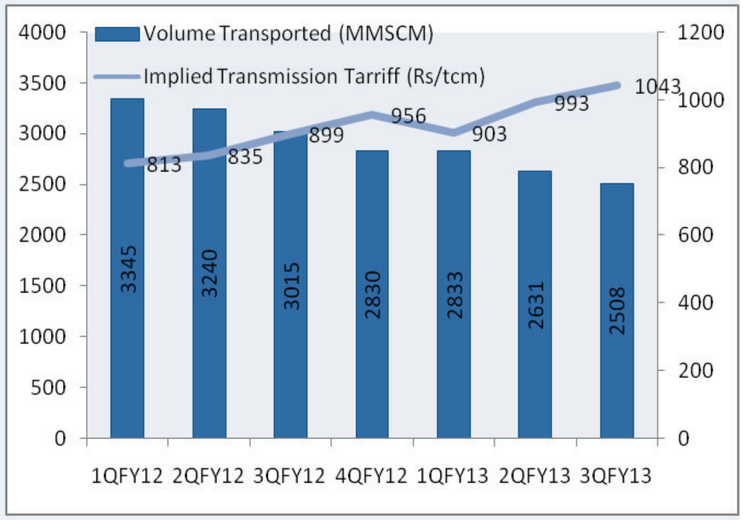
GSPL

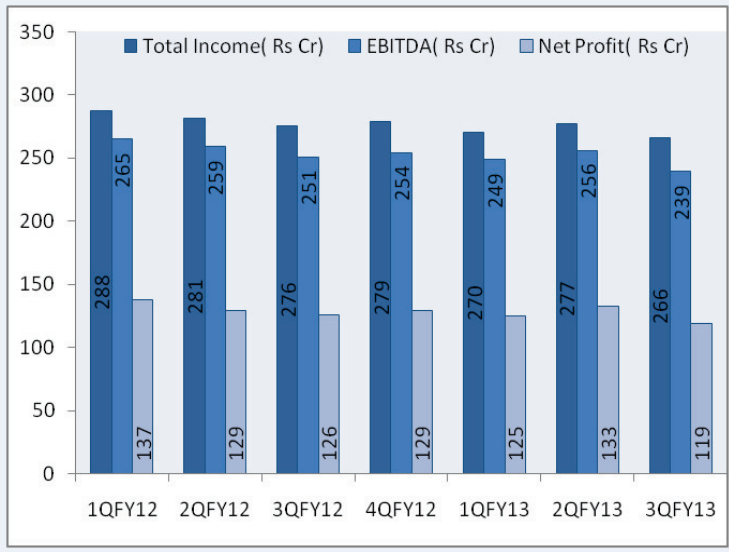
During 3QFY13, GSPL reported revenue de -growth of 5% YoY and QoQ to Rs.261 cr as against expectation of Rs257 cr. This quarter the company reported gas transmission volume of 2508 mmscm (Million standard Cubic meters) versus 2631 mmscm in 2QFY13 and 3015 mmscm in 3QFY12. Lower volume was due to lower production from KG 16 basin. It was the consecutive eight quarters since volume of the company declined and according to management volume declined trend is expected to continue in next two three quarters. Average realization for transmission volume for the quarter stood at Rs.1043/tcm in 3QFY13 as against Rs.993/tcm in 2QFY13 and Rs.899/tcm in 3QFY12.



(Source: Company/Eastwind)

In 9MFY13 total gas transmission volume was declined by 20.4% to 7972 mmscm from 9600 mmscm in 9MFY12. Significant decreased in gas volume was attributed by lower production from KGD6 which could not be fully replace by high price imported PLNG due to economic reason and poor demand from power sector.

Operating expenses of GSPL has increased by 3% YoY and 15% QoQ to Rs. 12 cr impacting operating margin. The operating margin has contracted by 190 bps QoQ to 92% from 94% in previous quarter. GSPL reported 3QFY13 EBITDA of Rs.239 cr versus Rs.256 cr in 2QFY13 and Rs.251 cr in 3QFY12.

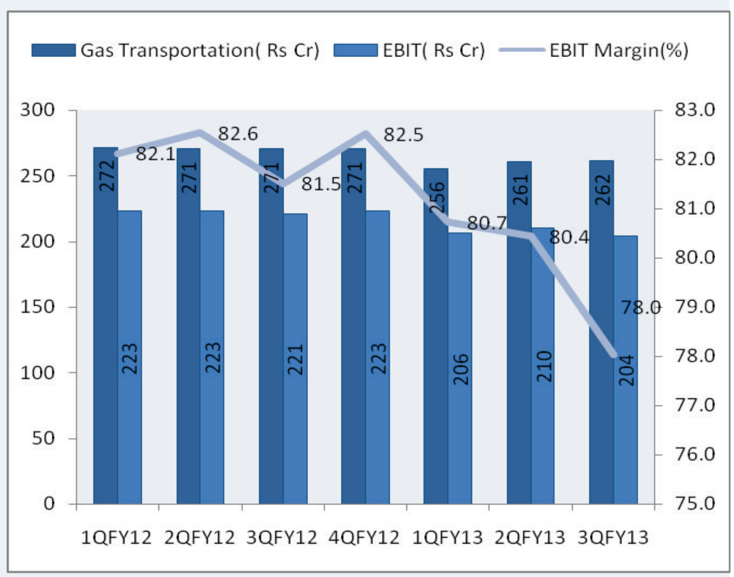


(Source: Company/Eastwind)

Depreciation cost increased marginally by 4% YoY and 3% QoQ to Rs.48 cr likely due to lower pipeline addition. We would have more clarity after the conference call. Interest cost of the company was remained flat at Rs.31 cr in 3QFY13 as against Rs.33 cr in 3QFY12 and Rs.32 cr in 2QFY13. GSPL reported other income of Rs.17 cr in 3QFY13 versus Rs.16 cr in 3QFY12 and Rs.19 cr in 2QFY13. Effective tax rate was remained flat on YoY basis to 33% as against 32% in 2QFY13.

Despite of lower depreciation cost, higher other income and flat tax rate, net profit of the company declined by 6% YoY and 10% QoQ to Rs.119 cr. We believe performance of the company in near term likely to remain under pressure due to continue declined in domestic gas supply and not much new incremental LNG re gas capacity available in Gujarat. The volume has consistently declined since reaching since reaching a peak of 3345 mmscm in 1QFY12.

But in long run we expect GSPL's Gujarat pipeline network to benefit from increase in gas supply led by higher LNG import from proposed expansion of Dahej and Hazira terminal and potential recovery in domestic gas supply from ONGC's marginal filed and KG D6. Dahej and Hazira terminal will take one or two another quarter to get implemented while continuous fall of gas supply from domestic filed remain matter of concern in near term.



(Source: Company/Eastwind)

GSPL has not implemented the provisional tariff order issued by the Petroleum & Natural Gas Regulatory Board (PNGRB) on 11 Sep 2012 for its high pressure network. The company is still in the process of analyzing the implication of this order. We think company will appeal the order with Appellate Tribunal soon.

At the price of Rs.70 stock is trading at 8.6 times of one year forward earnings. On the back of lower gas volume and unlikely increase in import of LNG from expansion of Dahej and Hazira terminals in near term we believe stock will be under pressure. We have neutral view on the stock with price target of Rs. 78 which is 5 times of EV/EBITDA multiple for FY14E.