

Q1-FY22 Result Update

- ❑ Gujarat State Fertilizers & Chemicals Ltd. (GSFC) has reported an increase of 13.1% YoY in its consolidated revenue at ₹18,509 million in Q1-FY22 as against ₹16,366 million in Q1-FY21 led by strong growth in industrial products.
- ❑ On profitability front, the company's consolidated EBITDA came in at ₹2,009 million in Q1-FY22 as against ₹902 million in Q1-FY21, an increase of 122.7% YoY. EBITDA Margins grew ~534 basis points to 10.9% during Q1 FY22. The government initiatives to increase DAP subsidy has helped the company to record a rise in EBITDA and Margins, which is partly offset by increasing prices of Raw material. The company has reported a growth of 349.7% YoY in its net profit which came in at ₹ 1,361 million in Q1-FY22 as against ₹303 million in Q1-FY21.
- ❑ Fertilizer Product segment reported a decline in Revenue by (13)% YoY to ₹ 12,458 million during Q1 FY22 as against ₹ 14,318 million during Q1FY21. EBIT came in at ₹ 840 million during Q1 FY22 as against ₹ 897 million during Q1 FY21. Fertilizer segment has been effected because of the higher raw material prices of potash yield, sulfur and the company is not increasing the MRP in line with the rising raw material cost. The spiraling prices have put pressure on the margins of the segment.
- ❑ Industrial Products Segment reported revenue of ₹6051 million during Q1 FY22 as against ₹ 2048 million during Q1 GFY21, a growth of ~196% YoY. EBIT during the quarter came in at ₹ 960 million as against loss during the Q1 FY21. The capro-benzene spread has been about \$100,050 and has been maintained to that level from this year and the management hope it will continue throughout the year.
- ❑ The Company continue to be a debt free and have deposits of more than ₹10,000 million at present. Apart from the current on going Capex the company is strategically considering setting up of another melamine plant of 40,000 metric ton which will cost ₹ 8,000 million and then for Dahej land the company is looking for good project opportunities in their niche area of chemicals.
- ❑ GSFC will continue to derive strength from its established and integrated operations in fertilizers and industrial chemical products with a diversified product profile, dominant market position in most of its products with most of the plants operating at optimum capacity, strategic investment for backward integration to secure supply of key raw materials, its comfortable leverage and liquidity along with high degree of financial flexibility. Hence, we maintain our **BUY** rating with a target price of **₹150 per share**.

Quarterly Results

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	FY21	FY20	Chg
Net Sales	18,509	16,366	13.1%	76,341	77,980	-2.1%
Operating Expense	16,500	15,464	6.7%	70,628	74,808	-5.6%
EBITDA	2,009	902	122.7%	5,713	3,172	80.1%
Other Income	219	113		1,832	1,065	
Depreciation	445	438		1,772	1,710	
EBIT	1,783	576	209.4%	5,773	2,528	128.4%
Interest	21	194		430	1,148	
PBT	1,763	382	361.3%	5,343	1,380	287.2%
Tax	403	77		848	313	
Exceptional Items	-	-		-	-	
PAT	1,360	305	346.2%	4,495	1,067	321.2%
Minority /Other Adj.	1	(2)		7	29	
Consolidated PAT	1,361	303	349.7%	4,501	1,096	310.5%
Margins	Q1-FY22	Q1-FY21	Chg BPS	FY21	FY20	Chg BPS
Operating Margin %	10.9%	5.5%	534	7.5%	4.1%	342
Net Margin %	7.4%	1.8%	550	5.9%	1.4%	449

Source: Company, Anand Rathi Research

Consolidated Financials

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	77,980	76,341	83,517	93,956
Operating Expense	74,808	70,628	75,652	85,109
EBITDA	3,172	5,713	7,864	8,848
Other Income	1,065	1,832	2,088	2,349
Depreciation	1,709	1,772	1,772	1,993
EBIT	2,528	5,773	8,181	9,203
Interest	1,148	430	642	898
Misc. items	-	-	-	-
PBT	1,380	5,343	7,538	8,306
Tax	313	848	2,111	2,326
Minority Interest	29	7	-	-
PAT	1,096	4,501	5,428	5,980

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	-8.2%	-2.1%	9.4%	12.5%
Operating Margin %	4.1%	7.5%	9.4%	9.4%
Net Margin %	1.4%	5.9%	6.5%	6.4%

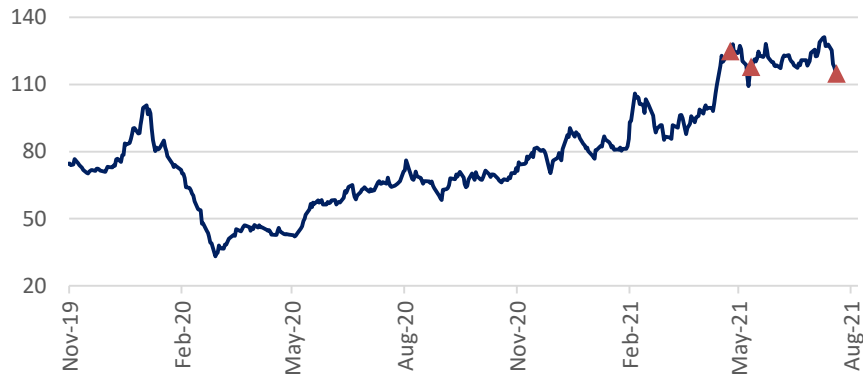
(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	797	797	797	797
Reserves & Surplus	67,818	72,883	78,310	84,291
Total Shareholder's Funds	68,614	73,680	79,107	85,088
Minority Interest	13	13	13	13
Long-Term Liabilities	933	933	933	933
Other Long-term Liabilities	10,248	8,015	8,015	8,015
Deferred Tax Liability	(527)	(2,751)	(2,751)	(2,751)
Short-term Liabilities	23,642	23,145	25,320	28,485
Total	102,924	103,034	110,638	119,783
Assets				
Net Fixed Assets	30,090	26,633	27,965	30,486
Long-Term L&A	4,937	4,937	4,937	4,937
Non Current Investments	20,874	20,874	20,874	20,874
Other Non-Current Assets	104	104	104	104
Current Asset	44,695	50,486	56,757	63,381
Total	102,924	103,035	110,638	119,783

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	2.8	11.3	13.6	15.0
P/E (x)	39.3	9.6	7.9	7.2
P/B (x)	0.6	0.6	0.5	0.5
ROE	1.6%	6.1%	6.9%	7.0%



Rating and Target Price History:

GSFC rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 16 August 2021 close.

GSFC rating details

Date	Rating	Target Price	Share Price
18-May-2021	BUY	150	119
5-Jun-2021	BUY	150	112
16-Aug-2021	BUY	150	108

Source: Ace Equity, Anand Rathi Research

Key Risks :

- ❑ Regulated nature of fertilizer industry and delays in release of subsidy from Govt.

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