

Policy Update on Gujarat PSUs.

A shareholder friendly policy

Policy Takeaways:

The Government of Gujarat has announced a policy for minimum levels of dividend distribution and bonus shares for its state PSUs including listed companies. The Government of Gujarat has mandated a dividend of 30% of profit after tax or 5% of networth whichever is higher, should be the minimum dividend declared.

Buyback of Shares: As per the policy, every state PSU having a networth of atleast Rs 2,000 crore and cash and bank balance of Rs. 1,000 crore have been mandated to exercise the option to buyback their own shares.

Bonus Shares: Gujarat state PSUs having reserves and surplus, equal to or more than 10 times of their paid-up equity capital are required to issue bonus shares to its shareholders.

Share Split: The government has also mandated splitting of shares where market price or book value of state PSUs exceeds 50 times its value, provided its existing face value of share is more than Re. 1.

KEY FINANCIALS

All figures in INR crore except per share data

Company	Face Value	CMP	M.Cap	TTM PAT	Equity Share Capital	Networth	Cash & Bank	BVPS
GIPCL	10	91	1,381	178	151	3,092	442	204
GSFC	2	153	6,109	1,345	80	11,772	397	295
GUJALKALI	10	735	5,396	685	73	6,091	375	829
GMDC	2	160	5,080	939	64	5,138	131	162
GNFC	10	587	9,097	1,773	155	8,585	1,369	554
GSPL	10	284	16,012	2,439	564	8,715	947	154
GUJARAT GAS	2	463	31,894	1,602	138	6,280	405	91

Source: Company, KRChoksey Research

ELIGIBILITY CRITERIA CHECK

Company	Dividend per share (Higher of 30% PAT or 5% of NW)	Current Dividend Yield (%)	Implied Dividend Yield (%)	Buyback Eligibility	Bonus Eligibility	Split Eligibility
GIPCL	10.2	2.7%	11%	N	Y	N
GSFC	14.8	1.6%	10%	N	Y	Y
GUJALKALI	41.5	1.4%	6%	N	Y	Y
GMDC	8.9	2.7%	6%	N	Y	Y
GNFC	34.3	1.7%	6%	Y	Y	Y
GSPL	13.0	0.7%	5%	N	Y	N
GUJARAT GAS	7.0	0.4%	2%	N	Y	Y

Source: Company, KRChoksey Research

View and Recommendation:

As per the above table we observe that all the listed state PSUs are eligible for issuing bonus shares however only GNFC is eligible to consider a buyback as per the norms.

Top Beneficiaries:

GIPCL: We believe with the change in the minimum dividend payout the shareholders of GIPCL will stand to benefit as the dividend yield appreciation is significant.

GSFC: We believe GSFC will be the biggest beneficiary with the policy change as the company has investments of ~Rs. 4300 in other Gujarat state PSU companies along with a cash balance of Rs. 2,483 crores (including government subsidy receivables). GSFC having holding in other Gujarat state companies will benefit from the dividend and buy backs.

Disclaimer: <https://bit.ly/2ZP4X4v>

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