

HPCL

Refer to important disclosures at the end of this report

Strong core GRM; reiterate Buy on improving marketing outlook

CMP: Rs 214
as of (June 17, 2020)TP: Rs 280 (▼)
12 months

Rating: BUY (■)

Upside: 30.6 %

We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- HPCL's Q4FY20 std. EBITDA/PAT stood at Rs3.21bn/Rs268mn (vs. +Rs10.9/-3.2bn ests.). Covid-led inventory valuation loss was Rs10bn. Forex loss was at ~Rs10bn. Tax was negative as HPCL adopted the new lower rate (Rs16.5bn def. tax liability reversed).
- Reported GRM was negative USD1.23/bbl, with Rs25.8bn of inventory loss (incl. exceptional item). Adj. core GRM was ~USD8.0/bbl (beat to our USD1.8 est.), led by 115% refinery utilization and price lag impact. Reported marketing inventory loss was Rs15.3bn.
- Blended marketing margin rose 16% qoq to Rs5.7/kg, a 7% miss. Domestic/total sales volumes declined 8%/5% yoy, with petrol/diesel down 3%/9%. Gross debt rose 58% yoy/50% qoq to Rs430.2bn. Core EPS for Q4 stood strong at Rs11.9, a 30%+ beat.
- We raise FY21/22E EPS by 1%/9% due to low taxes/higher marketing margins, offsetting volume declines. We cut TP by 13% to Rs280, assuming higher debt. We reiterate Buy and OW stance in EAP. We remain positive on OMCs and HPCL is our top pick.

Result highlights: Opex was broadly in line, with employee cost having Rs697mn provision due to PF trust investment diminution, while Other Expenditure was down 6% yoy/3% qoq. Interest cost rose 34% qoq to Rs3.4bn due to higher debt. Other Income fell 14% yoy (up 31% qoq) to Rs4.2bn, while depreciation fell 6% qoq to Rs8.1bn (due to ~Rs490mn catalyst residual value adjustment). For FY20, standalone reported EBITDA/PAT fell 48%/56% to Rs62.7/26.4bn on the back of inventory/forex losses and exceptional item. Core PAT (at 33% tax) was down 24% to Rs44.9bn (Rs29.5/sh) due to lower GRM, marketing margins and refining volumes, coupled with higher interest/depreciation. Ind-AS116 impact on PBT was negative Rs1.25bn. There was Rs1.32bn PMUY loans provision. Final dividend of Rs9.75/sh was recommended (56% payout). Capex was ~Rs138 for FY20 (as per PPAC).

Management guidance: BS-VI supplies started from both the refineries and secondary unit revamp under Vizag (VR) project was also done. BS-VI costs are included in the pricing. Mumbai-VR projects are expected to complete by CY21 end and VR bottoms up-grade by CY22. VR GRMs can expand by USD6-8/bb post this. Capex guidance is Rs120bn for FY21, with Rs50/70bn on marketing/refining (incl. Barmer). Project work is underway, but full workforce yet to join, besides some monsoon delays. Demand fell to 30-35% of normal in April, recovering to 60% in May and currently auto fuels is at 82-88%. It will try to maintain normative margins. Debt rose due to pricier crude payments and year-end taxes. Ind-AS116 lease liability was Rs29bn. Current debt is Rs360bn. HMEL FY20 net loss was Rs660mn.

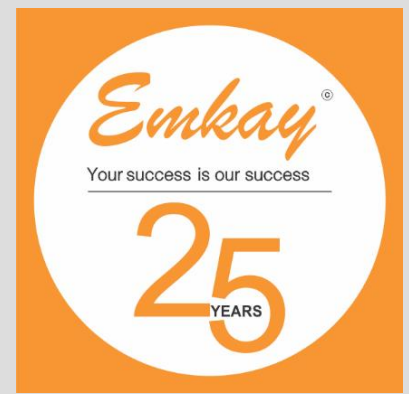
Valuation: We value HPCL on SoTP basis at 6.7x blended FY22E EV/EBITDA and holdco discount to investments. Key risks are adverse petroleum prices/margins, currency, delay in post-Covid-19 recovery, project delays and capex-cost over-runs.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Oil & Gas \(page 9\)](#)

Financial Snapshot (Standalone)

| (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 2,752,147 | 2,687,664 | 2,141,751 | 2,684,279 | 3,113,409 |
| EBITDA | 120,266 | 59,970 | 103,210 | 111,184 | 125,252 |
| EBITDA Margin (%) | 4.4 | 2.2 | 4.8 | 4.1 | 4.0 |
| APAT | 60,287 | 20,088 | 50,283 | 50,877 | 49,899 |
| EPS (Rs) | 39.6 | 13.2 | 33.0 | 33.4 | 32.7 |
| EPS (% chg) | (5.2) | (66.7) | 150.3 | 1.2 | (1.9) |
| ROE (%) | 23.1 | 7.0 | 16.5 | 15.2 | 13.7 |
| P/E (x) | 5.4 | 16.2 | 6.5 | 6.4 | 6.5 |
| EV/EBITDA (x) | 4.5 | 11.7 | 6.7 | 6.7 | 6.1 |
| P/BV (x) | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 |

Source: Company, Emkay Research



Change in Estimates

| | |
|-------------------------|--------|
| EPS Chg FY21E/FY22E (%) | 1/9 |
| Target Price change (%) | (12.7) |
| Target Period (Months) | 12 |
| Previous Reco | BUY |

Emkay vs Consensus

| | EPS Estimates | |
|-------------------------|---------------|-------|
| | FY21E | FY22E |
| Emkay | 33.0 | 33.4 |
| Consensus | 30.0 | 36.5 |
| Mean Consensus TP (12M) | Rs 268 | |

Stock Details

| | |
|------------------------------|------------|
| Bloomberg Code | HPCL IN |
| Face Value (Rs) | 10 |
| Shares outstanding (mn) | 1,524 |
| 52 Week H/L | 329 / 150 |
| M Cap (Rs bn/USD bn) | 326 / 4.28 |
| Daily Avg Volume (nos.) | 7,699,531 |
| Daily Avg Turnover (US\$ mn) | 20.1 |

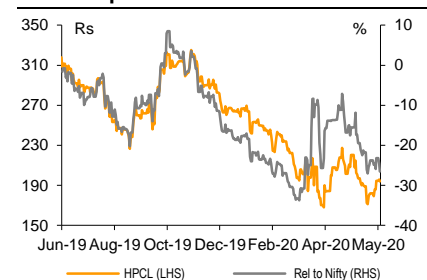
Shareholding Pattern Mar '20

| | |
|-------------------|-------|
| Promoters | 51.1% |
| FIIs | 17.7% |
| DIIIs | 21.7% |
| Public and Others | 9.5% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|---------------|----|------|------|------|
| Absolute | 13 | (1) | (19) | (27) |
| Rel. to Nifty | 5 | (10) | - | (14) |

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Actual vs. Estimates (Q4FY20)

| Rs bn | Actual | Estimates (Emkay) | Consensus Estimate (Bloomberg) | Variation | | Comments |
|---------------------|--------|-------------------|--------------------------------|-----------|-----------|---|
| | | | | Emkay | Consensus | |
| Total Revenue | 661.5 | 581.0 | 594.8 | 14% | 11% | |
| Adjusted EBITDA | 3.2 | 10.9 | 3.9 | -71% | -18% | Higher marketing inv. losses, lower vol/margins |
| EBITDA Margin (%) | 0% | 2% | 1% | -140bps | -17bps | |
| Adjusted Net Profit | (6.0) | (3.2) | (2.6) | | | Due to exceptional inventory loss |

Source: Company, Emkay Research

Exhibit 2: Quarterly summary

| Rs mn | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | yoy | qoq | FY19 | FY20 | Yoy |
|------------------------------------|---------|---------|---------|---------|----------|------|------|-----------|-----------|------|
| Revenue | 679,539 | 709,889 | 608,684 | 707,496 | 661,549 | -3% | -6% | 2,752,076 | 2,687,618 | -2% |
| COGS | 586,802 | 656,571 | 546,258 | 646,331 | 616,297 | 5% | -5% | 2,479,878 | 2,465,458 | -1% |
| Gross Profit | 92,737 | 53,319 | 62,426 | 61,165 | 45,252 | -51% | -26% | 272,197 | 222,161 | -18% |
| Opex | 43,287 | 36,879 | 37,966 | 42,532 | 42,045 | -3% | -1% | 152,178 | 159,422 | 5% |
| Total Expenditure | 630,089 | 693,450 | 584,224 | 688,863 | 658,342 | 4% | -4% | 2,632,056 | 2,624,879 | 0% |
| EBITDA | 49,450 | 16,439 | 24,460 | 18,633 | 3,207 | -94% | -83% | 120,020 | 62,739 | -48% |
| Depreciation | 8,285 | 8,151 | 8,121 | 8,659 | 8,114 | -2% | -6% | 30,126 | 33,044 | 10% |
| Interest | 1,872 | 2,063 | 2,856 | 2,524 | 3,374 | 80% | 34% | 7,259 | 10,817 | 49% |
| Other Income | 4,956 | 4,227 | 3,907 | 3,238 | 4,241 | -14% | 31% | 16,542 | 15,612 | -6% |
| Exceptional Items | - | - | - | - | (10,029) | | | - | (10,029) | |
| Forex Gain/(Losses) | 2,482 | 1,938 | (1,220) | 820 | (10,273) | | | (5,789) | (8,735) | |
| PBT | 46,731 | 12,390 | 16,170 | 11,508 | (24,343) | | | 93,387 | 15,726 | -83% |
| Tax | 17,032 | 4,281 | 5,647 | 4,036 | (24,611) | | | 33,100 | (10,647) | |
| PAT | 29,699 | 8,110 | 10,523 | 7,472 | 268 | -99% | -96% | 60,287 | 26,373 | -56% |
| Adjusted PAT | 29,699 | 8,110 | 10,523 | 7,472 | (6,017) | | | 60,287 | 20,088 | -67% |
| Adjusted EPS (Rs) | 19.5 | 5.3 | 6.9 | 4.9 | (3.9) | | | 39.6 | 13.2 | -67% |
| Tax Rate | 36% | 35% | 35% | 35% | NM | | | 35% | NM | |
| Core EBITDA | 40,290 | 21,799 | 23,930 | 15,203 | 34,308 | -15% | 126% | 109,440 | 95,240 | -13% |
| Core PAT | 23,510 | 10,595 | 11,296 | 4,863 | 18,130 | -23% | 273% | 59,359 | 44,884 | -24% |
| Core EPS (Rs) | 15.4 | 7.0 | 7.4 | 3.2 | 11.9 | -23% | 273% | 39.0 | 29.5 | -24% |
| Refining Volumes (mmt) | 4.6 | 3.9 | 4.6 | 4.2 | 4.5 | -1% | 9% | 18.4 | 17.2 | -7% |
| Reported GRM (USD/bbl) | 4.5 | 0.8 | 2.8 | 1.8 | (1.2) | | | 5.0 | 1.0 | -80% |
| Core GRM (USD/bbl)* | 2.1 | 3.3 | 2.5 | 1.4 | 7.9 | 276% | 444% | 4.5 | 3.9 | -14% |
| Adjusted Refining EBITDA | 766 | (8,762) | (596) | (5,247) | (6,432) | | | 16,063 | (21,036) | |
| Marketing Volumes (mmt) | 10.1 | 10.1 | 9.4 | 10.6 | 9.6 | -5% | -10% | 38.7 | 39.6 | 2% |
| Diesel | 4.6 | 4.9 | 4.0 | 4.6 | 4.2 | -9% | -9% | 18.1 | 17.7 | -2% |
| Petrol | 1.8 | 1.9 | 1.8 | 1.8 | 1.7 | -3% | -5% | 6.9 | 7.3 | 5% |
| Marketing Margin (Rs/mt) | 7,476 | 4,872 | 5,667 | 4,905 | 5,706 | -24% | 16% | 5,360 | 5,271 | -2% |
| Adjusted Marketing EBITDA | 44,583 | 13,534 | 18,987 | 18,794 | (3,565) | | | 75,610 | 47,750 | -37% |
| Marketing Inventory Gain/(Losses)* | 3,440 | (200) | (130) | 2,690 | (9,261) | | | 6,250 | (6,901) | |
| Pipeline Volumes (mmt) | 5.6 | 5.3 | 5.1 | 5.1 | 5.7 | 2% | 12% | 21.5 | 21.2 | -2% |
| Implied Pipeline EBITDA | 2,731 | 2,579 | 2,396 | 2,438 | 2,574 | -6% | 6% | 10,198 | 9,988 | -2% |
| Gross Debt | 272,400 | 204,270 | 297,590 | 285,900 | 430,210 | 58% | 50% | 204,270 | 430,210 | 111% |
| Implied Net Debt | 217,508 | 146,143 | 237,277 | 228,702 | 376,139 | 73% | 64% | 146,143 | 376,139 | 157% |
| Net Under-recovery | - | - | - | - | - | - | - | - | - | - |

Source: Company, Emkay Research

*Note: Adjusted PAT may not match with annual tables fully due to different adjustment method in Emkay detailed annual model; Exceptional inventory loss adjusted

Exhibit 3: Changes in assumptions

| | FY21E | | | FY22E | | | FY23E |
|--------------------------|-------|-------|-----------|-------|-------|--------|------------|
| | Old | New | % Chg. | Old | New | % Chg. | Introduced |
| GRM (USD/bbl) | 4.0 | 3.9 | -3% | 4.1 | 4.2 | 1% | 4.7 |
| Marketing Margin (Rs/mt) | 4,869 | 5,240 | 8% | 4,964 | 5,441 | 10% | 5,578 |
| Growth | 2% | 6% | 460bps | 2% | 4% | 187bps | 3% |
| Marketing Sales (mmt) | 42 | 36 | -13% | 43 | 39 | -10% | 40 |
| Growth | 2% | -8% | -1,008bps | 3% | 6% | 354bps | 4% |

Source: Emkay Research

Exhibit 4: Changes in estimates

| Rs bn | FY21E | | | FY22E | | | FY23E |
|-----------------------|-------|-------|--------|-------|-------|--------|------------|
| | Old | New | % Chg. | Old | New | % Chg. | Introduced |
| Revenue | 2,302 | 2,142 | -7% | 2,646 | 2,684 | 1% | 3,113 |
| EBITDA | 100 | 103 | 3% | 105 | 111 | 6% | 125 |
| <i>EBITDA Margins</i> | 4% | 5% | 46bps | 4% | 4% | 17bps | 4% |
| PAT | 50 | 50 | 1% | 47 | 51 | 9% | 50 |
| EPS (Rs) | 32.5 | 33.0 | 1% | 30.6 | 33.4 | 9% | 32.7 |

Source: Emkay Research

Concall highlights

Refining

- Adjusted for inventory loss and price lag impact, normative GRMs should be USD6.5-7.0/bbl+. It saw low cracks in petrol-diesel (MS-HSD) due to Covid-19. But with demand picking up, cracks are improving and diesel is now at USD6-7/bbl, which should support GRMs. Expect range-bound crude prices.
- HPCL's refineries operated at higher capacity than peers who were at 50-60% during the April lockdown. Mumbai Refinery/Vizag Refinery (MR/VR) utilization was 85%/100% and now back to 100%+.
- Completed BS-VI projects in both MR and VR (supplies started) and revamp of secondary units under Vizag modernization project (VRMP) is also done. BS-VI costs were included in pricing (RTP).
- Revamp has created additional secondary capacity now in VR. Primary capacity to be added going ahead but due to revamp, extra shutdowns are not needed. No immediate impact on GRMs but post capacity expansion (14.5mmtpa effective capacity, 9mmtpa new CDU), GRMs will rise and post bottoms up-gradation (15.5mmtpa capacity effective), further increase will be there. It can gain double-digit GRMs (USD6-8/bbl extra vs. now).
- Crude sourcing mix comprises of low and medium grades from West Africa and US. Predominantly HPCL uses Saudi, UAE, Iraq crudes with some Kuwait also. 65% of crude mix is Middle East, while 35% is other imports and domestic supplies (4-4.5mmtpa).

Marketing

- Demand was impacted by global economic weakness followed by Covid-19 lockdowns. HPCL's operations continued and essential supplies were made.
- Consumption fell to 30-35% of normal (year ago rate) in April, recovering to 60% in May and picked up further in June. As of now MS-HSD is at 82-88% of normal and should reach 90% by the end of June (hit 90% today also but maybe temporary). Further to that depends on relaxation of the lockdown and activities returning.
- ATF demand is low at 30% of normal now, though flights are rising. Bitumen, lube, etc. demand picked up and currently at 80% of normal, with road work and transport starting.
- It will try to maintain margins at the normative rate. The pricing will be based on international rates. Excise hikes were absorbed but now being adjusted. Not greedy about windfall profits but also a commercial enterprise and pricing is based on principles.
- Added 1,192 retail outlets/ROs (petrol pumps) with 16,476 in total and 245 LPG distributors to 6,110.

Debt

- Debt went up to Rs430bn as short-term debt was required to pay for expensive crude purchased earlier and due to year end taxation payments. Debt now is lower at Rs360bn and by month end should come down to Rs320bn or even less. Long-term debt equity ratio is less than 1x. Ind-AS116 lease liability in debt was Rs29bn as on FY20 end.
- Liquidity position is comfortable now. Strong credit metrics.
- Getting best rate on NCDs, CPs etc. This is due to mix of timing, instrument, portfolio management and risk management.
- Funding sanctioned is substantially high.

Capex

- Capex guidance is Rs120bn for FY21 with Rs70bn on refining, including Barmer equity and Rs50bn on marketing broadly. See progressive completion of capex this and next year due to Covid-19 disruptions. Following a cautious approach for newer projects and prioritizing.
- Mumbai expansion project (MREP) and VRMP expected to complete before CY21 end. VR bottoms up-gradation by CY22. Monsoon has also led to some delays. Barmer is expected by CY23.
- FY20 capex included completed projects like the Uran-Chakan LPG pipeline, MDPL & Palanpur/Vadodara capacity expansions (latter done at 10% lower cost at Rs1.9bn), VVSPL, marketing related etc. MREP and VRMP in advanced stage. Barmer refinery capex payout cycle is later on as initial activities are under way now.
- Project sites were initially all closed in April due to the lockdown but all sites restarted by April 20 post some relaxation. Full labor work force is yet to return but 7,000 people have come back in VR, 2,000 in Barmer, and 14,000 in HMEL (petchem, wasn't impacted much).
- Projects sourcing was mostly local materials though some critical equipment sourced internationally and may need foreign officials to commission.

Outlook

- No reason to believe why FY21 won't be a normal year. First two months were no indication of weak annual performance unless Covid-19 situation deteriorates with a second wave.
- Some projects are for safety, while others are IRR projects and highest IRR is considered in taking decisions. Refining expansion projects are not frequent and once MREP/VRMP is over. It would take a while for next such capex.
- Investing in logistics and pipelines for lower costs and efficiency.
- Expect inventory gains in Q1FY21 due to oil price uptick.
- Can do Rs80bn operating cash flow annually. Debt scenario is comfortable.

Others

- FY20 marketing EBITDA was Rs73.35bn while refining was negative Rs18.15bn. Marketing cycle time is much lesser, while refining is higher as stock in ships also part of inventory. Hence, refining EBITDA hit by inventory loss. Rs11.42bn was Other Segments for FY20.
- Exceptional loss was part of overall inventory losses. Inventory loss and forex loss negative impact was Rs65.0/57.0bn in Q4/FY20 results. Core GRM ex. just inventory loss was USD9.37/bbl in Q4 and USD4.3/bbl in FY20.
- Moved to new tax regime as there was no accumulated MAT credit. Dividend was high at 50%+ payout as an investor reward and due to steady physical performance.
- Selling CNG in 476 ROs (incl. colo). Has 20 CGD GA authorizations in 9 states. Chhara LNG terminal in progress (no GSA signed yet). Will scale up gas business. Can sell gas from entire 16,000+ RO network. Expiry of exclusivity in Mumbai-Delhi CGD can lead to opening up of the market and HPCL is interested but awaiting notification.
- Looking at EVs and LNG retail. Have 34 ROs with EV charging facilities.
- HMEL reported Rs660mn net loss in FY20. Utilized expanded capacity. GRM was not double digit this time. Petchem expansion project is progressing well with mid CY21 projected completion time.
- MRPL merger timeline not firmed up yet.
- HPCL is one of the largest players in lubes with 478kt sales (highest ever exports in FY20) and second largest LPG player (customer base of 80mn driven by PMUY). Opened first retail outlet overseas in Bhutan in MOU with STC of Bhutan and 20 more are planned. Launched VLSFO (<0.5% sulfur) and complete range of lubes/fluids for BS VI and EVs.
- IOT, ERP (upgrade already done), AI etc. pursued under digital initiatives (customer facing, supply chain, operations). Haven't gone into block chain yet. This would help reduce cost, increase market share and boost refining profits.
- As per results notes; Covid-19 impact is on near term demand while supply side disruptions are minimal. Do not expect impact on long term business continuity and carrying amounts of assets. Capex plans are mostly intact except for few time-cost overruns.

Exhibit 5: Value of investments

| Rs/sh/mn | Shares (mn) | Price | Value |
|---------------------------------------|-------------|-------------|---------------|
| MRPL | 297 | 30 | 8,915 |
| Oil India | 27 | 100 | 2,675 |
| Total | | | 11,590 |
| Investment value at 30% holdco disc. | | | 8,113 |
| HMEL at 5x normalized PE | | Rs 15bn PAT | 37,500 |
| Total Investment Value (Rs/sh) | | | 30 |

Source: Company, Emkay Research

Exhibit 6: Core business valuation

| Mar'22 estimates (Rs bn) | EBITDA | Multiple (x) | EV | EV/Share |
|-----------------------------|------------|--------------|------------|------------|
| Refining | 20 | 5.5 | 109 | 71 |
| Pipelines | 11 | 7.0 | 74 | 48 |
| Petrochemicals | - | - | - | - |
| Marketing | 81 | 7.0 | 566 | 371 |
| Total EV | 111 | 6.7 | 749 | 491 |
| Less: Net Debt (Mar'21 End) | | | 368 | 241 |
| Fair Value/M-Cap | | | 381 | 250 |
| No. Of Shares O/S (bn) | | | 1.5 | |

Source: Company, Emkay Research

Exhibit 7: SOTP valuation

| Rs/share | Value |
|---------------------|------------|
| EV/EBITDA | 250 |
| Investments | 30 |
| Target Price | 280 |

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | 2,752,147 | 2,687,664 | 2,141,751 | 2,684,279 | 3,113,409 |
| Expenditure | 2,631,881 | 2,627,695 | 2,038,541 | 2,573,095 | 2,988,157 |
| EBITDA | 120,266 | 59,970 | 103,210 | 111,184 | 125,252 |
| Depreciation | 30,126 | 33,044 | 37,623 | 44,994 | 56,802 |
| EBIT | 90,139 | 26,926 | 65,587 | 66,190 | 68,450 |
| Other Income | 16,750 | 18,382 | 14,020 | 16,326 | 15,770 |
| Interest expenses | 7,259 | 10,817 | 12,384 | 14,497 | 17,511 |
| PBT | 99,630 | 34,490 | 67,223 | 68,018 | 66,710 |
| Tax | 33,100 | (4,362) | 16,940 | 17,141 | 16,811 |
| Extraordinary Items | (6,244) | (18,764) | 0 | 0 | 0 |
| Minority Int./Income from Assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported Net Income | 60,287 | 26,373 | 50,283 | 50,877 | 49,899 |
| Adjusted PAT | 60,287 | 20,088 | 50,283 | 50,877 | 49,899 |

Balance Sheet

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--|----------------|----------------|-----------------|----------------|----------------|
| Equity share capital | 15,242 | 15,242 | 15,242 | 15,242 | 15,242 |
| Reserves & surplus | 266,506 | 274,382 | 304,551 | 335,078 | 365,017 |
| Net worth | 281,748 | 289,624 | 319,793 | 350,320 | 380,259 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Loan Funds | 272,397 | 430,210 | 430,210 | 530,210 | 520,210 |
| Net deferred tax liability | 71,648 | 54,915 | 58,112 | 61,341 | 64,601 |
| Total Liabilities | 625,793 | 774,749 | 808,115 | 941,870 | 965,071 |
| Net block | 409,793 | 482,904 | 455,281 | 646,006 | 747,063 |
| Investment | 118,186 | 125,116 | 126,367 | 127,631 | 128,907 |
| Current Assets | 415,451 | 360,651 | 292,819 | 411,136 | 438,510 |
| Cash & bank balance | 956 | 1,132 | 8,227 | 55,682 | 32,525 |
| Other Current Assets | 6,929 | 4,260 | 3,394 | 4,254 | 4,934 |
| Current liabilities & Provision | 412,597 | 365,359 | 337,789 | 378,621 | 417,269 |
| Net current assets | 2,854 | (4,708) | (44,970) | 32,515 | 21,241 |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 625,793 | 774,749 | 808,115 | 941,870 | 965,071 |

Cash Flow

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|------------------|------------------|-----------------|-----------------|-----------------|
| PBT (Ex-Other income) (NI+Dep) | 82,880 | 16,109 | 53,203 | 51,692 | 50,940 |
| Other Non-Cash items | 9,831 | 3,186 | 0 | 0 | 0 |
| Chg in working cap | (23,423) | (8,994) | 50,554 | (26,802) | (8,621) |
| Operating Cashflow | 84,497 | 54,533 | 136,824 | 67,242 | 99,820 |
| Capital expenditure | (115,307) | (182,633) | (110,000) | (100,000) | (90,000) |
| Free Cash Flow | (30,810) | (128,100) | 26,824 | (32,758) | 9,820 |
| Investments | (7,135) | (6,930) | (1,251) | (1,264) | (1,276) |
| Other Investing Cash Flow | (8,141) | 29,524 | 0 | 0 | 0 |
| Investing Cashflow | (113,834) | (141,657) | (97,231) | (84,938) | (75,507) |
| Equity Capital Raised | 0 | 0 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | 62,488 | 157,813 | 0 | 100,000 | (10,000) |
| Dividend paid (incl tax) | (16,533) | (17,251) | (20,113) | (20,351) | (19,960) |
| Other Financing Cash Flow | (20,344) | (42,446) | 0 | 0 | 0 |
| Financing Cashflow | 18,351 | 87,299 | (32,498) | 65,152 | (47,470) |
| Net chg in cash | (10,985) | 175 | 7,095 | 47,456 | (23,157) |
| Opening cash position | 11,941 | 956 | 1,132 | 8,227 | 55,682 |
| Closing cash position | 956 | 1,131 | 8,227 | 55,682 | 32,525 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 4.4 | 2.2 | 4.8 | 4.1 | 4.0 |
| EBIT Margin | 3.3 | 1.0 | 3.1 | 2.5 | 2.2 |
| Effective Tax Rate | 33.2 | (12.6) | 25.2 | 25.2 | 25.2 |
| Net Margin | 2.4 | 1.4 | 2.3 | 1.9 | 1.6 |
| ROCE | 18.7 | 6.5 | 10.1 | 9.4 | 8.8 |
| ROE | 23.1 | 7.0 | 16.5 | 15.2 | 13.7 |
| RoIC | 23.6 | 6.1 | 14.9 | 12.9 | 10.1 |

| Per Share Data (Rs) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 39.6 | 13.2 | 33.0 | 33.4 | 32.7 |
| CEPS | 59.3 | 34.9 | 57.7 | 62.9 | 70.0 |
| BVPS | 184.8 | 190.0 | 209.8 | 229.8 | 249.5 |
| DPS | 15.9 | 9.7 | 13.2 | 13.4 | 13.1 |

| Valuations (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 5.4 | 16.2 | 6.5 | 6.4 | 6.5 |
| P/CEPS | 3.6 | 6.1 | 3.7 | 3.4 | 3.1 |
| P/BV | 1.2 | 1.1 | 1.0 | 0.9 | 0.9 |
| EV / Sales | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 |
| EV / EBITDA | 4.5 | 11.7 | 6.7 | 6.7 | 6.1 |
| Dividend Yield (%) | 7.4 | 4.6 | 6.2 | 6.2 | 6.1 |

| Gearing Ratio (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.8 | 1.3 | 1.2 | 1.2 | 1.1 |
| Net Debt/EBIDTA | 1.8 | 6.3 | 3.6 | 3.8 | 3.5 |
| Working Cap Cycle (days) | 10.8 | 15.6 | 11.9 | 14.0 | 14.0 |

| Growth (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 25.5 | (2.3) | (20.3) | 25.3 | 16.0 |
| EBITDA | 12.7 | (50.1) | 72.1 | 7.7 | 12.7 |
| EBIT | 13.8 | (70.1) | 143.6 | 0.9 | 3.4 |
| PAT | (5.2) | (56.3) | 90.7 | 1.2 | (1.9) |

| Quarterly (Rs mn) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 679,539 | 709,889 | 608,684 | 707,496 | 661,549 |
| EBITDA | 49,450 | 16,439 | 24,460 | 18,633 | 3,207 |
| EBITDA Margin (%) | 7.3 | 2.3 | 4.0 | 2.6 | 0.5 |
| PAT | 29,699 | 8,110 | 10,523 | 7,472 | 268 |
| EPS (Rs) | 19.5 | 5.3 | 6.9 | 4.9 | 0.2 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 51.1 | 51.1 | 51.1 | 51.1 | 51.1 |
| FIIIs | 18.6 | 19.6 | 18.3 | 19.2 | 17.7 |
| DIIIs | 17.1 | 17.2 | 21.5 | 20.8 | 21.7 |
| Public and Others | 13.2 | 12.0 | 9.1 | 8.9 | 9.5 |

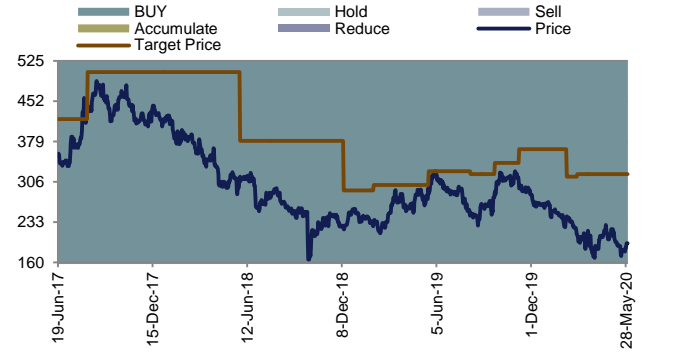
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-----|-----------------|--------|----------------|
| 6-May-20 | 203 | 320 | 12m | Buy | Sabri Hazarika |
| 26-Feb-20 | 209 | 320 | 12m | Buy | Sabri Hazarika |
| 6-Feb-20 | 243 | 315 | 12m | Buy | Sabri Hazarika |
| 24-Jan-20 | 245 | 365 | 12m | Buy | Sabri Hazarika |
| 4-Dec-19 | 270 | 365 | 12m | Buy | Sabri Hazarika |
| 8-Nov-19 | 294 | 365 | 12m | Buy | Sabri Hazarika |
| 25-Oct-19 | 301 | 340 | 12m | Buy | Sabri Hazarika |
| 23-Sep-19 | 288 | 340 | 12m | Buy | Sabri Hazarika |
| 8-Aug-19 | 250 | 320 | 12m | Buy | Sabri Hazarika |
| 10-Jun-19 | 306 | 325 | 12m | Buy | Sabri Hazarika |
| 21-May-19 | 285 | 325 | 12m | Buy | Sabri Hazarika |
| 6-Feb-19 | 234 | 300 | 12m | Buy | Sabri Hazarika |
| 28-Jan-19 | 239 | 290 | 12m | Buy | Sabri Hazarika |
| 31-Dec-18 | 253 | 290 | 12m | Buy | Sabri Hazarika |
| 11-Dec-18 | 220 | 290 | 12m | Buy | Sabri Hazarika |
| 4-Sep-18 | 250 | 380 | 12m | Buy | Sabri Hazarika |
| 13-Jul-18 | 270 | 380 | 12m | Buy | Sabri Hazarika |
| 8-Jun-18 | 311 | 380 | 12m | Buy | Sabri Hazarika |
| 29-May-18 | 315 | 380 | 12m | Buy | Sabri Hazarika |
| 15-Nov-17 | 414 | 505 | 12m | Buy | Dhaval Joshi |
| 14-Aug-17 | 439 | 505 | 12m | Buy | Dhaval Joshi |
| 20-Jun-17 | 357 | 419 | 12m | Buy | Dhaval Joshi |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Oil & Gas



Analyst: Sabri Hazarika

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Sector

Oil & Gas

Analyst bio

Sabri Hazarika holds an MBA and comes with 11 years of research experience. His team currently covers 12 stocks in the Indian Oil & Gas space.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|------------------------|---------------|--------------|-----------|-------------|-------------------------|
| Oil & Gas | 12.62 | 12.60 | 0% | -2 | 100.00 |
| BPCL | 0.54 | 0.52 | -4% | -2 | 4.10 |
| GAIL | 0.33 | 0.24 | -26% | -9 | 1.94 |
| Gujarat Gas | 0.09 | 0.00 | -100% | -9 | 0.00 |
| Gujarat State Petronet | 0.12 | 0.11 | -6% | -1 | 0.89 |
| Gulf Oil Lubricants | 0.00 | 0.00 | NA | 0 | 0.00 |
| HPCL | 0.29 | 0.33 | 13% | 4 | 2.64 |
| Indian Oil | 0.39 | 0.37 | -5% | -2 | 2.94 |
| Indraprastha Gas | 0.31 | 0.17 | -46% | -14 | 1.32 |
| Petronet LNG | 0.37 | 0.27 | -26% | -9 | 2.16 |
| Oil India | 0.06 | 0.00 | -100% | -6 | 0.00 |
| ONGC | 0.50 | 0.53 | 7% | 4 | 4.22 |
| Reliance Industries | 9.62 | 10.05 | 5% | 44 | 79.66 |
| Cash | 0.00 | 0.02 | NA | 2 | 0.13 |

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

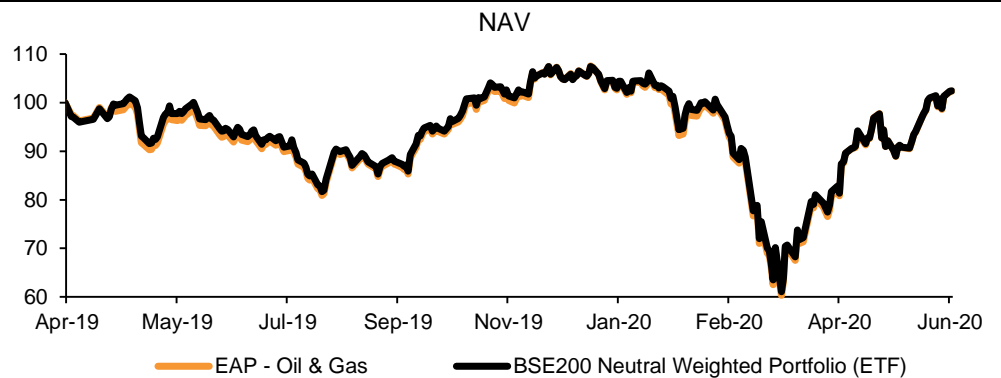
Sector portfolio NAV

| | Base | | | | | Latest |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| | 1-Apr-19 | 13-Sep-19 | 17-Dec-19 | 17-Mar-20 | 15-May-20 | 16-Jun-20 |
| EAP - Oil & Gas | 100.0 | 87.2 | 105.4 | 68.6 | 92.2 | 102.4 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 87.8 | 105.5 | 69.5 | 92.2 | 102.5 |

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 18 Jun 2020 02:54:16 (SGT)

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