

PETRONET LNG

Strong trading beat; competitive concerns weigh

India Equity Research | Oil, Gas and Services

Petronet LNG (PLNG) reported robust Q4FY17 operational performance with EBITDA at INR7bn (up 16% QoQ, 42% YoY) surpassing estimate by 14%. While overall volumes, at 3.5MMT, came broadly in line, the surge in trading margin led to earnings beat. Dahej terminal's utilisation, as expected, fell to 91% from 96% in Q3FY17. This was due to significant erosion of trading volumes, leading to temporary jump in spot LNG price, whereas contracted volumes from RasGas and third-party remained intact. The stock has rallied sharply last year amidst strong 84% YoY EPS surge driven by capacity-led volume jump (up 28% YoY) and structural improvement in business mix from volatile spot segment to annuity-based third-party business. While LNG demand will remain robust, we estimate earnings growth to moderate—12% EPS CAGR over FY17-19—given lower capacity addition. Moreover, rising competitive intensity could pose risk to regas margin in the long term. Ergo, we maintain 'HOLD' with target price of INR431.

Spot volumes took a hit, contractual volumes came in line

While Dahej volumes dipped 6% QoQ, utilisation stood at 91% (Q3FY17: 96%). Spot volumes plunged ~80% QoQ on temporary disruption in the LNG market. Overall, PLNG recorded long-term volumes of 2.1MMT (in line), third party volumes of 1.4MMT (2% ahead) and spot volumes of 0.04MMT (63% below). Kochi utilisation fell to 5% (Q3: 6%). Full commissioning of Kochi refinery expansion and higher off take by FACT will boost utilisation.

Competitive intensity to rise; Gorgon cargoes commenced

Management stated that 2 terminals—Mundra (2017) and Ennore (2018)—are currently under construction. In addition, other planned terminals (Dhamra, Hazira, Kakinada, etc) could intensify competition. PLNG's Gorgon volumes commenced with 3 cargoes delivered in FY17 (FOB price: USD7.6/mmbtu) with full off take slated from July 2017.

Outlook and valuations: Expensive; maintain 'HOLD'

Near-term volumes will be largely secured through use-or-pay contracts even as rising competitive intensity poses risk to PLNG's monopoly and re-gas margins. We forecast ~12% EPS CAGR over FY17-19 post stabilisation of Dahej's expanded capacity. The stock is expensive at 3x FY19E P/BV with RoE of 21%. We maintain 'HOLD/SP'.

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Equalweight

MARKET DATA (R: PLNG.BO, B: PLNG IN)

CMP	: INR 433
Target Price	: INR 431
52-week range (INR)	: 455 / 250
Share in issue (mn)	: 750.0
M cap (INR bn/USD mn)	: 325 / 5,024
Avg. Daily Vol.BSE/NSE('000)	: 1,810.0

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	50.0	50.0	50.0
MF's, FI's & BK's	17.7	16.3	16.0
FII's	19.4	21.7	21.7
Others	12.9	12.0	12.3
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW O & G Index
1 month	4.8	2.5	2.2
3 months	13.7	7.0	9.9
12 months	56.7	19.3	55.9

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Financials

(INR mn)

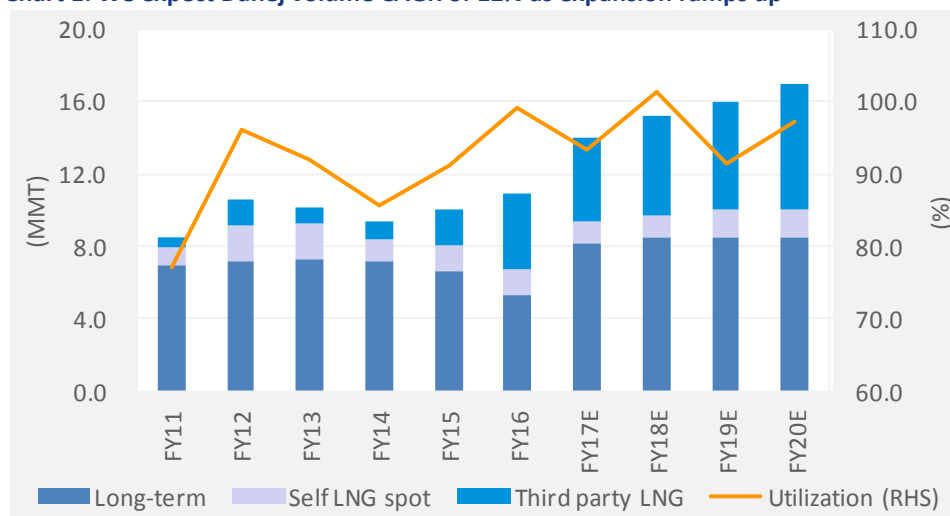
Year to March	Q4FY17	Q4FY16	% Chg	Q3FY17	% Chg	FY17	FY18E	FY19E
Net revenues	63,651	60,653	4.9	62,993	1.0	246,160	351,747	391,789
EBITDA	7,063	4,965	42.3	6,071	16.4	25,923	29,276	32,629
Adjusted Profit	4,708	2,453	91.9	3,975	18.4	17,057	19,743	21,549
Adjusted Diluted EPS	6.3	3.3	91.9	5.3	18.4	22.7	26.3	28.7
Diluted P/E (x)						19.1	16.5	15.1
EV/EBITDA (x)						12.3	10.4	8.9
ROAE (%)						23.5	22.8	21.5

Volume revival on higher upcoming capacity

Dahej terminal volume CAGR of 12% over FY16-20E

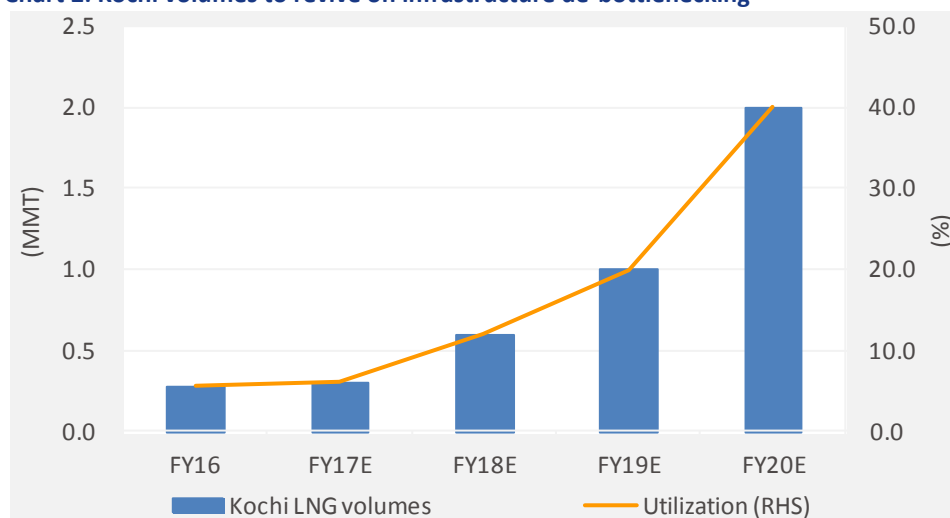
In the near term, we believe PLNG will benefit from its planned capacity expansion at Dahej (from 10MMT to 15MMT in 2016 and further 17.5MMT in 2019) and infrastructure de-bottlenecking at Kochi. As the company has already inked long-term contracts for 90% of its overall Dahej capacity, there is indeed some level of protection against unfavourable LNG price movement.

Chart 1: We expect Dahej volume CAGR of 12% as expansion ramps up



Source: Edelweiss research

Chart 2: Kochi volumes to revive on infrastructure de-bottlenecking



Source: Edelweiss research

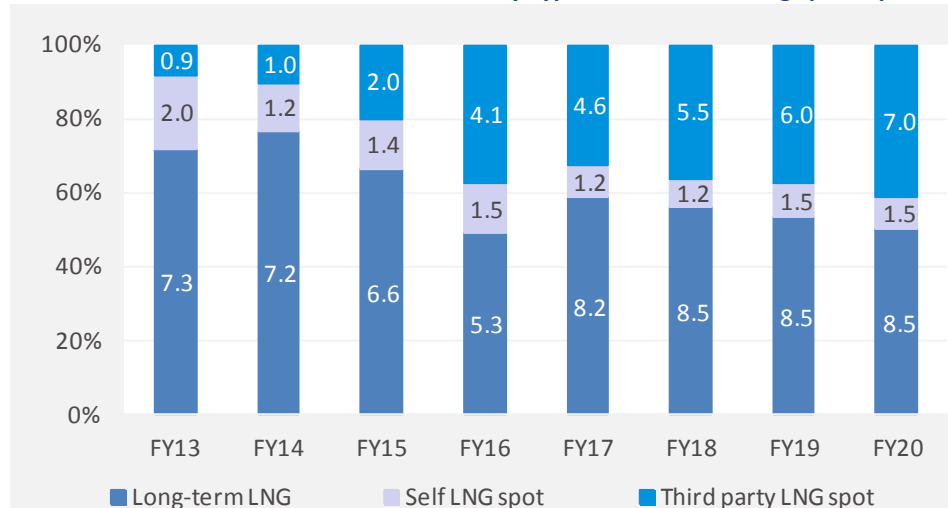
Shift in business mix post RasGas renegotiation

PLNG has already signed contracts for ~90% of its overall capacity as long-term agreements with GAIL, GSPC, Torrent Power, etc., are at similar re-gas margins:

- RasGas term cargo off-takers – 8.5MMT
- GAIL – 2.5MMT
- GSPC – 2.25MMT
- IOCL – 1.5MMT
- BPCL – 1.0MMT
- Torrent – 1.0MMT

With more volumes dedicated to long-term cargoes, we expect exposure to the cyclical trading business to moderate and shift to the more utility-type business, eliminating excessive volatility in earnings and leading to gradual re-rating.

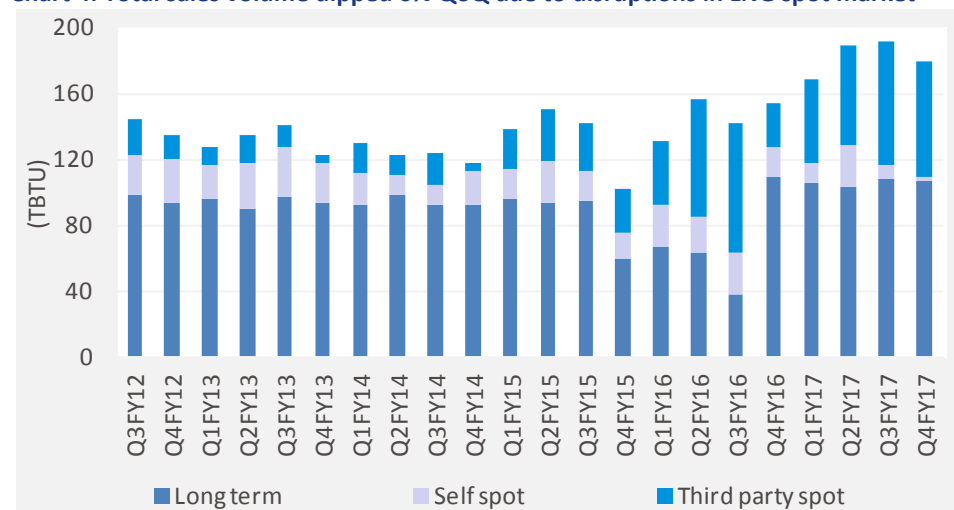
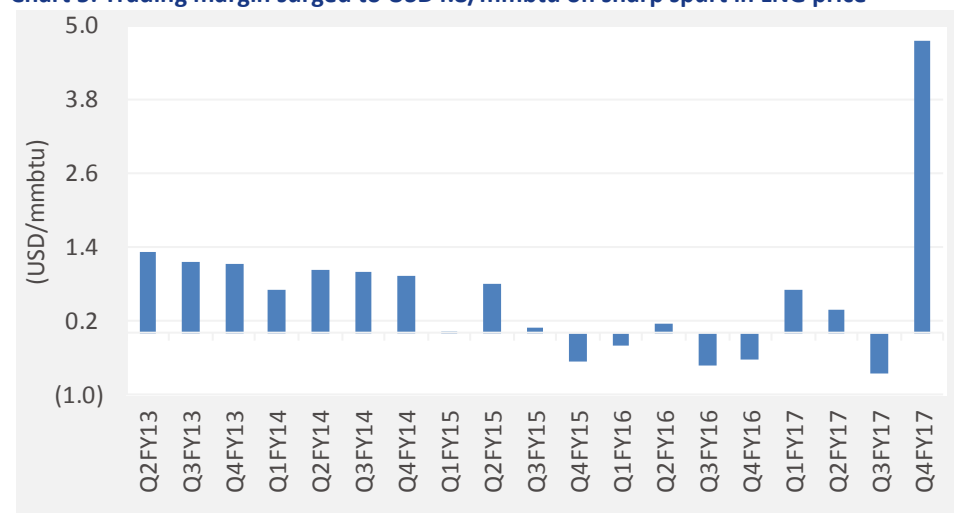
Chart 3: Volume mix to shift to the more utility-type business, lowering spot exposure



Source: Edelweiss research

Table 1: Dahej volumes improved 2% QoQ on surge in third-party volumes

TBTU	Q4FY17	Q4FY16	YoY %	Q3FY17	QoQ %
Dahej Volumes					
Long term cargo	107.1	109.4	(2.1)	107.5	(0.4)
Self spot sales	0.4	12.5	(96.9)	4.8	(91.9)
Third-party spot sales	69.6	26.5	162.3	75.3	(7.5)
Total Dahej sales	177.1	148.5	19.3	187.6	(5.6)
Dahej terminal utilization (%)	91.1	104.1		96.5	
Kochi Volumes					
Long term cargo	0.0	0.0	NM	0.0	NM
Self spot sales	1.4	5.1	(71.8)	3.8	(62.1)
Third-party + reload	1.5	0.0	NM	0.0	NM
Total kochi sales	2.9	5.1	(43.3)	3.8	(23.9)
Kochi terminal utilization (%)	4.5	7.9		5.9	

Chart 4: Total sales volume dipped 6% QoQ due to disruptions in LNG spot market

Chart 5: Trading margin surged to USD4.8/mmbtu on sharp spurt in LNG price


Source: Company, Edelweiss research

Q4FY17 conference call: Key highlights

Dahej terminal utilisation dropped to 92% from 96% in Q3FY17: Sudden spurt in spot LNG prices in January 2017 led to drop in demand.

Others: Invested in fourth LNG ship (long-term charter): Invested INR750mn for 26% stake in India LNG Transport Company.

Demand outlook: Imports account for ~50% of consumption. Any incremental consumption will also be met via imports given no clear visibility on domestic gas production. No clear demand visibility for 2 years. PLNG expects Mundhra terminal to be operational next year.

Off-take commitments for 17MMT: 8.5 (Qatar) + 1.5 (Australia) + use-or-pay (7MMT).

Sectors: Last year, 19MMT LNG demand primarily from power segment on account of subsidy given to stranded power projects. The scheme has not been extended this year. However, current spot LNG price (USD5.5/mmbtu) is attractive for certain power plants.

Kochi performance: Volumes started picking up from Kochi refinery expansion. FACT, which was not off taking earlier, has started recently. Utilisation will improve to 10% if FACT continues its off take.

Expect demand to increase by 1MMT on commissioning of the Kochi-Mangalore pipeline. Advantage of Kochi is that it only feeds the more competitive spot LNG cargoes. Kochi utilisation could reach 10% in FY18.

Reasons for lower tax, higher other income and expense: Tax advantage on Dahej terminal expansion was availed last year. Normalised tax rate will be 28%, with 80IA benefit to continue for 2 years. On account of the change in IFRS, fluctuation in loans from foreign financial institutions resulted in swings in other income/ expense. Other income/other expense had INR850mn related to forex.

Gorgon cargoes: 3 cargoes (8tbtus) were received from Gorgon in FY17, all of which were taken at Dahej terminal at Kochi regasification margins. Full throughput of 18-20 cargoes p.a. will start over June-July 2017.

Gorgon LNG price: 6 month price linkage to Brent; currently, at USD7.5/mmbtu versus spot price at USD5.5/mmbtu.

Torrent Power: Booked 1MMT capacity, with 0.5MMT off take in year 1 (started from April 1, 2017), 0.75MMT in year 2 and 1MMT in year 3.

Dahej re-gas advantage versus peers: At USD0.65/mmbtu, it is competitive versus tariffs required by new players (USD0.8-1/mmbtu) given higher capex spends. However, landed price of LNG from different terminals is the important factor and not just the re-gas margin.

Capex plan: Dahej terminal expansion to 17.5MMT is expected to be completed by 2019 end. PLNG plans to invest USD100mn on another storage tank in Dahej.

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	63,651	60,653	4.9	62,993	1.0	246,160	351,747	391,789
Raw material costs	55,220	54,927	0.5	55,569	(0.6)	214,169	315,345	350,491
Gross profit	8,431	5,726	47.2	7,424	13.6	31,991	36,402	41,298
Employee expenses	181	188	(3.7)	194	(6.9)	739	906	932
Other expenses	1,186	573	107.1	1,159	2.4	5,330	6,219	7,737
EBITDA	7,063	4,965	42.3	6,071	16.4	25,923	29,276	32,629
Depreciation	1,016	800	27.0	1,009	0.7	3,691	4,298	4,341
EBIT	6,047	4,164	45.2	5,062	19.5	22,232	24,979	28,289
Other income	608	(26)	(2,419.5)	550	10.4	3,466	4,387	5,063
Interest	469	535	(12.3)	517	(9.2)	2,097	2,687	3,423
Add: Prior period items								
Add: Exceptional items								
Profit before tax	6,186	3,603	71.7	5,095	21.4	23,602	26,679	29,929
Provision for taxes	1,478	1,150	28.5	1,121	31.9	6,545	6,937	8,380
Reported net profit	4,708	2,453	91.9	3,975	18.4	17,057	19,743	21,549
Adjusted Profit	4,708	2,453	91.9	3,975	18.4	17,057	19,743	21,549
Diluted shares (mn)	750	750		750		750	750	750
Adjusted Diluted EPS	6.3	3.3	91.9	5.3	18.4	22.7	26.3	28.7
Diluted P/E (x)	-	-		-		19.1	16.5	15.1
EV/EBITDA (x)	-	-		-		12.3	10.4	8.9
ROAE (%)	-	-		-		23.5	22.8	21.5
As % of net revenues								
Gross profit	13.2	9.4		11.8		13.0	10.3	10.5
EBITDA	11.1	8.2		9.6		10.5	8.3	8.3
Reported net profit	7.4	4.0		6.3		6.9	5.6	5.5
Tax rate	23.9	31.9		22.0		27.7	26.0	28.0

Company Description

PLNG is the largest domestic player in India importing, storing and regasifying LNG. It has a unique risk-free business model, generating revenues by charging re-gasification margins on the imported LNG. Its supply and demand side risks are hedged through a long-term sourcing contract from Ras-Gas Qatar and off take contracts from three of its promoters — GAIL India, Indian Oil Corporation (IOCL), and Bharat Petroleum Corporation (BPCL). PLNG owns and operates a LNG terminal at Dahej, Gujarat with a nameplate capacity of 10MMT in FY13. Expansion of its Dahej terminal to 15MMT is poised to be completed in October 2016. Further expansion to 17.5MMT is expected to be ready by 2019. It also has a 5 mmtpa terminal at Kochi.

Investment Theme

The key to PLNG will be volume growth, driven by commissioning of the 5 mmtpa LNG terminal at Kochi and expansion of the Dahej LNG terminal to 17.5 mmtpa. In the near term, while the Kochi terminal has been commissioned, LNG offtake will be an issue due to pipeline issues. Also, weak industrial demand could lead to lower marketing margin on spot cargoes. Key upside triggers are: (i) Higher utilisation given subdued spot and long term prices; (ii) Clarity on utilisation rate post expansion at Dahej and new terminal at Kochi.

Key Risks

Current annual escalation of 5% in re-gasification charges may not persist after a while if it begins to impact the demand.

Prolonged gap between long-term RasGas and spot-LNG prices could result in deferment/lowering of term LNG volumes.

High gas prices may lower demand for R-LNG, thus making it unviable for PLNG to source more long term supplies.

Increase in domestic gas production and start of other LNG terminals in the country could lead to lower utilisation for PLNG.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
Sector				
Brent Crude (USD/bbl)	47.6	49.0	55.0	56.1
% sharing by Govt	90.6	80.0	75.0	70.0
% sharing by upstream	9.4	20.0	25.0	30.0
Company				
Capacity & Volume				
Dahej long term (mmt)	5.3	8.2	8.5	8.5
Dahejself spot (mmt)	1.5	1.2	1.2	1.5
Dahej third party (mmt)	4.1	4.6	5.5	6.0
Dahej total sales (mmt)	10.9	14.0	15.2	16.0
Dahej capacity (mmt)	11.0	15.0	15.0	17.5
Kochiself spot (mmt)	0.3	0.3	0.6	1.0
Kochi total sales (mmt)	0.3	0.3	0.6	1.0
Kochi capacity (mmt)	5.0	5.0	5.0	5.0
Margins %				
Da regas mar (INR/mmbtu)	42.6	44.7	46.9	49.3
Ko regas mar (INR/mmbtu)	68.4	71.8	75.4	75.4
Financial assumptions				
Average opex (INR/mmbtu)	10.2	7.2	8.7	9.8
Other income yield (%)	13.4	6.0	6.0	6.0
Avg. Interest rate (%)	34.8	15.0	10.0	8.0
Tax rate (%)	26.5	30.0	26.0	28.0
Capex (INR mn)	13,637	15,464	7,233	6,325
Debtor days	13	13	13	13
Inventory days	3	3	3	3
Payable days	11	21	21	21
Cash conversion cycle	6	(5)	(5)	(5)

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	272,230	246,160	351,747	391,789
Materials costs	250,757	214,169	315,345	350,491
Gross profit	21,473	31,991	36,402	41,298
Employee costs	748	739	906	932
Other Expenses	4,270	5,330	6,219	7,737
EBITDA	16,455	25,923	29,276	32,629
Depreciation	3,393	3,691	4,298	4,341
EBIT	13,063	22,232	24,979	28,289
Add: Other income	1,726.1	3,466.4	4,387.38	5,063.45
Less: Interest Expense	2,552	2,097	2,687	3,423
Profit Before Tax	12,237	23,602	26,679	29,929
Less: Provision for Tax	2,951	6,545	6,937	8,380
Reported Profit	9,285	17,057	19,743	21,549
Adjusted Profit	9,285	17,057	19,743	21,549
Shares o /s (mn)	750	750	750	750
Adjusted Basic EPS	12.4	22.7	26.3	28.7
Diluted shares o/s (mn)	750	750	750	750
Adjusted Diluted EPS	12.4	22.7	26.3	28.7
Adjusted Cash EPS	18.9	29.6	32.1	34.5
Dividend per share (DPS)	2.5	5.0	5.0	7.2
Dividend Payout Ratio(%)	20.2	22.0	22.2	29.3

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	94.0	89.5	91.7	91.7
Materials costs	92.1	87.0	89.7	89.5
Staff costs	0.3	0.3	0.3	0.2
S G & A expenses	1.6	2.2	1.8	2.0
Depreciation	1.2	1.5	1.2	1.1
Interest Expense	0.9	0.9	0.8	0.9
EBITDA margins	6.0	10.5	8.3	8.3
Net Profit margins	3.4	6.9	5.6	5.5

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(31.1)	(9.6)	42.9	11.4
EBITDA	14.4	57.5	12.9	11.5
PBT	24.2	92.9	13.0	12.2
Adjusted Profit	5.2	83.7	15.7	9.1
EPS	5.2	83.7	15.7	9.1

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	7,500	7,500	7,500	7,500	
Reserves & Surplus	56,745	73,439	84,985	100,231	
Shareholders' funds	64,245	80,939	92,485	107,731	
Short term borrowings	3,488	9,446	1	-	
Long term borrowings	22,113	14,500	61,249	52,563	
Total Borrowings	25,601	23,946	61,250	52,563	
Long Term Liabilities	14,068	13,923	13,923	13,923	
Def. Tax Liability (net)	8,939	7,302	8,939	8,939	
Sources of funds	112,853	126,110	176,597	183,156	
Gross Block	92,797	-	132,494	133,819	
Net Block	70,666	84,185	102,396	99,380	
Intangible Assets	71	45	71	71	
CWIP (incl. intangible)	15,947	486	(1,053)	3,947	
Total net fixed assets	86,684	84,716	101,414	103,398	
Non current investments	5,619	4,549	6,784	6,784	
Cash and Equivalents	21,843	30,981	81,417	87,364	
Inventories	2,497	5,405	2,970	3,301	
Sundry Debtors	10,170	12,108	12,490	13,911	
Loans & Advances	422	3	7,172	7,988	
Other Current Assets	20	530	20	20	
Total current assets	13,109	18,046	22,651	25,220	
Trade payable	7,768	8,848	18,143	20,165	
Other Current Liab	6,634	3,333	17,526	19,446	
Total Current Liab	14,402	12,181	35,669	39,611	
Net Curr Assets-ex cash	(1,293)	5,865	(13,018)	(14,391)	
Uses of funds	112,853	126,110	176,597	183,156	
BVPS (INR)	85.7	107.9	123.3	143.6	
Contingent Liability	(19.9)	-	-	-	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	9,285	17,057	19,743	21,549	
Add: Depreciation	3,393	3,691	4,298	4,341	
Interest (Net of Tax)	1,937	1,515	1,988	2,464	
Others	27,416	45,324	(3,852)	(1,360)	
Less: Changes in WC	14,068	24,497	(82)	1,373	
Operating cash flow	27,962	43,090	22,258	25,622	
Less: Capex	13,637	15,464	7,233	6,325	
Free Cash Flow	14,325	27,626	15,025	19,297	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Petrinet LNG	5,024	16.5	15.1	10.4	8.9	22.8	21.5
GAIL (INDIA)	10,917	14.1	12.0	9.3	7.9	11.9	12.7
Gujarat State Petronet	1,554	17.4	16.6	10.1	9.4	12.6	12.1
Indraprastha Gas	2,209	20.6	18.1	12.2	10.5	22.1	21.8
Median	-	17.0	15.8	10.3	9.1	17.4	17.1
AVERAGE	-	17.2	15.5	10.5	9.2	17.3	17.0

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		27,962	43,090	22,258	25,622
Investing cash flow		(11,056)	(11,964)	(2,845)	(1,261)
Financing cash flow		(749)	11,860	(2,824)	(18,413)
Net cash Flow		16,158	42,986	16,589	5,947
Capex		(13,637)	(15,464)	(7,233)	(6,325)
Dividend paid		(2,257)	(3,510)	(4,388)	(6,303)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	15.3	23.5	22.8	21.5
ROACE (%)	17.1	26.4	22.7	21.2
Inventory Days	8	7	5	3
Debtors Days	16	17	13	12
Payable Days	8	14	16	20
Cash Conversion Cycle	16	9	2	(4)
Current Ratio	2.4	4.0	2.9	2.8
Gross Debt/EBITDA	1.6	0.9	2.1	1.6
Gross Debt/Equity	0.4	0.3	0.7	0.5
Adjusted Debt/Equity	0.4	0.3	0.7	0.5
Net Debt/Equity	0.1	(0.1)	(0.2)	(0.3)
Interest Coverage Ratio	5.1	10.6	9.3	8.3

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	2.6	2.1	2.3	2.2
Fixed Asset Turnover	3.9	3.2	3.8	3.9
Equity Turnover	4.5	3.4	4.1	3.9

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	12.4	22.7	26.3	28.7
Y-o-Y growth (%)	5.2	83.7	15.7	9.1
Adjusted Cash EPS (INR)	18.9	29.6	32.1	34.5
Diluted P/E (x)	35.0	19.1	16.5	15.1
P/B (x)	5.1	4.0	3.5	3.0
EV / Sales (x)	1.2	1.3	0.9	0.7
EV / EBITDA (x)	20.0	12.3	10.4	8.9
Dividend Yield (%)	0.6	1.2	1.2	1.7
EV	328,733	317,941	304,808	290,173

Additional Data

Directors Data

K D Tripathi	Chairman	Prabhat Singh	Managing Director & CEO
Rajender Singh	Director - Technical	R K Garg	Director - Finance
Subir Purkayastha	Director	D K Sarraf	Director
Arun Kumar Misra	Independent Director	Philip Oliver	Director
S Varadarajan	Director	Debasis Sen	Director
J N Singh	Director	Sushil Kumar Gupta	Independent Director
Dr. Jyoti Kiran Shukla	Independent Director		

Auditors - M/s T.R Chadha & Co

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
T Rowe Price Group Inc	2.62	Capital Group Companies Inc	1.39
Norges Bank	1.37	Fmr Llc	1.35
Templeton Asset Mgmt	0.98	Reliance Capital Trustee Co Ltd	0.93
Kotak Mahindra	0.91	Dimensional Fund Advisors Lp	0.90
Franklin Resources	0.84	Hdfc Asset Management Co Ltd	0.80

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Bharat Petroleum Corporation	BUY	SO	M	Cairn India	HOLD	SP	M
GAIL (INDIA)	BUY	SO	L	Gujarat Gas	BUY	SO	M
Gujarat State Petronet	BUY	SO	M	Hindustan Petroleum Corporation	HOLD	SP	L
Indian Oil Corporation	BUY	SO	M	Indraprastha Gas	BUY	SO	M
Mahanagar Gas Ltd	BUY	SO	H	ONGC	BUY	SO	L
Petronet LNG	HOLD	SP	L	Reliance Industries	BUY	SO	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Oil, Gas and Services

Bharat Petroleum Corporation, Cairn India, GAIL (INDIA), Gujarat Gas, Gujarat State Petronet, Hindustan Petroleum Corporation, Indraprastha Gas, Indian Oil Corporation, Mahanagar Gas Ltd, ONGC, Petronet LNG, Reliance Industries

Recent Research

Date	Company	Title	Price (INR)	Recos
05-May-17	Oil & Gas	Shale we battle OPEC!; Sector Update		
03-May-17	Oil & Gas	Curbs on Australia's LNG exports: Limited global impact; Sector Update		
24-Apr-17	Reliance Industries	Robust operational show; core projects on track; Result Update	1,417	Buy

Distribution of Ratings / Market Cap

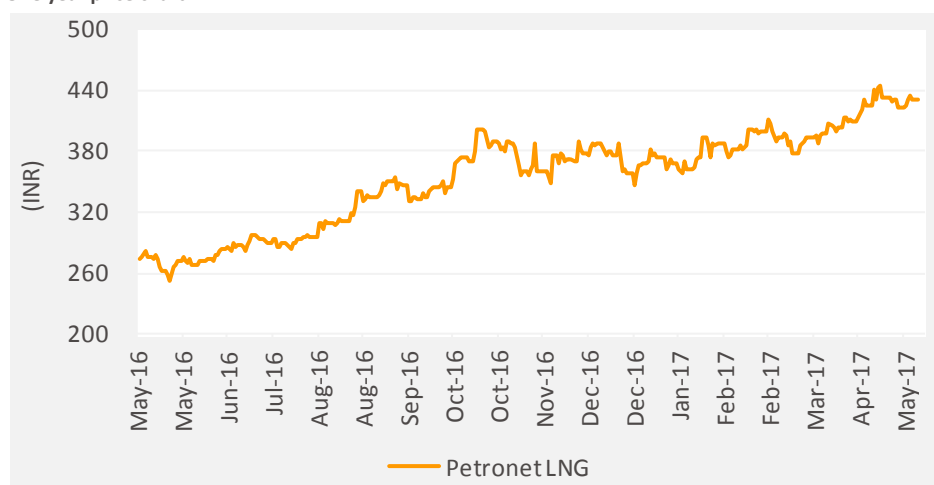
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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