Oil, Gas & Consumable Fuels

India

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UPDATE

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3QFY19E preview—saving grace. RIL's operational hedging, weaker Rupee, reversal of forex loss and higher other income, may keep 15-quarter streak of rising standalone profits intact. OMCs' dismal results expected due to large adventitious/inventory loss may have a silver lining of higher underlying margins. Lower crude realizations for upstream will be offset by higher gas price, weaker Rupee and IOCL's dividends. GAIL's exposure to volatility in the US LNG economics may come to the fore, while PLNG's results may be a tad weaker due to lower volumes and higher fuel cost. Higher unit margins may boost CGDs, even as volume growth slows down a bit.

RIL: hedging policies, weaker Rupee and forex gains to offset lower underlying refining margins

We expect RIL to report stable standalone net income at ₹88.9 bn (EPS of ₹13.7), as lower refining margins will be mitigated by (1) higher polyester margins, (2) a weaker Rupee, (3) forex gains versus loss in the past two quarters and (4) higher other income. We estimate refining margins to decline to US$7/bbl from US$9.5/bbl in 2QFY19, led by (1) sharp fall in spreads for gasoline and naphtha, (2) increase in fuel oil spreads, a negative for RIL, and (3) lower light-heavy crude differentials; we highlight that RIL's hedging policies may prevent large adventitious loss, like OMCs. We model RIL's consolidated net income to increase 1% qoq to ₹96.3 bn (EPS of ₹16.2) in 3QFY19, led by an increase in Jio's net income to ₹9.5 bn from ₹6.8 bn in 2QFY19.

OMCs: strength in underlying margins and forex gains will be negated by large inventory loss

We expect downstream PSUs to report dismal results in 3QFY19 led by significant adventitious/ inventory loss due to a rather sharp US$30/bbl fall in end-period crude (and product) prices, similar to 3QFY15. However, we expect these companies to report US$1-1.5/bbl qoq increase in underlying refining margins, contrary to US$1.7/bbl fall in Singapore complex margins, due to (1) lagged impact of fall in product prices due to fortnightly/monthly revision in RTPs of key products, (2) higher spreads on fuel oil and (3) healthy spreads for middle distillates, which constitutes a larger proportion of product mix. Underlying marketing margins were steady for diesel at ₹2.6/liter and higher for gasoline at ₹3/liter (+₹1/liter qoq). We expect BPCL, HPCL and IOCL to report net loss of ₹3.1 bn, ₹1.5 bn and ₹37.3 bn in 3QFY19, accounting adventitious/ inventory loss of ₹37 bn, ₹29 bn and ₹127 bn. We expect Castrol to report 5% yoy decline in EPS to ₹1.9, led by a sharp 430 bps contraction in EBITDA margins amid higher RM costs.

Upstream: steady EBITDA qoq as weaker rupee and higher gas price will offset lower oil price

We expect OIL and ONGC to report sequentially steady EBITDA as (1) 10% increase in domestic gas price, (2) a weaker Rupee against US Dollar and (3) reversal of forex loss, will be offset by lower net crude realization reflecting US$8/bbl fall in global oil prices. We expect ONGC's net income to decline 7% qoq to ₹76.9 bn (EPS of ₹6) in 3QFY19, driven by (1) lower other income despite dividends received from IOCL, (2) higher interest cost and (3) higher DD&A expenses. We expect OIL's net income to jump 15% qoq to ₹9.9 bn (EPS of ₹8.2) due to large dividends received from IOCL, which will be partially offset by higher DD&A expenses.

Gas sector: weaker results from GAIL/PLNG; expansion in unit margins to boost CGDs

We expect GAIL to report sharp 21% qoq decline in adjusted net income to ₹15.3 bn (EPS of ₹6.8), led by (1) sharp fall in gas marketing contribution due to weaker economics of the US LNG volumes and (2) lower petchem profits amid planned shutdown, which will be offset by higher profits on LPG/LHC production; transmission volumes may remain stable at 106 mcm/d in line with steady gas consumption. We expect 8% qoq decline in PLNG's net income to ₹5.3 bn (EPS of ₹3.5), led by (1) 2% qoq decline in volumes amid lower LNG imports and (2) higher fuel consumption during winters. We expect IGL and MGL to report robust 14-16% yoy increase in EBITDA, despite slower 7-8% growth in volumes amid intermittent strikes by fleet cabs, reflecting moderate expansion of unit margins based on price hikes undertaken in 3QFY19. We expect GSPL to report qoq stable EBITDA amid steady volumes and tariffs.

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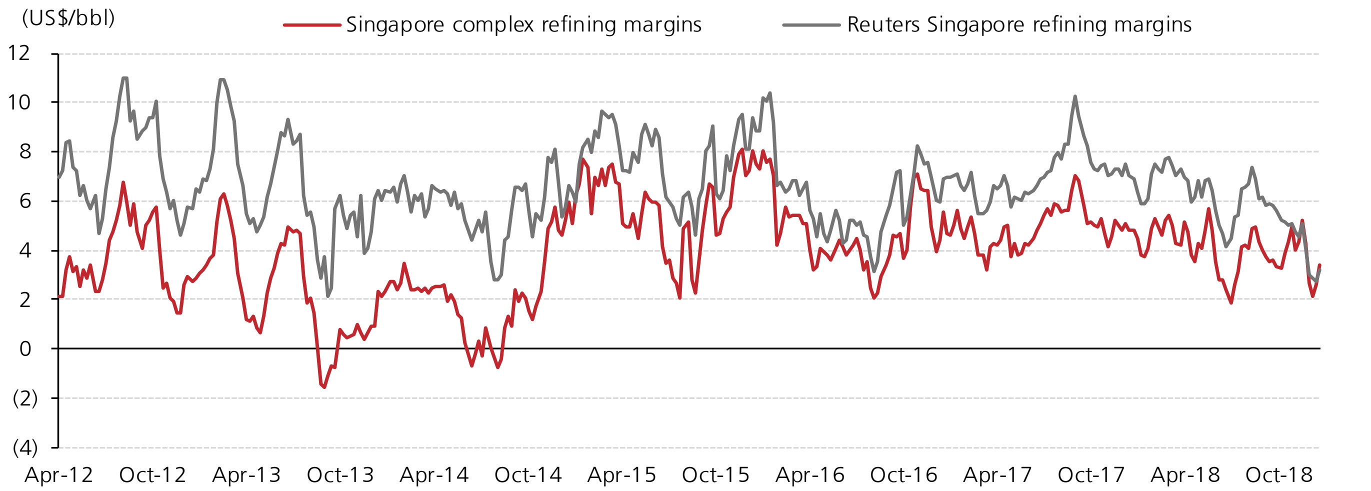
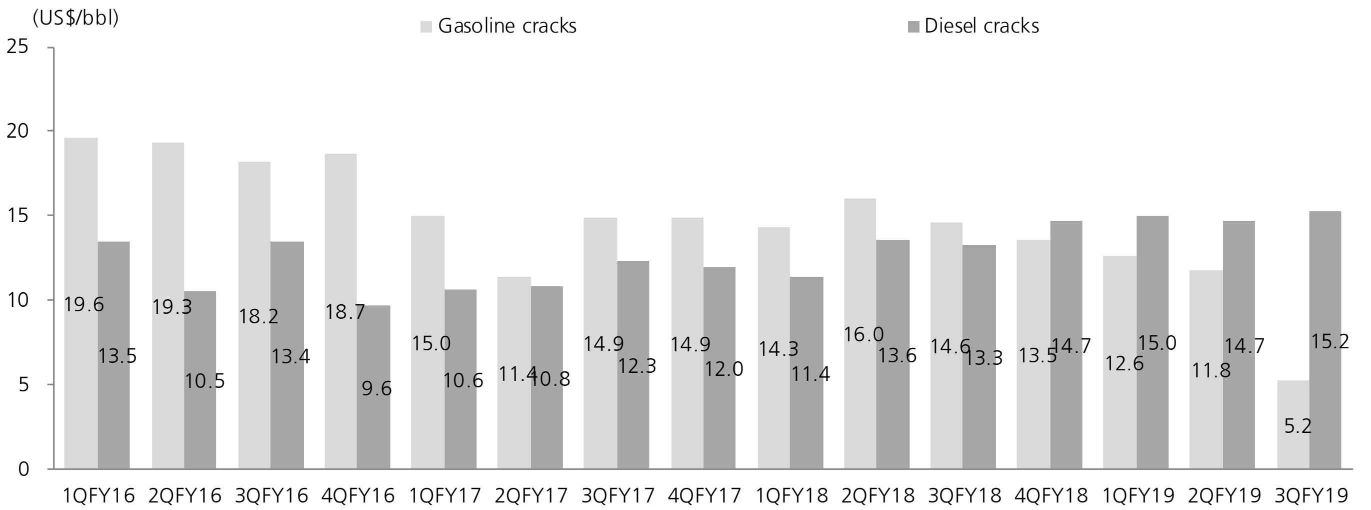
Exhibit 1: Singapore complex refining margins declined sharply in 3QFY19
Weekly Singapore refining margins, April 2012 onwards (US$/bbl)



Reuters Singapore refining margins, March fiscal year-ends (US$/bbl)								
	2012	2013	2014	2015	2016	2017	2018	2019
1Q	8.2	6.7	6.6	5.8	8.1	5.1	6.4	6.1
2Q	8.9	9.1	5.2	4.8	6.2	5.1	8.3	6.1
3Q	6.4	6.6	5.4	6.3	8.0	6.7	7.3	4.3
4Q	7.5	8.5	6.2	8.6	7.8	6.4	7.0	
Average	**7.8**	**7.7**	**5.9**	**6.3**	**7.5**	**5.8**	**7.2**	**5.5**

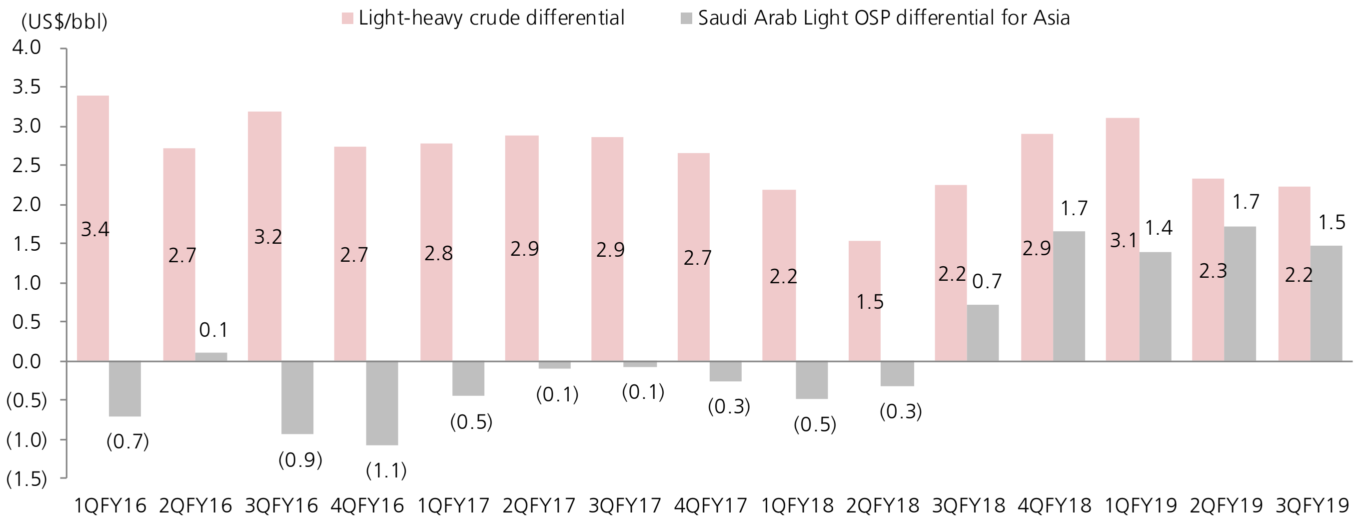
Source: Reuters, Kotak Institutional Equities estimates

Exhibit 2: Product cracks for gasoline over crude prices declined sharply, while diesel cracks increased modestly qoq in 3QFY19
Product spreads for diesel and gasoline, 1QFY16 onwards (US$/bbl)



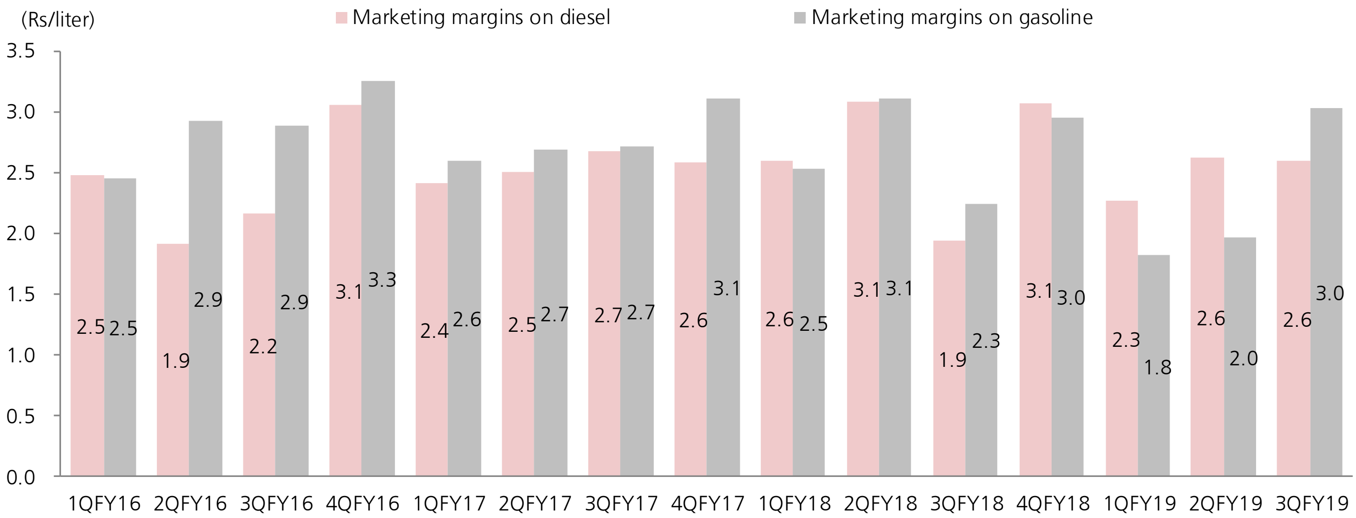
Source: Bloomberg, Kotak Institutional Equities

Exhibit 3: Differential between light and heavy crudes reduced marginally in 3QFY19
Light-heavy crude differential, 1QFY16 onwards (US$/bbl)



Source: Bloomberg, Kotak Institutional Equities

Exhibit 4: Marketing margins on diesel remain stable qoq, while gasoline margins increased sharply in 3QFY19
Gross margins on diesel and gasoline, April 2016 onwards (Rs/liter)



Source: PPAC, Kotak Institutional Equities estimates

Exhibit 5: Muted growth in petroleum consumption during 3QFY19
Petroleum consumption volumes and growth, 1QFY17 onwards

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	Oct-Nov'18
Consumption (mn tons)											
MS	5.9	5.9	6.1	5.8	6.6	6.5	6.5	6.6	7.1	6.9	4.7
HSD	20.1	17.2	20.0	18.8	21.3	18.3	20.9	20.5	22.0	18.8	13.9
LPG	4.8	5.4	5.7	5.7	5.3	5.9	6.0	6.1	5.8	6.2	3.9
SKO	1.6	1.5	1.2	1.2	1.0	0.9	1.0	0.9	0.9	0.9	0.6
ATF	1.7	1.7	1.8	1.8	1.8	1.8	1.9	2.0	2.1	2.0	1.4
FO & LSHS	1.9	1.8	1.8	1.6	1.8	1.6	1.7	1.7	1.6	1.6	1.1
Others	13.9	13.7	12.6	13.4	13.7	13.6	14.3	14.5	14.6	13.0	9.8
Domestic consumption	**49.9**	**47.3**	**49.2**	**48.2**	**51.6**	**48.7**	**52.4**	**52.3**	**54.1**	**49.5**	**35.3**
Growth (%)											
MS	10.0	11.7	12.0	1.8	10.9	9.2	7.2	13.5	8.4	6.6	6.7
HSD	4.7	0.8	5.6	(3.7)	5.9	6.7	4.7	9.4	3.5	2.8	0.7
LPG	7.8	14.5	11.2	7.1	10.7	8.6	6.1	7.1	9.6	5.1	(1.5)
SKO	(7.7)	(12.4)	(32.1)	(31.7)	(34.1)	(37.2)	(18.5)	(20.9)	(13.2)	(6.6)	(9.5)
ATF	11.5	12.6	11.2	11.8	9.3	8.1	7.9	10.4	12.0	12.0	7.2
FO & LSHS	33.5	9.0	14.8	(17.5)	(8.9)	(11.4)	(5.0)	4.8	(9.2)	2.3	(3.9)
Others	23.3	19.2	7.4	(6.2)	(1.1)	(0.8)	12.9	8.1	5.8	(4.2)	1.0
Domestic consumption	**11.0**	**8.7**	**6.5**	**(3.6)**	**3.3**	**3.0**	**6.5**	**8.4**	**4.9**	**1.8**	**1.2**

Source: PPAC, Kotak Institutional Equities

Exhibit 6: Polymer margins declined further, while polyester margins increased sharply in 3QFY19
Asia petchem margins and prices, 1QFY18 onwards (US$/ton)

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	Change (%)	
								yoy	qoq
Global margins									
HDPE – naphtha	666	618	626	626	595	544	509	(18.7)	(6.3)
LLDPE – naphtha	661	649	636	601	564	479	444	(30.3)	(7.3)
PP – naphtha	541	564	575	598	593	577	573	(0.4)	(0.8)
PVC – naphtha	441	454	370	326	329	293	237	(36.0)	(19.3)
PSF – naphtha	801	820	691	686	673	639	771	11.6	20.7
PFY – naphtha	921	1,001	956	997	991	941	1,049	9.8	11.6
PX – naphtha	365	351	303	339	338	389	592	95.3	52.2
Global prices									
HDPE	1,128	1,053	1,169	1,214	1,216	1,196	1,143	(2.2)	(4.4)
LLDPE	1,123	1,084	1,179	1,188	1,184	1,132	1,078	(8.6)	(4.8)
PP	1,003	999	1,117	1,185	1,213	1,230	1,207	8.0	(1.9)
PVC	903	889	912	913	949	946	871	(4.5)	(8.0)
PSF	1,263	1,255	1,233	1,273	1,293	1,292	1,405	13.9	8.8
PFY	1,383	1,437	1,498	1,585	1,612	1,593	1,683	12.3	5.6
PX	828	787	845	926	958	1,042	1,226	45.0	17.7

Source: Platt's, Kotak Institutional Equities

Exhibit 7: RIL's hedging policies, weaker Rupee and forex gains to offset lower underlying refining margins
3QFY19E preview for RIL (Rs mn)

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Reliance Industries (Standalone)						
Net sales	732,560	961,670	907,373	24	(6)	We expect qoq decline in standalone EBITDA, as gains from a weaker Rupee and higher petchem margins will be offset by a sharp decline in refining margins to US$7/bbl (-US$2.5/bbl qoq); however, we expect a modest increase in net profits due to favorable forex movement.
EBITDA	137,440	148,920	143,760	5	(3)	
EBIT	112,690	121,470	116,172	3	(4)	
PBT	117,990	117,420	118,956	1	1	
Reported PAT	84,540	88,590	88,860	5	0	
EPS (Rs/share)	13.0	13.6	13.7	5	0	
Jio						
Net sales	68,794	92,400	105,235	53	14	We estimate Jio's reported EBITDA and net profits to increase sharply qoq supported by robust 34 mn increase in subscriber base to 286 mn by end-December 2018 and steady ARPU at Rs131/month.
EBITDA	26,270	35,720	42,744	63	20	
EBIT	14,344	20,410	26,294	83	29	
PBT	7,718	10,460	14,570	89	39	
Reported PAT	5,044	6,810	9,480	88	39	
EPS (Rs/share)	0.9	1.1	1.6	88	39	
Reliance Industries (Consolidated)						
Net sales	998,100	1,433,230	1,388,907	39	(3)	We expect marginal increase in consolidated EBITDA driven by higher contribution from Jio and retail, which will be partly offset by a decline in standalone EBITDA.
EBITDA	175,880	211,080	213,194	21	1	
EBIT	130,580	158,790	159,376	22	0	
PBT	131,810	131,970	135,964	3	3	
Tax	37,750	36,490	39,293	4	8	
Reported PAT	94,230	95,160	96,270	2	1	
EPS (Rs/share)	15.9	16.1	16.2	2	1	
Refining assumptions						
Exchange rate (Rs/US$)	64.7	70.1	72.1	11	3	
Refining throughput (mn tons)	17.7	17.7	17.8	1	1	
Refining margin (US$/bbl)	11.6	9.5	7.0	(40)	(26)	
Petchem assumptions						
Polymer volumes ('000 tons)	1,273	1,408	1,422	12	1	
Polyester volumes ('000 tons)	625	740	744	19	0	
Fiber intermediates ('000 tons)	2,347	2,754	2,809	20	2	
HDPE margins over naphtha (US$/ton)	626	544	509	(19)	(6)	
LLDPE margins over naphtha (US$/ton)	636	479	444	(30)	(7)	
PP margins over naphtha (US$/ton)	575	577	573	(0)	(1)	
PSF margins over naphtha (US$/ton)	691	639	771	12	21	
PFY margins over naphtha (US$/ton)	956	941	1,049	10	12	
Telecom assumptions						
End-period subscriber base (# mn)	160	252	286	79	13	
Average subscriber base (# mn)	149	234	269	80	15	
ARPU (Rs/month)	154	132	131	(15)	(1)	

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Strength in underlying margins and forex gains for OMCs will be negated by large inventory loss
3QFY19E preview for downstream companies (Rs mn)

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
BPCL						
Net sales	606,164	722,918	690,369	14	(5)	
EBITDA	31,882	24,194	388	(99)	(98)	We expect BPCL to report dismal EBITDA despite strength in underlying margins and forex gains of Rs6.8 bn, which will be offset by large adventitious/inventory loss of Rs37 bn.
EBIT	25,108	16,623	(7,124)	(128)	(143)	
PBT	30,380	18,727	(4,730)	(116)	(125)	
Tax	8,943	6,540	(1,608)	(118)	(125)	
Reported PAT	21,437	12,187	(3,122)	(115)	(126)	We assume (1) stable crude throughput at 7.7 mn tons, (2) flat yoy sales volumes at 10.7 mn tons and (3) higher normalized refining margins at US$4.5/bbl (+US$1.2/bbl qoq).
EPS (Rs/share)	10.9	6.2	(1.6)	(115)	(126)	
Assumptions						
Crude throughput (mn tons)	7.3	7.6	7.7	6	2	
Domestic sales (mn tons)	10.7	10.1	10.7	—	6	
Reported refining margin (US$/bbl)	7.9	5.6	0.1	(99)	(98)	
Normalized refining margin (US$/bbl)	4.9	3.3	4.5	(9)	36	
Marketing margin (Rs/ton)	3,837	5,195	5,475	43	5	
Adventitious gain/(loss) - refining	10,310	8,960	(17,822)	(273)	(299)	
Adventitious gain/(loss) - marketing	5,650	5,390	(19,392)	(443)	(460)	
Forex gain/(loss)	1,720	(9,302)	6,807	296	(173)	
HPCL						
Net sales	574,743	675,180	654,183	14	(3)	
EBITDA	31,585	21,220	3,116	(90)	(85)	We expect HPCL to report dismal EBITDA despite strength in underlying margins and forex gains of Rs6.5 bn, which will be offset by large adventitious/inventory loss of Rs29 bn.
EBIT	24,786	13,835	(4,237)	(117)	(131)	
PBT	28,631	15,962	(2,320)	(108)	(115)	
Tax	9,134	5,042	(777)	(109)	(115)	
Reported PAT	19,497	10,920	(1,543)	(108)	(114)	We assume (1) qoq steady crude throughput to be 4.7 mn tons, (2) flat yoy sales volumes at 9.2 mn tons and (3) higher normalized refining margins at US$4.2/bbl (+US$1.5/bbl qoq).
EPS (Rs/share)	12.8	7.2	(1.0)	(108)	(114)	
Assumptions						
Crude throughput (mn tons)	4.5	4.8	4.7	4	(1)	
Domestic sales (mn tons)	9.2	8.8	9.2	—	5	
Reported refining margin (US$/bbl)	9.0	4.8	0.1	(99)	(98)	
Normalized refining margin (US$/bbl)	6.1	2.7	4.2	(31)	56	
Marketing margin (Rs/ton)	4,062	5,093	5,375	32	6	
Adventitious gain/(loss) - refining	6,370	5,250	(10,147)	(259)	(293)	
Adventitious gain/(loss) - marketing	8,400	7,510	(19,170)	(328)	(355)	
Forex gain/(loss)	2,750	(8,866)	6,488	136	(173)	
IOCL						
Net sales	1,106,669	1,308,797	1,192,299	8	(9)	We expect IOCL to report negative EBITDA despite strength in underlying margins and forex gains of Rs19 bn, which will be offset by large adventitious/ inventory loss at Rs127 bn across refining and marketing segments.
EBITDA	132,687	68,735	(36,081)	(127)	(152)	
EBIT	115,537	50,644	(53,932)	(147)	(206)	
PBT	122,522	49,172	(55,601)	(145)	(213)	
Reported PAT	78,832	32,469	(37,253)	(147)	(215)	
Extraordinaries	—	(1,115)	—	—	(100)	We assume (1) 6% qoq increase in crude throughput to 18.8 mn tons, (2) flat yoy sales volumes at 20.9 mn tons and (3) higher underlying refining margins at US$4.5/bbl (+US$1/bbl qoq).
Adjusted PAT	78,832	33,223	(37,253)	(147)	(212)	
EPS (Rs/share)	8.3	3.5	(3.9)	(147)	(212)	
Assumptions						
Crude throughput (mn tons)	18.2	17.8	18.8	3	6	
Domestic sales (mn tons)	20.9	19.8	20.9	—	6	
Reported refining margin (US$/bbl)	12.3	6.8	(4.2)	(134)	(162)	
Normalized refining margin (US$/bbl)	6.1	3.5	4.5	(26)	29	
Marketing margin-EBITDA (Rs/ton)	717	1,305	1,575	120	21	
Adventitious gain/(loss) - refining	53,440	30,160	(85,976)	(261)	(385)	
Adventitious gain/(loss) - marketing	9,590	13,920	(41,039)	(528)	(395)	
Forex gain/(loss)	6,310	(26,196)	19,168	204	(173)	
Castrol India						
Net sales	9,703	9,269	10,240	6	10	
EBITDA	3,066	2,274	2,800	(9)	23	We expect Castrol to report 9% yoy decline in EBITDA, as modest 2% growth in volumes will be offset by sharp moderation in margins due to increase in RM costs.
EBIT	2,963	2,139	2,674	(10)	25	
PBT	3,121	2,327	2,882	(8)	24	
Reported PAT	1,967	1,504	1,872	(5)	24	We assume (1) 2% yoy growth in volumes to 55.5 mn liters and (2) ~430 bps yoy moderation in EBITDA margins to 27.3% amid higher base oil prices and a weaker Rupee.
EPS (Rs/share)	2.0	1.5	1.9	(5)	24	
Assumptions						
EBITDA margin (%)	31.6	24.5	27.3	(426)bps	281 bps	
Volumes (mn liters)	54.4	51.2	55.5	2	9	
Gross realizations (Rs/liter)	178.4	181.2	184.5	3	2	
Net realizations (Rs/liter)	97.7	88.7	92.1	(6)	4	

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Upstream may report steady EBITDA qoq as weaker rupee and higher gas price will offset lower oil price
3QFY19E preview for upstream companies (Rs mn)

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
ONGC						
Net sales	229,959	279,892	272,550	19	(3)	We expect qoq stable EBITDA as lower crude realization at US$65/bbl (-US$8/bbl) will be offset by (1) weaker Rupee, (2) higher domestic gas price and (3) higher LPG prices.
EBITDA	125,247	157,887	157,403	26	(0)	
EBIT	66,633	109,399	105,962	59	(3)	
PBT	74,800	127,050	118,351	58	(7)	
Reported PAT	50,147	82,646	76,940	53	(7)	We model 8% yoy decline in crude oil sales volumes to 4.54 mn tons and 6% growth in natural gas sales volumes to 5.05 bcm from own-fields, reflecting production in the recent months.
EPS (Rs/share)	3.9	6.4	6.0	53	(7)	
Assumptions						
Total crude sales (mn tons)	5.9	5.5	5.3	(10)	(2)	
Total gas sales (bcm)	5.0	5.0	5.2	4	3	
Net crude realization (US$/bbl)	58.0	73.1	64.9	12	(11)	
Gas price realization (US$/mn BTU)	3.2	3.4	3.7	16	10	
Subsidy burden (Rs bn)	—	—	—			
Oil India						
Net sales	28,526	37,436	34,890	22	(7)	We expect qoq stable EBITDA as lower crude realization at US$65.5/bbl (-US$8/bbl qoq), will be offset by a weaker Rupee, higher gas price and forex gains; net profits will be boosted by dividends from IOCL.
EBITDA	12,745	15,178	15,060	18	(1)	
EBIT	8,684	11,090	10,422	20	(6)	
PBT	9,788	12,712	14,072	44	11	
Reported PAT	7,052	8,620	9,878	40	15	We model 1% yoy decline in crude oil sales volumes to 0.82 mn tons and 7% yoy growth in natural gas sales volumes to 0.65 bcm, reflecting production in recent months.
EPS (Rs/share)	5.9	7.2	8.2	40	15	
Assumptions						
Total crude sales ('000 tons)	836	831	824	(1)	(1)	
Total gas sales (mcm)	602	645	646	7	0	
Net crude realization (US$/bbl)	59.4	73.4	65.5	10	(11)	
Gas price realization (US$/mn BTU)	3.2	3.4	3.7	16	10	
Subsidy burden (Rs bn)	—	—	—			

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: Weaker results from GAIL/PLNG; expansion in unit margins to boost CGDs
3QFY19E preview for gas sector companies (Rs mn)

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
GAIL (India)						
Net sales	144,143	190,423	191,097	33	0	
EBITDA	21,362	29,026	24,559	15	(15)	We expect GAIL to report a sharp sequential decline in EBITDA led by lower contribution from its gas marketing segment amid adverse economics of the US LNG volumes.
EBIT	17,695	25,520	20,732	17	(19)	
PBT	20,243	28,722	22,843	13	(20)	
Reported PAT	12,622	19,630	15,305	21	(22)	
Extraordinaries	(1,664)	250	—	(100)	(100)	We assume (1) steady gas transmission and marketing volumes at 106 mcm/d and 96 mcm/d and (2) modestly lower petchem volumes at 174 ktons amid planned shutdown.
Adjusted PAT	14,286	19,460	15,305	7	(21)	
EPS (Rs/share)	6.3	8.6	6.8	7	(21)	
Assumptions						
Transmission volumes (mcm/d)	109.2	105.9	106.0	(3)	0	
Gas sales volumes (mcm/d)	87.7	96.2	96.0	9	(0)	
Polymers volumes ('000 tons)	176.0	183.0	174.0	(1)	(5)	
LPG volumes ('000 tons)	253.0	239.0	236.3	(7)	(1)	
Other liquids ('000 tons)	73.0	99.0	92.9	27	(6)	
Transmission tariff (Rs/cu. m)	1.33	1.47	1.47	11	(0)	
GSPL						
Net sales	3,502	4,875	4,783	37	(2)	
EBITDA	2,971	4,054	4,034	36	(0)	We expect sequentially stable EBITDA as lower contribution from wind power segment will be offset by moderation in employee costs.
EBIT	2,529	3,618	3,583	42	(1)	
PBT	2,595	3,445	3,125	20	(9)	
Reported PAT	1,816	3,233	2,031	12	(37)	
Extraordinaries	—	1,108	—	NA	(100)	We assume (1) steady gas transmission volumes at 35 mcm/d and (2) stable regualted tariffs at Rs1.47/scm.
Adjusted PAT	1,816	2,446	2,031	12	(17)	
EPS (Rs/share)	3.2	4.3	3.6	12	(17)	
Assumptions						
Volumes (mcm/d)	33.6	35.0	35.0	4	0	
Transmission tariff (Rs/cu. m)	1.12	1.47	1.47	31	0	
Petronet LNG						
Net sales	77,571	107,453	110,787	43	3	
EBITDA	8,474	9,047	8,477	0	(6)	We expect yoy steady EBITDA and net income as 5% yoy decline in volumes will be offset by escalation in blended tariffs.
EBIT	7,435	8,010	7,427	(0)	(7)	
PBT	7,482	8,876	8,152	9	(8)	
Reported PAT	5,288	5,629	5,299	0	(6)	
Extraordinaries	—	(210)	—	NA	(100)	We assume LNG re-gasification volumes at 212.2 tn BTUs as compared to 217 tn BTUs in 2QFY19 and 223 tn BTUs in 3QFY18.
Adjusted PAT	5,288	5,766	5,299	0	(8)	
EPS (Rs/share)	3.5	3.8	3.5	0	(8)	
Assumptions						
Total volumes (tn BTUs)	223.0	217.0	212.2	(5)	(2)	
Regasification tariff (Rs/mn BTU)	43.6	44.1	44.1	1	0	
Indraprastha Gas						
Net sales	11,839	14,215	14,552	23	2	
EBITDA	2,631	3,080	3,062	16	(1)	We expect IGL's EBITDA to increase by 16% yoy led by 8% growth in volumes and sharp expansion in gross margins.
EBIT	2,177	2,577	2,556	17	(1)	
PBT	2,499	2,903	2,897	16	(0)	
Reported PAT	1,812	2,084	1,892	4	(9)	We assume (1) volumes at 5.7 mcm/d versus 5.3 mcm/d in 3QFY18 and (2) unit EBITDA at Rs5.8/scm versus Rs5.7/scm in 2QFY19 and Rs5.4/scm in 3QFY18.
EPS (Rs/share)	2.6	3.0	2.7	4	(9)	
Assumptions						
Volumes (mcm/d)	5.3	5.9	5.7	8	(3)	
CNG sales (mn kgs.)	257	290	273	6	(6)	
PNG sales (mscm)	126	136	142	13	4	
Operating profit (Rs/scm)	5.4	5.7	5.8	7	3	
Mahanagar Gas						
Net sales	5,814	6,965	7,452	28	7	
EBITDA	2,009	2,269	2,289	14	1	We expect MGL to report 14% yoy growth in EBITDA led by 7% growth in volumes and expansion in gross margins based on favorable pricing action.
EBIT	1,741	1,961	1,977	14	1	
PBT	1,883	2,141	2,164	15	1	
Reported PAT	1,240	1,363	1,418	14	4	We assume (1) overall volumes at 2.9 mcm/d versus 2.7 mcm/d in 3QFY18 and (2) unit EBITDA at Rs8.5/scm as compared to Rs8.3/scm in 2QFY19 and Rs8 in 3QFY18.
EPS (Rs/share)	12.6	14.2	14.4	14	1	
Assumptions						
Volumes (mcm/d)	2.7	3.0	2.9	7	(1)	
CNG sales (mn kgs.)	185	200	196	6	(2)	
PNG sales (mscm)	68	72	74	9	3	
Operating profit (Rs/scm)	8.0	8.3	8.5	6	2	

Source: Company, Kotak Institutional Equities estimates

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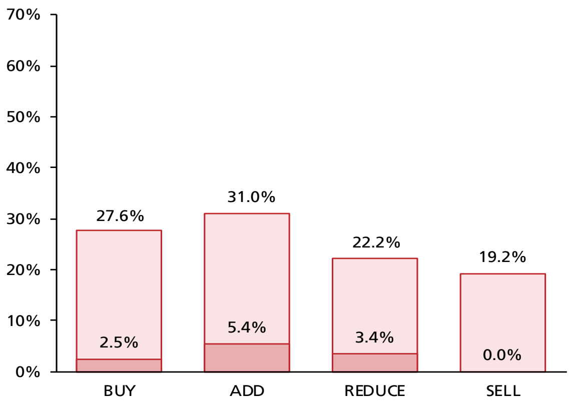

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Source: Kotak Institutional Equities

As of September 30, 2018

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