

Hindustan Petroleum Corp (HINPET) ₹ 230

Volatile environment...

- Hindustan Petroleum Corporation's (HPCL) Q3FY19 results were below our estimates on the profitability front mainly on account of higher-than-expected inventory losses. The topline increased 5.2% QoQ to ₹ 77182.4 crore on account of higher product sales
- HPCL achieved crude throughput of 4.6 MMT in Q3FY19 in line with our estimates. GRMs were at US\$3.7/bbl, above our estimate of US\$2.1/bbl in spite of inventory losses of US\$6.3/bbl. The company reported strong core GRMs at US\$10/bbl, which, we believe is unsustainable. On account of the same and also marketing inventory losses, EBITDA came in at ₹ 963.2 crore (down 54.6% QoQ) below our estimate of ₹ 1039.6 crore
- Subsequently, reported PAT was at ₹ 247.5 crore, above our estimate of ₹ 354.7 crore. The board has recommended a dividend of ₹ 6.5 per share on face value of ₹ 10 per share

Marketing margins to recover on decline in oil prices

The government announced in October 2018 a reduction in petrol, diesel prices by ₹ 2.5 per litre where oil marketing companies (OMCs) had been asked to absorb a cut of ₹ 1/litre. This move may have led to a substantial impact on profitability of HPCL. There was a downgrade in earnings. However, a recent sharp correction in oil prices from ~US\$85/bbl to US\$60-65/bbl has provided respite to OMCs. They will be able to pass on the burden to customers, thereby leading to an increase in marketing margins. Nevertheless, we continue to be cautious on OMCs as the government move has created a lot of uncertainty about the future with regard to HPCL's profitability, especially during times of high crude oil prices and elections. In terms of marketing sales, HPCL reported growth of 3.2% YoY (including exports) to 9.7 MMT, in line with our estimates. Going forward, we expect marketing sales volumes to grow at 4-5% CAGR in the next two years. Crude throughput in Q3FY19 was flattish YoY at 4.8 MMT, in line with our estimates. Going forward, we estimate throughput of 18.3 MMT and 18 MMT for FY19E and FY20E, respectively.

Weak global GRMs to impact refining business performance

Reported GRM during the quarter was at US\$3.7/bbl, above our estimate of US\$2.1/bbl despite inventory losses of US\$6.3/bbl. HPCL reported strong core GRMs at US\$10/bbl, which, we believe is unsustainable. Benchmark Singapore GRMs witnessed a decline in the ongoing quarter (Q4FY19-TD) to US\$2.4/bbl from US\$4.3/bbl in Q3FY19 with weaker product spreads. Hence, operational efficiencies will play a key role in deciding HPCL's performance in coming quarters. We lower our GRM estimate to US\$4.8/bbl, US\$5/bbl for FY19E, FY20E, respectively.

Continue to remain cautious

We continue to remain cautious on HPCL given the volatility in oil prices and upcoming elections leading to uncertainty over future earnings. We believe the company will continue to trade at lower valuation multiples considering the above risk factors. We have a **HOLD** recommendation on the stock with a target price of ₹ 225 (based on average of P/BV multiple: ₹ 230/share and P/E multiple: ₹ 219/share).

| Rating matrix | | |
|------------------|---|-----------|
| Rating | : | Hold |
| Target | : | ₹ 225 |
| Target Period | : | 12 months |
| Potential Upside | : | -2% |

| What's changed? | |
|-----------------|-------------------------------|
| Target | Changed from ₹ 215 to ₹ 225 |
| EPS FY19E | Changed from ₹ 30.3 to ₹ 25.4 |
| EPS FY20E | Changed from ₹ 21.4 to ₹ 26.1 |
| Rating | Unchanged |

| Quarterly performance | | | | | |
|-----------------------|----------|----------|----------|----------|----------|
| | Q3FY19 | Q3FY18 | YoY (%) | Q2FY19 | QoQ (%) |
| Revenue | 77,182.4 | 63,076.2 | 22.4 | 73,376.1 | 5.2 |
| EBITDA | 963.2 | 3,158.5 | -69.5 | 2,121.9 | -54.6 |
| EBITDA (%) | 1.2 | 5.0 | -376 bps | 2.9 | -164 bps |
| PAT | 247.5 | 1,949.7 | -87.3 | 1,092.0 | -77.3 |

| Key financials | | | | |
|----------------|-----------|-----------|-----------|-----------|
| ₹ Crore | FY17 | FY18 | FY19E | FY20E |
| Revenues | 213,803.0 | 244,027.9 | 294,552.1 | 276,350.0 |
| EBITDA | 10,577.1 | 10,614.7 | 8,032.1 | 8,415.4 |
| Net Profit | 6,208.8 | 6,357.1 | 3,876.9 | 3,982.8 |
| EPS (₹) | 40.7 | 41.7 | 25.4 | 26.1 |

| Valuation summary | | | | |
|-------------------|------|------|-------|-------|
| | FY17 | FY18 | FY19E | FY20E |
| P/E | 5.7 | 5.5 | 9.1 | 8.8 |
| Target P/E | 5.5 | 5.4 | 8.9 | 8.6 |
| EV / EBITDA | 5.3 | 5.2 | 7.3 | 7.5 |
| P/BV | 1.7 | 1.5 | 1.4 | 1.3 |
| RoNW (%) | 30.5 | 26.5 | 15.5 | 15.1 |
| RoCE (%) | 19.3 | 17.5 | 10.5 | 9.3 |

| Stock data | |
|---------------------------------------|----------|
| Particular | Amount |
| Market Capitalization (₹ Crore) | 35,087.5 |
| Total Debt (FY18) (₹ Crore) | 20,990.9 |
| Cash and Investments (FY18) (₹ Crore) | 1,194.3 |
| EV (₹ Crore) | 54,884.1 |
| 52 week H/L | 409/163 |
| Equity capital (₹ Crore) | 1,524.4 |
| Face value (₹) | 10.0 |

| Price performance | | | | |
|-------------------|-------|-------|--------|--------|
| Return % | 1M | 3M | 6M | 12M |
| HPCL | (3.2) | 14.9 | (12.1) | (39.8) |
| BPCL | (5.6) | 30.5 | (9.0) | (24.6) |
| IOCL | (2.7) | 4.8 | (15.6) | (28.9) |
| ONGC | (2.8) | (7.4) | (8.6) | (28.1) |

| Research Analyst | |
|----------------------------------|--|
| Mayur Matani | |
| mayur.matani@icicisecurities.com | |

Variance analysis

| | Q3FY19 | Q3FY19 | Q3FY18 | YoY (%) | Q2FY19 | QoQ (%) | Comments |
|---------------------|----------|----------|----------|----------|----------|----------|---|
| Total Revenues | 77,182.4 | 71,736.3 | 63,076.2 | 22.4 | 73,376.1 | 5.2 | Above estimates on account of higher product sales QoQ |
| Raw materials costs | 68,263.8 | 60,796.7 | 50,870.1 | 34.2 | 60,940.0 | 12.0 | |
| Employees Cost | 783.0 | 725.0 | 669.9 | 16.9 | 689.1 | 13.6 | |
| Other Expenses | 7,172.4 | 9,175.0 | 8,377.6 | -14.4 | 9,625.1 | -25.5 | |
| Total Expenditure | 76,219.2 | 70,696.7 | 59,917.6 | 27.2 | 71,254.1 | 7.0 | |
| EBITDA | 963.2 | 1,039.6 | 3,158.5 | -69.5 | 2,121.9 | -54.6 | Lower-than-estimated on account of inventory losses of ₹ 3465 crore |
| EBITDA margins (%) | 1.2 | 1.4 | 5.0 | -376 bps | 2.9 | -164 bps | |
| Depreciation | 739.3 | 737.9 | 679.9 | 8.7 | 738.5 | 0.1 | |
| EBIT | 223.9 | 301.7 | 2,478.6 | -91 | 1,383.5 | -83.8 | |
| Interest | 147.2 | 172.4 | 89.9 | 63.8 | 200.7 | -26.7 | |
| Other Income | 393.7 | 400.1 | 474.3 | -17.0 | 413.4 | -4.8 | |
| Extra Ordinary Item | 0.0 | 0.0 | 0.0 | NA | 0.0 | NA | |
| PBT | 470.4 | 529.4 | 2,863.1 | -83.6 | 1,596.2 | -70.5 | |
| Total Tax | 222.8 | 174.7 | 913.4 | -75.6 | 504.2 | -55.8 | |
| PAT | 247.5 | 354.7 | 1,949.7 | -87.3 | 1,092.0 | -77.3 | |

Key Metrics

| | | | | | | | |
|---------------------------|---------|---------|--------|-------|---------|-------|--|
| Exchange rate (₹/\$) | 72.1 | 72.1 | 64.7 | 11.4 | 70.1 | 2.9 | |
| Under-recoveries (₹ cr)* | 13594.0 | 13262.3 | 7892.2 | 72.2 | 10544.0 | 28.9 | |
| Downstream share (%) | 0.0 | 0.0 | 0.0 | NA | 0.0 | NA | |
| Net Under-recovery (₹ cr) | 0.0 | 0.0 | 0.0 | NA | 0.0 | NA | |
| Throughput (mmt) | 4.6 | 4.6 | 4.5 | 0.9 | 4.8 | -4.2 | |
| Sales (mmt) | 9.7 | 9.8 | 9.4 | 3.2 | 9.1 | 6.6 | Sales growth remained stable during the quarter |
| GRM (\$/barrel) | 3.7 | 2.1 | 9.0 | -58.9 | 4.8 | -22.7 | Core GRMs were strong at US\$10/bbl, which, we believe are unsustainable and inventory loss was at US\$6.3/bbl |

Source: Company, ICICI Direct Research, * Includes Direct Benefit Transfer(DBT) of LPG

Change in estimates

| (₹ Crore) | FY19E | | | FY20E | | | |
|-------------------|-----------|-----------|----------|-----------|-----------|----------|--|
| | Old | New | % Change | Old | New | % Change | |
| Revenue | 304,447.3 | 294,552.1 | -3.3 | 323,903.0 | 276,350.0 | -14.7 | Revised downward crude oil prices estimate to US\$65/bbl |
| EBITDA | 9,094.5 | 8,032.1 | -11.7 | 7,351.3 | 8,415.4 | 14.5 | Lowered GRM estimates and increased FY20 numbers due to lower oil prices, resulting in increase in marketing margins |
| EBITDA Margin (%) | 3.0 | 2.7 | -26 bps | 2.3 | 3.0 | 78 bps | |
| PAT | 4,628.0 | 3,876.9 | -16.2 | 3,269.8 | 3,982.8 | 21.8 | Lowered GRM estimates due to weak global GRMs and increased marketing margins estimate |
| EPS (₹) | 30.3 | 25.4 | -16.2 | 21.4 | 26.1 | 21.8 | |

Source: Company, ICICI Direct Research

Assumptions

| | Current | | | | Earlier | | Comments |
|---------------------------|----------|----------|----------|----------|----------|----------|--|
| | FY17 | FY18E | FY19E | FY20E | FY19E | FY20E | |
| Exchange rate (₹/\$) | 67.1 | 64.5 | 70.0 | 71.0 | 70.3 | 72.0 | |
| Under-recoveries (₹ cr) | 19,728.0 | 25,697.8 | 41,259.2 | 41,563.4 | 46,682.6 | 64,928.5 | Reduction in oil price led to a change in estimate |
| Downstream share (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Net Under-recovery (₹ cr) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Throughput (mmt) | 17.8 | 18.3 | 18.3 | 18.0 | 18.3 | 18.0 | |
| Sales (mmt) | 35.2 | 36.6 | 38.5 | 40.4 | 38.7 | 40.6 | |
| GRM (\$/barrel) | 6.2 | 7.4 | 4.8 | 5.0 | 5.9 | 6.0 | Lowered GRM estimate for FY19E as well as FY20E |

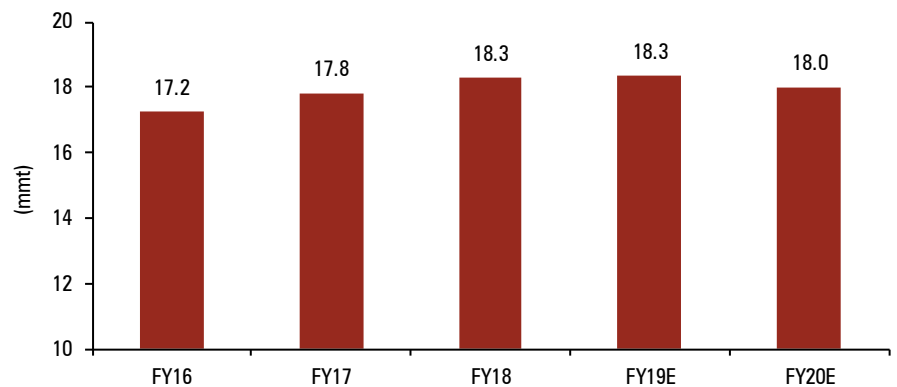
Source: Company, ICICI Direct Research

Company Analysis

Marketing margins to recover on decline in oil prices

In October 2018, the government announced a reduction in petrol and diesel prices by ₹ 2.5 per litre where oil marketing companies (OMCs) had been asked to absorb a cut of ₹ 1 per litre. This move may have led to a substantial impact on profitability of HPCL with a downgrade in earnings. However, a recent sharp correction in oil prices from ~US\$85/bbl to US\$60-65/bbl has provided respite to OMCs. They will be able to pass on the burden to customers thereby leading to an increase in marketing margins. Nevertheless, we continue to be cautious on OMCs as the government move has created a lot of uncertainty about the future with regard to HPCL's profitability especially during times of high crude oil prices and elections. In terms of marketing sales, HPCL reported growth of 3.2% YoY (including exports) to 9.7 MMT in line with our estimates. Going forward, we expect marketing sales volumes to grow at 4-5% CAGR over the next two years.

Exhibit 1: HPCL crude throughput trend, going forward



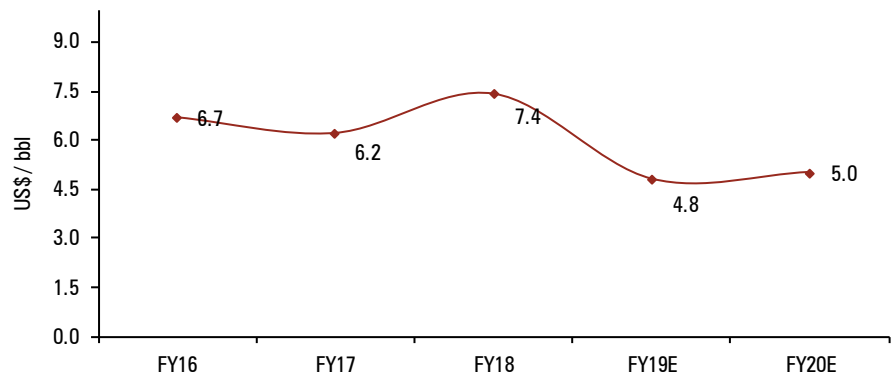
Source: Company, ICICI Direct Research

The crude throughput in Q3FY19 was flattish YoY at 4.8 MMT, in line with our estimates. Going forward, we estimate throughput of 18.3 MMT and 18 MMT for FY19E, and FY20E respectively.

Weak global GRMs to impact refining business performance

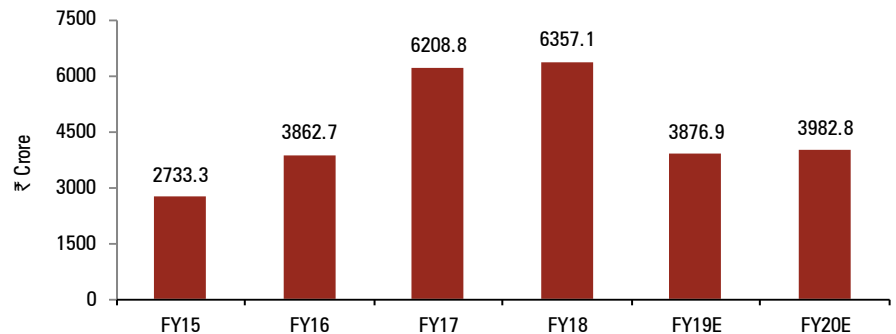
Reported GRMs during the quarter were at US\$3.7/bbl, above our estimate of US\$2.1/bbl despite inventory losses of US\$6.3/bbl. The company reported strong core GRMs at US\$10/bbl, which, we believe is unsustainable. Benchmark Singapore GRMs witnessed a decline in the ongoing quarter (Q4FY19-TD) to US\$2.4/bbl from US\$4.3/bbl in Q3FY19 with weaker product spreads. Hence, operational efficiencies will play a key role in deciding HPCL's performance in coming quarters. We lower our GRM estimate to US\$4.8/bbl and US\$5/bbl for FY19E and FY20E, respectively.

Exhibit 2: Refining margins trend



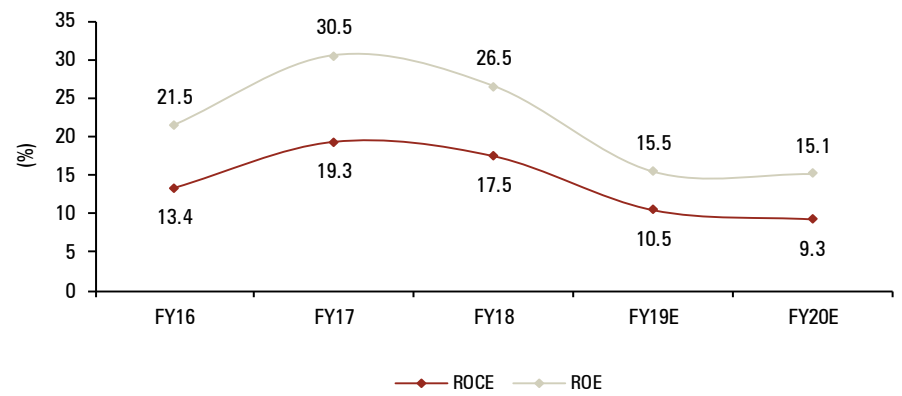
Source: Company, ICICI Direct Research

Exhibit 3: Net profit trend



Source: Company, ICICI Direct Research

Exhibit 4: Return ratios



Source: Company, ICICI Direct Research

Outlook & Valuation

We continue to remain cautious on HPCL given the volatility in oil prices and upcoming elections resulting in uncertainty over future earnings. We believe the company will continue to trade at lower valuation multiples considering the above risk factors. We have a **HOLD** recommendation on the stock with a target price of ₹ 225 (based on average of P/BV multiple: ₹ 230/share and P/E multiple: ₹ 219/share).

Exhibit 5: Valuation

| Valuation based on Price / BV Multiple | |
|---|------------|
| Adjusted Book Value for FY20E (₹Crore) | 25252.1 |
| Adjusted number of shares (Crore) | 152.6 |
| Adjusted Book Value per share (₹) | 165.5 |
| Add: Listed investments (25% discount of CMP) | 11.7 |
| Book Value of core business (₹ per share) | 177.3 |
| Multiple | 1.3 |
| Fair Value per share (₹) | 230 |
| Valuation based on P / E multiple | |
| Profit after tax for FY20E (₹ Crore) | 3982.8 |
| Less: Other Income adjusted for tax (₹ Crore) | 1075.1 |
| Adjusted profit after tax for FY20E (₹ Crore) | 2907.7 |
| Number of shares (Crore) | 152.6 |
| Adjusted EPS for FY20E (₹) | 19.1 |
| Multiple | 7.0 |
| Fair value per share without investments (₹) | 132 |
| Add: Value of Investments (₹ per share) | |
| Listed investments (25% discount of CMP) | 11.7 |
| HPCL - Mittal Energy | 72.6 |
| Other Investments | 2.4 |
| Fair value per share (₹) | 219 |
| Weighted Target Price (₹ per share) | 225 |

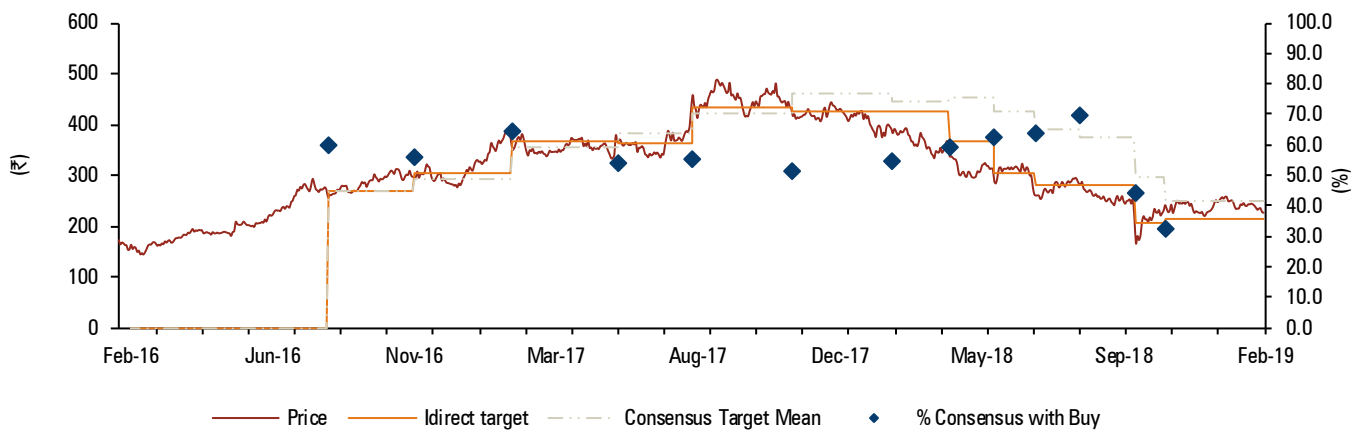
Source: ICICI Direct Research

Exhibit 6: Valuations

| Year | Sales (₹ Crore) | Sales Gr. (%) | EPS (₹) | EPS Gr. (%) | PE (x) | EV/EBITDA (x) | RoNW (%) | RoCE (%) |
|-------|-----------------|---------------|---------|-------------|--------|---------------|----------|----------|
| FY17 | 213803.0 | 19.1 | 40.7 | 60.7 | 9.4 | 7.5 | 30.5 | 19.3 |
| FY18 | 244027.9 | 14.1 | 41.7 | 2.4 | 5.5 | 5.2 | 26.5 | 17.5 |
| FY19E | 294552.1 | 20.7 | 25.4 | -39.0 | 9.1 | 7.3 | 15.5 | 10.5 |
| FY20E | 276350.0 | -6.2 | 26.1 | 2.7 | 8.8 | 7.5 | 15.1 | 9.3 |

Source: Company, ICICI Direct Research

Recommendation history vs. consensus estimate



Source: Bloomberg, Company, ICICI Direct Research

Key events

| Date | Event |
|--------|---|
| May-09 | Petroleum Minister Murlu Deora indicates lifting cap on petrol and diesel prices after UPA government came into power. He indicated that the proposal would be sent to Cabinet soon |
| Jun-10 | Government decides to deregulate petrol prices and indicates diesel prices would be deregulated soon |
| Dec-10 | Government does not deregulate diesel prices as indicated and under recoveries on diesel continue to mount |
| Jun-11 | Central government announces increase in petroleum product prices, eliminates custom duty on crude oil and reduces excise duties on petrol and diesel |
| Nov-11 | Under recoveries on diesel remain high due to rupee depreciation. Gross under recovery on petroleum products look likely to increase sharply QoQ |
| May-12 | Petrol prices increase sharply by ₹ 7.5-8 per litre |
| Jan-13 | The government takes a brave and bold decision and asks the oil marketing companies (OMCs) to periodically hike diesel prices by 50 paise/month |
| May-13 | Finance Ministry plans to implement export parity pricing (EPP) for pricing of petroleum products for refiners from the current trade parity pricing model. The move, if implemented, would have a huge negative impact on profitability of companies |
| Aug-13 | Sharp rupee depreciation, thereby likely higher under recoveries lead to decline in the stock price |
| Oct-14 | Government announces diesel deregulation |
| Dec-14 | Crude oil prices declines by nearly 50% from the 2014 high's |
| Aug-15 | Government of India caps kerosene subsidy at ₹ 12/litre, LPG at ₹ 18/kg |

Source: Company, ICICI Direct Research

Top 10 Shareholders

| Rank | Investor Name | Latest Filing Date | % O/S | Position | Change (m) |
|------|---|--------------------|-------|----------|------------|
| 1 | Oil and Natural Gas Corporation Ltd | 31-Dec-18 | 51.1 | 778.8 | 0.0 |
| 2 | Life Insurance Corporation of India | 31/Dec/18 | 3.7 | 57.0 | 0.0 |
| 3 | HDFC Asset Management Co., Ltd. | 31-Dec-18 | 3.6 | 54.4 | 1.3 |
| 4 | Jupiter Asset Management Ltd. | 31/Dec/18 | 1.9 | 29.5 | -0.2 |
| 5 | Reliance Nippon Life Asset Management Limited | 31-Dec-18 | 1.7 | 25.7 | 1.6 |
| 6 | The Vanguard Group, Inc. | 31/Dec/18 | 1.4 | 21.3 | -0.3 |
| 7 | SBI Funds Management Pvt. Ltd. | 31-Dec-18 | 1.4 | 21.0 | -0.4 |
| 8 | BlackRock Institutional Trust Company, N.A. | 31/Jan/19 | 1.2 | 18.3 | 0.0 |
| 9 | Franklin Templeton Asset Management (India) Pvt. Ltd. | 31-Dec-18 | 1.2 | 17.7 | 0.9 |
| 10 | APG Asset Management | 30/Jun/18 | 1.1 | 16.7 | 1.1 |

Source: Reuters, ICICI Direct Research

Shareholding Pattern

| (in %) | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 51.1 | 51.1 | 51.1 | 51.1 | 51.1 |
| FII | 24.8 | 23.4 | 21.2 | 20.2 | 19.2 |
| DII | 12.0 | 13.0 | 15.4 | 16.5 | 17.6 |
| Others | 12.1 | 12.5 | 12.3 | 12.2 | 12.1 |

Recent Activity

| Investor name | Value (m) | Shares (m) | Investor name | Value (m) | Shares (m) |
|---|-----------|------------|--|-----------|------------|
| Reliance Nippon Life Asset Management Limited | 5.86 | 1.61 | Kotak Mahindra Asset Management Company Ltd. | -13.44 | -3.69 |
| HDFC Asset Management Co., Ltd. | 4.57 | 1.25 | Nomura Asset Management Co., Ltd. | -9.99 | -2.40 |
| Franklin Templeton Asset Management (India) Pvt. Ltd. | 3.27 | 0.90 | ICICI Prudential Asset Management Co. Ltd. | -7.77 | -2.13 |
| L&T Investment Management Limited | 3.12 | 0.86 | Causeway Capital Management LLC | -7.39 | -2.03 |
| IDFC Asset Management Company Private Limited | 1.31 | 0.36 | Aditya Birla Sun Life AMC Limited | -5.02 | -1.38 |

Source: Reuters, ICICI Direct Research

Financial summary

| Profit and loss statement | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|
| ₹ Crore | | | | |
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Revenue | 213,803.0 | 244,027.9 | 294,552.1 | 276,350.0 |
| Growth (%) | 19.1 | 14.1 | 20.7 | -6.2 |
| (Inc.)/(Dec.) in stock in trade | -4454.1 | 804.5 | 1251.2 | 0.0 |
| Raw material Costs | 45137.7 | 51186.3 | 69763.2 | 63673.2 |
| Purchase of Products | 122731.7 | 142455.7 | 177398.9 | 164261.5 |
| Employee Costs | 2946.1 | 2858.5 | 2932.5 | 3000.0 |
| Other Expenditure | 36864.5 | 36108.1 | 35174.2 | 37000.0 |
| Op. Expenditure | 203225.9 | 233413.2 | 286520.0 | 267934.7 |
| EBITDA | 10,577.1 | 10,614.7 | 8,032.1 | 8,415.4 |
| Growth (%) | 33.8 | 0.4 | -24.3 | 4.8 |
| Depreciation | 2535.3 | 2752.8 | 2922.1 | 3257.5 |
| EBIT | 8041.8 | 7862.0 | 5110.1 | 5157.9 |
| Interest | 535.7 | 566.7 | 711.1 | 813.5 |
| Other Income | 1514.7 | 1906.7 | 1487.8 | 1600.0 |
| PBT | 9020.8 | 9201.9 | 5886.8 | 5944.4 |
| Growth (%) | 57.2 | 2.0 | -36.0 | 1.0 |
| Tax | 2812.0 | 2844.9 | 2009.8 | 1961.7 |
| Reported PAT | 6,208.8 | 6,357.1 | 3,876.9 | 3,982.8 |
| Growth (%) | 60.7 | 2.4 | -39.0 | 2.7 |
| EPS | 40.7 | 41.7 | 25.4 | 26.1 |

Source: Company, ICICI Direct Research

| Cash flow statement | | | | |
|------------------------------|----------|----------|----------|----------|
| ₹ Crore | | | | |
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Profit after Tax | 6,208.8 | 6,357.1 | 3,876.9 | 3,982.8 |
| Less: Dividend Paid | 4,201.2 | 2,737.2 | 2,754.2 | 2,754.2 |
| Add: Depreciation | 2,535.3 | 2,752.8 | 2,922.1 | 3,257.5 |
| Add: Others | 976.2 | 673.6 | 200.0 | 200.0 |
| Cash Profit | 5,519.2 | 7,046.2 | 4,244.8 | 4,686.0 |
| Increase/(Decrease) in CL | 5,444.5 | 4,331.7 | 6,721.0 | -2,468.6 |
| (Increase)/Decrease in CA | -5,548.7 | -2,985.6 | -4,677.1 | 2,569.9 |
| CF from Operating Activities | 5415.0 | 8392.4 | 6288.7 | 4787.3 |
| Purchase of Fixed Assets | 5,517.3 | 6,767.5 | 8,820.5 | 8,850.0 |
| (Inc)/Dec in Investments | -340.0 | -186.5 | -825.6 | -500.0 |
| Others | 0.0 | 0.0 | 0.0 | 1.0 |
| CF from Investing Activities | -5,857.3 | -6,954.0 | -9,646.1 | -9,350.0 |
| Inc/(Dec) in Loan Funds | 82.3 | -258.8 | 2,500.0 | 5,500.0 |
| Inc/(Dec) in Sh. Cap. & Res. | 370.0 | -18.9 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 1.0 |
| CF from financing activities | 452.2 | -277.7 | 2,500.0 | 5,500.0 |
| Change in cash Eq. | 9.9 | 1,160.7 | -857.4 | 937.3 |
| Op. Cash and cash Eq. | 23.8 | 33.6 | 1,194.3 | 336.9 |
| Cl. Cash and cash Eq. | 33.6 | 1,194.3 | 336.9 | 1,274.2 |

Source: Company, ICICI Direct Research

| Balance sheet | | | | |
|--------------------------|----------|----------|----------|----------|
| ₹ Crore | | | | |
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Source of Funds | | | | |
| Equity Capital | 1,016.3 | 1,524.4 | 1,524.4 | 1,524.4 |
| Preference capital | 0.0 | 0.0 | 0.0 | 0.0 |
| Reserves & Surplus | 19,331.2 | 22,424.0 | 23,546.8 | 24,775.3 |
| Shareholder's Fund | 20,347.4 | 23,948.4 | 25,071.2 | 26,299.7 |
| Loan Funds | 21,249.7 | 20,990.9 | 23,490.9 | 28,990.9 |
| Deferred Tax Liability | 5,895.6 | 6,569.2 | 6,769.2 | 6,969.2 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 |
| Source of Funds | 47,492.7 | 51,508.5 | 55,331.2 | 62,259.8 |
| Application of Funds | | | | |
| Gross Block | 41,164.7 | 45,691.1 | 50,541.1 | 55,391.1 |
| Less: Acc. Depreciation | 5,032.8 | 7,719.4 | 10,671.0 | 13,928.4 |
| Net Block | 36,131.9 | 37,971.7 | 39,870.1 | 41,462.6 |
| Capital WIP | 1,810.5 | 3,985.4 | 7,985.4 | 11,985.4 |
| Total Fixed Assets | 37,942.4 | 41,957.1 | 47,855.5 | 53,448.0 |
| Investments | 10,918.6 | 11,105.1 | 11,930.7 | 12,430.7 |
| Inventories | 18,576.3 | 18,420.2 | 22,595.8 | 21,199.5 |
| Debtor | 4,064.2 | 5,572.9 | 5,648.9 | 5,299.9 |
| Cash | 33.6 | 1,194.3 | 336.9 | 1,274.2 |
| Loan & Advance, Other CA | 6,924.8 | 8,557.8 | 8,983.3 | 8,158.8 |
| Total Current assets | 29,599.0 | 33,745.2 | 37,564.9 | 35,932.3 |
| Current Liabilities | 28,303.8 | 32,417.3 | 39,542.6 | 37,099.0 |
| Provisions | 2,663.4 | 2,881.6 | 2,477.3 | 2,452.3 |
| Total CL and Provisions | 30,967.2 | 35,298.9 | 42,019.9 | 39,551.3 |
| Net Working Capital | -1,368.2 | -1,553.7 | -4,455.0 | -3,619.0 |
| Miscellaneous expense | 0.0 | 0.0 | 0.0 | 0.0 |
| Application of Funds | 47,492.7 | 51,508.5 | 55,331.2 | 62,259.8 |

Source: Company, ICICI Direct Research

| Key ratios | | | | |
|----------------------------------|-------|-------|-------|-------|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E |
| Per share data (₹) | | | | |
| Book Value | 133.4 | 157.0 | 164.3 | 172.4 |
| Cash per share | 0.2 | 7.8 | 2.2 | 8.4 |
| EPS | 40.7 | 41.7 | 25.4 | 26.1 |
| Cash EPS | 57.3 | 59.7 | 44.6 | 47.5 |
| DPS | 30.0 | 25.0 | 15.0 | 15.0 |
| Profitability & Operating Ratios | | | | |
| EBITDA Margin (%) | 4.9 | 4.3 | 2.7 | 3.0 |
| PAT Margin (%) | 2.9 | 2.6 | 1.3 | 1.4 |
| Fixed Asset Turnover (x) | 5.6 | 5.8 | 6.2 | 5.2 |
| Inventory Turnover (Days) | 31.7 | 27.6 | 28.0 | 28.0 |
| Debtor (Days) | 6.9 | 8.3 | 7.0 | 7.0 |
| Current Liabilities (Days) | 48.3 | 48.5 | 49.0 | 49.0 |
| Return Ratios (%) | | | | |
| RoE | 30.5 | 26.5 | 15.5 | 15.1 |
| RoCE | 19.3 | 17.5 | 10.5 | 9.3 |
| RoIC | 20.1 | 18.4 | 11.8 | 10.5 |
| Valuation Ratios (x) | | | | |
| PE | 5.7 | 5.5 | 9.1 | 8.8 |
| Price to Book Value | 1.7 | 1.5 | 1.4 | 1.3 |
| EV/EBITDA | 5.3 | 5.2 | 7.3 | 7.5 |
| EV/Sales | 0.3 | 0.2 | 0.2 | 0.2 |
| Leverage & Solvency Ratios | | | | |
| Debt to equity (x) | 1.0 | 0.9 | 0.9 | 1.1 |
| Interest Coverage (x) | 15.0 | 13.9 | 7.2 | 6.3 |
| Debt to EBITDA (x) | 2.0 | 2.0 | 2.9 | 3.4 |
| Current Ratio | 1.0 | 1.0 | 0.9 | 0.9 |
| Quick ratio | 0.4 | 0.4 | 0.4 | 0.4 |

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Oil & Gas)

| Sector / Company | CMP | | | M Cap (₹ Cr) | EPS (₹) | | | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | | RoE (%) | | |
|-------------------------------|-----|-------|--------|-----------------|---------|-------|-------|---------|-------|-------|---------------|-------|-------|----------|-------|-------|---------|-------|-------|
| | (₹) | TP(₹) | Rating | | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E | FY18 | FY19E | FY20E |
| Bharat Petroleum (BHAPET) | 269 | 275 | Hold | 58,353 | 40.3 | 30.4 | 28.7 | 6.6 | 6.7 | 8.8 | 7.0 | 6.5 | 6.9 | 16.9 | 15.7 | 12.6 | 27.1 | 23.2 | 17.4 |
| Castrol India (CASIND) | 159 | 140 | Sell | 15,727 | 7.2 | 7.2 | 7.5 | 22.2 | 22.1 | 21.2 | 14.0 | 13.7 | 13.1 | 88.3 | 87.1 | 87.2 | 61.6 | 61.0 | 61.1 |
| GAIL (India) (GAIL) | 333 | 390 | Buy | 75,092 | 15.5 | 20.5 | 27.9 | 21.4 | 16.3 | 11.9 | 12.2 | 9.8 | 7.5 | 11.7 | 14.7 | 18.1 | 9.2 | 11.5 | 14.2 |
| Gujarat Gas (GUJGA) | 147 | 150 | Hold | 10,119 | 4.2 | 5.5 | 6.8 | 34.7 | 26.9 | 21.6 | 13.6 | 13.0 | 11.2 | 15.3 | 19.1 | 29.6 | 15.8 | 25.1 | 43.4 |
| Gujarat State Petronet (GSPL) | 183 | 200 | Hold | 10,309 | 8.8 | 11.9 | 15.8 | 20.8 | 15.4 | 11.6 | 12.3 | 11.9 | 7.8 | 13.8 | 11.6 | 17.3 | 11.0 | 13.2 | 15.4 |
| Gulf Oil Lubricants (GULO) | 750 | 810 | Hold | 3,718 | 23.7 | 31.9 | 34.5 | 31.7 | 23.5 | 23.5 | 20.0 | 15.5 | 12.8 | 32.5 | 31.5 | 36.2 | 34.2 | 33.9 | 30.1 |
| Hindustan Petroleum (HINPET) | 230 | 225 | Hold | 35,088 | 13.6 | 13.9 | 8.5 | 5.7 | 5.5 | 9.1 | 5.3 | 5.2 | 7.3 | 19.3 | 17.5 | 10.5 | 30.5 | 26.5 | 15.5 |
| Indraprastha Gas (INDGAS) | 281 | 295 | Hold | 19,670 | 8.2 | 9.6 | 10.5 | 34.4 | 29.3 | 26.6 | 19.8 | 17.2 | 15.5 | 27.2 | 26.5 | 25.3 | 19.5 | 19.1 | 18.2 |
| Mahanagar Gas Ltd (MAHGAS) | 912 | 1,010 | Buy | 9,009 | 48.4 | 56.5 | 59.4 | 18.9 | 16.1 | 15.3 | 11.4 | 9.3 | 8.6 | 31.9 | 32.7 | 30.3 | 22.8 | 23.4 | 21.7 |
| Mangalore Refinery (MRPL) | 81 | 90 | Buy | 14,197 | 20.8 | 12.8 | 5.5 | 3.9 | 6.3 | 14.6 | 5.0 | 4.2 | 3.3 | 21.6 | 23.2 | 11.2 | 36.2 | 8.8 | 15.4 |
| Petronet LNG (PETLNG) | 210 | 225 | Hold | 31,500 | 13.9 | 15.1 | 16.6 | 15.2 | 13.9 | 12.7 | 9.7 | 8.9 | 7.7 | 25.9 | 28.7 | 29.8 | 21.4 | 22.2 | 21.4 |

Source: Company, ICICI Direct Research

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