

HPCL

Refer to important disclosures at the end of this report

Core earnings miss due to margins but lower opex, higher Other Income drive reported PAT

- HPCL reported standalone EBITDA/PAT of Rs33bn/Rs23.5bn, down 8%/5% qoq (6%/32% beat). PAT beat was driven by a 51% qoq decline in interest, 75%/94% yoy/qoq jump in Other Income and Rs3bn forex gain. EBITDA was higher due to lower opex.
- Reported GRM stood at USD1.9/bbl in Q3 (vs. USD3/bb est). Core GRM came in at negative USD1/bbl (est. +USD2.0). Marketing inventory gain of Rs7.1bn implies blended marketing margin of Rs5.8/kg, down 2% qoq (6% miss). Domestic sales grew 3% yoy.
- Gross debt fell 4% qoq to Rs333.4bn (up 17% yoy) with Rs27bn of lease liability. 10M capex was Rs88bn (Rs120bn FY21 target), while outstanding subsidy is Rs40bn. Q3 core EPS stood at Rs7.7 (13% miss). HPCL bought back 40.7mn (Rs8.9bn) shares so far.
- We raise FY21E EPS by 12% due to higher marketing volumes, lower interest and higher Other Income. We cut FY22/23E by 10%/7%, assuming lower marketing margins. We roll forward valuations to Mar'23E and raise the TP by 2% to Rs285. Retain Buy and OW.

Highlights: Gross profit was largely in line, while opex was lower (employee cost 11% below est). Domestic sales volumes fared better than the industry/IOCL (1%/2% decline yoy). HPCL's total volumes declined 2% yoy to 10.4mmt. Petrol/diesel volumes grew 6.6%/1.3% yoy vs. industry rise of 6%/fall by 1%. Pipeline volumes were up 17% qoq to 5.5mmt (up 8% yoy), while refinery utilization was 101% or 4mmt. Share of profits from associates/JVs fell to Rs569mn in Q3 from Rs6.1bn/Rs1.7bn in Q2FY21/Q3FY20. As of Q3, HPCL has bought back 1.65% of shares outstanding. Mumbai refinery will see shutdown in Q1FY22 for expansion completion. HPCL is open to Iranian crude if western sanctions end under new US president.

Guidance: Demand pick-up should continue in Q4 with likely growth of 4-5% yoy (ending FY21 at 92-93% yoy). Diesel is expected to rebound ahead. Lube and direct sales have important contribution to profitability with EBITDA contribution from lubes at 10-15%. There has been opex savings relating to new pipelines and lower admin costs. The commissioning of Mumbai refinery expansion is expected in Q1FY22, while Vizag in Q3FY22 with bottoms upgrade in Q1FY23. Barmer (RJ) refinery would be commissioned in CY23 and would have one of the best GRMs at double digits. HPCL will become a major petchem player at 4-5mmtpa volumes post HMEL and RJ. It has 3,700kms of pipeline network and another 1,600kms under development. The same is used as captive also and is strategic. Replacement cost currently is Rs40-80mn/km. HPCL will look into the Budget announcement on monetization and it is too early now. It would have to evaluate it, incl. taxation angle etc. FY22 capex would be Rs140bn – Rs50bn/Rs55bn/Rs20bn on marketing/refining R&D/CGD.

Valuation: We value HPCL on SoTP basis with core business using EV/EBITDA (6.3x). Key risks are adverse petroleum prices/margins/currency/policy actions and project over-runs.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Oil & Gas \(page 10\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	2,752,147	2,687,664	2,378,312	3,293,790	3,714,842
EBITDA	120,266	59,970	123,050	107,635	122,509
EBITDA Margin (%)	4.4	2.2	5.2	3.3	3.3
APAT	60,287	20,088	81,591	56,943	59,209
EPS (Rs)	39.6	13.2	57.7	40.3	41.9
EPS (% chg)	(5.2)	(66.7)	337.8	(30.2)	4.0
ROE (%)	23.1	7.0	26.3	16.4	15.5
P/E (x)	5.7	17.1	3.9	5.6	5.4
EV/EBITDA (x)	4.7	12.0	5.5	6.8	6.0
P/BV (x)	1.2	1.2	1.0	0.9	0.8

Source: Company, Emkay Research

CMP	Target Price
Rs 226 as of (February 5, 2021)	Rs 285 (▲) 12 months
Rating	Upside
BUY (■)	26.5 %

Change in Estimates

EPS Chg FY21E/FY22E (%)	12/(10)
Target Price change (%)	1.9
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	57.7	40.3
Consensus	45.3	40.7
Mean Consensus TP (12M)	Rs 296	

Stock Details

Bloomberg Code	HPCL IN
Face Value (Rs)	10
Shares outstanding (mn)	1,495
52 Week H/L	245 / 150
M Cap (Rs bn/USD bn)	337 / 4.62
Daily Avg Volume (nos.)	8,716,203
Daily Avg Turnover (US\$ mn)	26.0

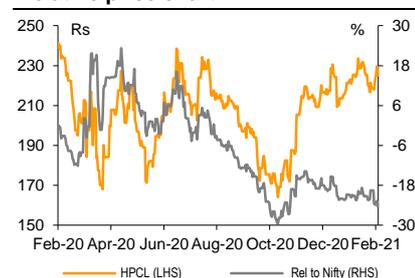
Shareholding Pattern Dec '20

Promoters	51.6%
FIIIs	15.9%
DIIIs	20.8%
Public and Others	11.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	10	6	(5)
Rel. to Nifty	(4)	(11)	(21)	(23)

Relative price chart



Source: Bloomberg

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Exhibit 1: Actual vs. Estimates (Q3FY21)

Rs bn	Actual	Estimates (Emkay)	Consensus Estimate (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	686.6	646.6	557.9	6%	23%	
Adjusted EBITDA	33.0	31.3	31.9	6%	3%	Due to lower opex driven by fall in employee costs
EBITDA Margin (%)	5%	5%	6%	-3bps	-91bps	
Adjusted Net Profit	23.5	17.9	18.3	32%	29%	Sharp fall in interest costs and higher Other Income

Source: Company, Emkay Research

Exhibit 2: Quarterly summary

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY	QoQ	9MFY20	9MFY21	YoY
Revenue	707,496	661,549	377,209	517,733	686,592	-3%	33%	2,026,115	1,581,534	-22%
COGS	646,331	616,297	299,296	441,233	612,038	-5%	39%	1,849,364	1,352,567	-27%
Gross Profit	61,165	45,252	77,913	76,500	74,554	22%	-3%	176,751	228,967	30%
Opex	42,532	42,566	34,376	40,461	41,539	-2%	3%	116,788	116,376	0%
Total Expenditure	688,863	658,863	333,672	481,694	653,577	-5%	36%	1,966,152	1,468,943	-25%
EBITDA	18,633	2,686	43,536	36,039	33,015	77%	-8%	59,963	112,591	88%
Depreciation	8,659	8,114	8,661	8,683	8,811	2%	1%	24,930	26,155	5%
Interest	2,524	3,374	3,217	2,604	1,274	-50%	-51%	7,443	7,095	-5%
Other Income	3,238	4,241	5,133	2,932	5,678	75%	94%	11,461	13,743	20%
Exceptional Items	-	(10,029)	-	-	-	-	-	-	-	-
Forex Gain/(Losses)	820	(9,752)	493	5,236	2,970	262%	-43%	1,017	8,699	755%
PBT	11,508	(24,343)	37,284	32,920	31,579	174%	-4%	40,068	101,783	154%
Tax	4,036	(24,611)	9,146	8,146	8,032	99%	-1%	13,964	25,324	81%
PAT	7,472	268	28,138	24,775	23,546	215%	-5%	26,105	76,459	193%
Adjusted PAT	7,472	(6,017)	28,138	24,775	23,546	215%	-5%	26,105	76,459	193%
Adjusted EPS (Rs)	4.9	(3.9)	18.5	16.3	15.7	220%	-3%	17.1	50.4	194%
Tax Rate	35%	101%	25%	25%	25%	-	-	35%	25%	-
Core EBITDA	15,203	33,787	37,206	18,239	19,785	30%	8%	61,363	75,231	23%
Core PAT	4,863	17,781	22,785	7,394	11,503	137%	56%	27,102	41,682	54%
Core EPS (Rs)	3.2	11.7	15.0	4.9	7.7	141%	58%	17.8	27.5	55%
Refining Volumes (mmt)	4.2	4.5	4.0	4.1	4.0	-4%	-1%	12.6	12.0	-5%
Reported GRM (USD/bbl)	1.8	0.4	0.0	5.1	1.9	4%	-63%	1.8	2.4	28%
Core GRM (USD/bbl)	1.4	9.5	(0.9)	2.7	(1.0)	-	-	2.4	0.3	-87%
Adjusted Refining EBITDA*	(5,247)	(2,952)	(7,608)	3,549	(3,511)	-	-	(14,130)	(7,570)	-
Marketing Volumes (mmt)	10.6	9.6	7.6	8.4	10.4	-2%	23%	30.1	26.5	-12%
Diesel	4.6	4.2	3.2	3.4	4.6	1%	36%	13.5	11.3	-16%
Petrol	1.8	1.7	1.2	1.7	2.0	7%	14%	5.5	4.9	-12%
Marketing Margin (Rs/mt)	4,905	5,267	9,389	5,948	5,803	18%	-2%	5,127	6,882	34%
Adjusted Marketing EBITDA*	18,794	2,284	49,382	30,214	33,731	79%	12%	51,225	113,327	121%
Marketing Inventory Gain/(Losses)	2,690	(9,261)	4,320	12,570	7,070	163%	-44%	2,360	23,960	915%
Pipeline Volumes (mmt)	5.1	5.7	3.5	4.7	5.5	8%	17%	15.5	13.8	-11%
Implied Pipeline EBITDA	2,438	2,755	1,763	2,276	2,795	15%	23%	7,414	6,834	-8%
Gross Debt	285,900	430,210	366,550	346,040	333,360	17%	-4%	285,900	333,360	17%
Implied Net Debt	228,702	376,139	312,898	292,537	279,857	22%	-4%	228,702	279,857	22%
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; *Segmental EBITDA is calculated from Q1FY21 onwards.

Concall highlights

Marketing

- HPCL registered 2.7% yoy marketing sales growth in Q3FY21 vs. 0.3% growth by industry (PSUs) in the domestic market. Exports were driven by value-added products (VAP) like lubes, which supported overall profitability also.
- Demand pick-up should continue in Q4FY21 with 4-5% yoy growth expected which would end full year FY21 at 92-93% of FY20 levels or more. Internationally also demand is moving up in US etc.
- HSD (diesel) demand can be much higher in Q4 with the release of pent-up demand and support from the wedding season, lifting of state border restrictions and industrial & infra recovery. Demand is picking up in Agri, transport and other sectors and STCs. Public transport is still not being opened fully and the same would pick up ahead.
- LPG demand would be aided by 10mn more PMUY customers targeted in Budget. ATF is currently 55% of normal and would take some time, though domestic airlines are suggesting better demand (80%). In Q3, bitumen grew 18% yoy and direct industrial sales also did well.
- Strong profitability of HPCL driven by the marketing segment in terms of better volumes and market share. Rupee has supported pricing, though MS-HSD has 70% taxation. Marketing margins have been stable and reasonable.
- There was opex savings also (Rs4bn) w.r.t to two new pipelines and LPG plants (giving location cost advantage), additional LPG rakes, etc. Admin cost was also lower.
- 1,543 retail outlets (ROs) were commissioned till Jan'21 (in 10MFY21) with 18,019 in total; 77 new LPG dealer with 6,160; 170 CNG RO facilities with 650 ROs; and mobile door to door diesel delivery in 250 various cities to stationery equipment like cranes etc.
- Throughput per RO is 100kl/month in rural and 200-250kl urban. It may be as high as 500-1,000kl and low as 60-100kl. HPCL considers an average rate of 100kl, though it depends on business outlook and ramp-up potential, which may entail more capex and formats like Club HP. Rural and Tier 2 cities are coming up strongly, especially post Covid.
- RO viability is done through software, which sees various factors to estimate volumes. A hurdle rate is there. In a DODO, dispensing pumps and tankages are supplied by the OMC. ROIC depends on throughput and over period of time increases. Largest petrol selling RO is HPCL Vizag while for diesel is one in Gurgaon.
- Lube export is a focus area and in places like FZE Middle East, brand registration has been done and also looking for a blending unit. In FY20/9MFY21, 16/11.5kt lubes have been exported with currently 14 countries being catered to and looking to expand further. Other VAPs are also being looked at like MTO etc. HPCL has bitumen export facilities in Vizag. Lube and direct sales have important contribution to profitability with EBITDA contribution from lubes at 10-15%.

Refining

- GRMs in Q3 were impacted by lower cracks in MS (petrol)-HSD. FO was better and LPG picked up. However, now MS-HSD cracks are better at USD3-4/4-6 per barrel. Singapore GRM is recovering and is expected to see a further uptick.
 - Singapore slate is different to India as it is MS heavy and F&L is not there. Since HSD cracks have been down, HPCL's Indian core GRM was lower than Singapore core GRM in Q3.
 - Crude prices currently are driven by sharper demand increase and lesser fear of newer Covid variants, resulting in greater confidence. This is coupled with supply cuts and 1mb/d of Saudi voluntary cuts, resulting in perception of supply shortfall. HPCL expects USD50-60/bbl crude as capacity is there and US shale producers should also come back.
- HPCL has brought in efficiency relating to crude scheduling, refinery management etc.

Debt

- HPCL saw interest cost savings on the back of good mix of domestic and foreign debt and healthy credit worthiness. Despite capex borrowings are in control with debt equity less than 1. Govt subsidy reimbursement is going on properly.
- Forex gain in interest cost was Rs600mn for 9MFY21. Interest capitalized was Rs5bn.
- Govt subsidy receivable was Rs40bn as on Dec'20-end vs. Rs80bn as on Mar'20-end.

Capex

- Capex target for FY21/22 is Rs120/Rs140bn with Rs88bn done till Jan'21. Of Rs140bn for FY22, Rs50bn/Rs55bn/Rs20bn would be on marketing/refinery-R&D/CGD. Capex target includes equity contribution in JVs/subsidiaries. HMEL does not require any equity infusion.
- Projects are moving quickly now with 45,000 workers and all sites in full swing. It will set up 2,000 ROs each in FY21 and FY22.
- Mumbai/Vizag refinery projects (MR-VR) will be commissioned in CY21 each, while Vizag bottoms upgrade would be in CY22 and Rajasthan refinery (RJ) in CY23. HMEL petchem would commission in CY21 and the three ongoing pipelines (Vijayawada/Palanpur/Hassan) by CY22. Chhara LNG terminal should complete by CY22-end. CNG-PNG CGD activities are underway.
- RJ approved capex is Rs430bn and post order placement will take an update of cost. HPCL's equity contribution would be Rs100bn, considering its 74% stake and 2:1 debt equity ratio. Rs40bn has been contributed already. Rs350bn of order has been placed and Rs60bn expenditure made so far. Phasing is generally 35% each for next 2 years.

Refinery projects

- MR/VR capacity post expansions would be 9.5/15mmtpa with VR effective capacity to be 14mmtpa by CY21 and post bottoms upgrade 15mmtpa. MR commissioning is expected in Q1FY22 with higher volumes from Q2 onwards, while VR in Q3FY22 (Q4 onwards). FY22 standalone refining volumes would be more than those in FY21.
- VR would have a 9mmtpa new CDU and HCU, while multiple CDUs in MR would be replaced by 1 CDU. Bottoms up-gradation in VR next year would aid GRMs significantly. It is one of the largest and most critical equipment. In Q1FY23, it will be commission with 1mmtpa more volumes in FY23 in VR.
- Since current cracks are lower, phasing has not affected overall refinery profitability much. Against 15.8mmtpa standalone capacity, the same would grow to 24.5mmtpa while 11.3mmtpa from HMEL would total it at 35.8mmtpa. In CY23, 9mmtpa of RJ would take it to 45mmtpa. This is versus 40mmtpa marketing sales right now, but the same would be well above 45mmtpa by then and 5-7mmtpa marketing-refining gap could be there.
- 2mmtpa petchem capacity would come from RJ while HMEL's would be 1.7mmtpa from this year. RJ will have 25% petchem intensity and is a fully integrated unit with better energy efficiency. RJ will have high complexity factor of 17, while MR-VR also would have double digit NCI.
- RJ crude mix would be 2.5mmtpa Rajasthan crude or else can be entirely imported also. RJ will have one of the best GRMs in the country and should be in double digits.
- By the time these projects come up, GRMs can see a cyclical recovery. Under a low margin scenario, project work is more feasible as margins are not lost out and capital costs are also low.
- Small units are being replaced by large ones so there is efficiency gains and VR may see nil F&L. Refining is a cyclical business but integration with petchem will lower cyclical swings as petchem demand is more stable.

Others

- HPCL will become a major petchem player at 4-5mmtpa volumes post HMEL and RJ.
- HPCL has its own big gas portfolio, hence for Chhara LNG terminal is not seriously looked at for any third party tie ups as of now, but all combinations are possible. It may swap the gas also.
- It has 20 CGD GAs on its own and ability to dispense CNG in most of the ROs. HPCL also has an 11% stake in GIGL-GITL (cross-country gas pipelines). Overall, it is aiming a 5mmtpa LNG equivalent gas portfolio, which is 10%+ of current marketing volumes.
- Ethanol blending is 1G currently. 100 Lols issued for CBG with assured offtake by HPCL. Damaged food gain is another area. HPCL will set up some plant as it is a good returns low capex venture. A 2G facility in Bhatinda is underway.
- 51 ROs have EV charging-battery swapping facilities. HPCL is having tie-ups and is collaboration with EV startups like one with a 3W used for LPG cylinder delivery.
- Q2FY21 employee cost was higher due to profit linked incentives paid.
- Buyback is proceeding well with 40.7mn shares with Rs8.85bn value (35% of total) being bought back till Feb'21.
- HPCL has 3,700kms of pipeline network and another 1,600kms under development. The same is used for captive use also to a large extent and is strategic. Pipeline assets come under Quartile 1 under Solomon benchmark. Replacement cost currently is Rs40-80mn/km.
- The company will look into the Budget announcement on monetization and it is too early to comment. HPCL would have to evaluate it, including taxation angle, etc. HPCL is no longer a direct govt-held company. The Budget is giving a broad policy framework and the intent and companies will look further.

Exhibit 3: Changes in assumptions

	FY21E			FY22E			FY23E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
GRM (USD/bbl)	2.8	2.4	-15%	4.2	4.3	2%	4.7	4.7	0%
Marketing Margin (Rs/mt)	5,878	5,912	1%	5,661	5,376	-5%	5,778	5,723	-1%
Growth	22%	23%	71bps	-4%	-9%	-539bps	2%	6%	439bps
Marketing Sales (mmt)	35	36	2%	39	39	0%	41	41	0%
Growth	-10%	-9%	199bps	11%	8%	-282bps	3%	4%	50bps

Source: Company, Emkay Research

Exhibit 4: Changes in estimates

Rs bn	FY21E			FY22E			FY23E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	1,929	2,378	23%	2,842	3,294	16%	3,195	3,715	16%
EBITDA	118	123	4%	119	108	-10%	132	123	-7%
EBITDA Margins	6%	5%	-94bps	4%	3%	-93bps	4%	3%	-84bps
PAT	73	82	12%	63	57	-10%	64	59	-7%
EPS (Rs)	51.4	57.7	12%	44.9	40.3	-10%	45.0	41.9	-7%

Source: Company, Emkay Research

Exhibit 5: Value of investments

Rs/sh/mn	Shares (mn)	Price	Value
MRPL	297	35	10,400
Oil India	27	115	3,076
Total			13,477
Investment value at 30% holdco disc.			9,434
HMEL at 7x normalized PE		Rs 10bn PAT	35,000
Total Investment Value (Rs/sh)			31

Source: Company, Emkay Research

Exhibit 6: Core business valuation

Mar'23 estimates (Rs bn)	EBITDA	Multiple (x)	EV	EV/Share
Refining	28	5.5	153	108
Pipelines	11	6.5	72	51
Petrochemicals	-	-	-	-
Marketing	84	6.5	543	384
Total EV	123	6.3	768	543
Less: Net Debt (Mar'22 End)			409	289
Fair Value/M-Cap			359	254
No. Of Shares O/S (bn)			1.4	

Source: Company, Emkay Research

Exhibit 7: SOTP valuation

Rs/share	Value
EV/EBITDA	254
Investments	31
Target Price	285

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	2,378,312	3,293,790	3,714,842
Expenditure	2,631,881	2,627,695	2,255,261	3,186,155	3,592,333
EBITDA	120,266	59,970	123,050	107,635	122,509
Depreciation	30,126	33,044	35,483	43,811	56,095
EBIT	90,139	26,926	87,568	63,824	66,414
Other Income	16,750	18,382	21,275	23,564	25,253
Interest expenses	7,259	10,817	9,254	11,260	12,510
PBT	99,630	34,490	99,589	76,127	79,157
Tax	33,100	(4,362)	27,197	19,184	19,948
Extraordinary Items	(6,244)	(18,764)	9,200	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	60,287	26,373	81,591	56,943	59,209
Adjusted PAT	60,287	20,088	81,591	56,943	59,209

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	15,242	15,242	14,142	14,142	14,142
Reserves & surplus	266,506	274,382	316,555	350,721	386,246
Net worth	281,748	289,624	330,697	364,863	400,388
Minority Interest	0	0	0	0	0
Loan Funds	272,397	430,209	420,209	480,209	476,209
Net deferred tax liability	71,648	54,915	56,365	57,830	59,309
Total Liabilities	625,793	774,747	807,271	902,901	935,906
Net block	409,793	482,904	457,421	669,329	781,093
Investment	118,186	125,116	126,367	127,631	128,907
Current Assets	415,451	360,651	381,100	508,578	546,119
Cash & bank balance	956	1,132	14,451	16,388	2,388
Other Current Assets	6,929	4,260	3,769	5,220	5,887
Current liabilities & Provision	412,597	365,361	429,055	538,355	588,072
Net current assets	2,854	(4,710)	(47,955)	(29,777)	(41,954)
Misc. exp	0	0	0	0	0
Total Assets	625,793	774,747	807,271	902,901	935,906

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	82,880	16,109	78,314	52,563	53,904
Other Non-Cash items	9,831	3,186	9,200	0	0
Chg in working cap	(23,423)	(8,993)	58,015	(14,776)	(344)
Operating Cashflow	84,497	54,533	163,068	73,674	102,218
Capital expenditure	(115,307)	(182,633)	(110,000)	(120,000)	(100,000)
Free Cash Flow	(30,810)	(128,100)	53,068	(46,326)	2,218
Investments	(7,135)	(6,930)	(1,251)	(1,264)	(1,276)
Other Investing Cash Flow	(8,141)	29,524	(23,100)	0	0
Investing Cashflow	(113,834)	(141,657)	(113,076)	(97,700)	(76,023)
Equity Capital Raised	0	0	(1,100)	0	0
Loans Taken / (Repaid)	62,488	157,812	(10,000)	60,000	(4,000)
Dividend paid (incl tax)	(16,533)	(17,251)	(16,318)	(22,777)	(23,684)
Other Financing Cash Flow	(20,344)	(42,444)	0	0	0
Financing Cashflow	18,351	87,299	(36,672)	25,962	(40,194)
Net chg in cash	(10,985)	175	13,320	1,937	(14,000)
Opening cash position	11,941	956	1,132	14,451	16,388
Closing cash position	956	1,131	14,451	16,388	2,388

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	4.4	2.2	5.2	3.3	3.3
EBIT Margin	3.3	1.0	3.7	1.9	1.8
Effective Tax Rate	33.2	(12.6)	27.3	25.2	25.2
Net Margin	2.4	1.4	3.0	1.7	1.6
ROCE	18.7	6.5	13.8	10.2	10.0
ROE	23.1	7.0	26.3	16.4	15.5
RoIC	23.6	6.1	20.1	12.5	9.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	39.6	13.2	57.7	40.3	41.9
CEPS	59.3	34.9	82.8	71.2	81.5
BVPS	184.8	190.0	233.8	258.0	283.1
DPS	15.9	9.7	11.5	16.1	16.7

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	5.7	17.1	3.9	5.6	5.4
P/CEPS	3.8	6.5	2.7	3.2	2.8
P/BV	1.2	1.2	1.0	0.9	0.8
EV / Sales	0.2	0.3	0.3	0.2	0.2
EV / EBITDA	4.7	12.0	5.5	6.8	6.0
Dividend Yield (%)	7.0	4.3	5.1	7.1	7.4

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.8	1.3	1.1	1.1	1.0
Net Debt/EBIDTA	1.8	6.3	2.9	3.8	3.4
Working Cap Cycle (days)	10.8	15.6	9.7	9.7	9.1

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	25.5	(2.3)	(11.5)	38.5	12.8
EBITDA	12.7	(50.1)	105.2	(12.5)	13.8
EBIT	13.8	(70.1)	225.2	(27.1)	4.1
PAT	(5.2)	(56.3)	209.4	(30.2)	4.0

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	707,496	661,549	377,209	517,733	686,592
EBITDA	18,633	2,686	43,536	36,039	33,015
EBITDA Margin (%)	2.6	0.4	11.5	7.0	4.8
PAT	7,472	268	28,138	24,775	23,546
EPS (Rs)	4.9	0.2	18.5	16.3	15.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	51.1	51.1	51.1	51.1	51.6
FIs	19.2	17.7	16.1	15.5	15.9
DIs	20.8	21.7	23.6	22.3	20.8
Public and Others	8.9	9.5	9.2	11.1	11.7

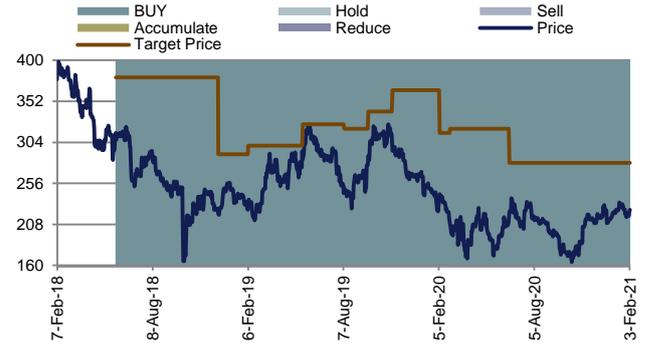
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
6-Jan-21	221	280	12m	Buy	Sabri Hazarika
26-Nov-20	213	280	12m	Buy	Sabri Hazarika
5-Nov-20	205	280	12m	Buy	Sabri Hazarika
28-Sep-20	184	280	12m	Buy	Sabri Hazarika
23-Sep-20	177	280	12m	Buy	Sabri Hazarika
8-Aug-20	214	280	12m	Buy	Sabri Hazarika
18-Jun-20	223	280	12m	Buy	Sabri Hazarika
3-Jun-20	197	320	12m	Buy	Sabri Hazarika
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

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	9.81	9.77	0%	-4	100.00
BPCL	0.41	0.44	9%	4	4.53
GAIL	0.28	0.24	-14%	-4	2.49
Gujarat Gas	0.08	0.05	-33%	-3	0.54
Gujarat State Petronet	0.07	0.07	1%	0	0.73
Gulf Oil Lubricants	0.00	0.05	NA	5	0.51
HPCL	0.21	0.23	9%	2	2.30
Indian Oil	0.32	0.31	-2%	-1	3.17
Indraprastha Gas	0.23	0.16	-30%	-7	1.63
Petronet LNG	0.23	0.25	10%	2	2.53
Oil India	0.05	0.03	-38%	-2	0.32
ONGC	0.43	0.43	0%	0	4.37
Reliance Industries	7.51	7.51	0%	0	76.50
Cash	0.00	0.04	NA	4	0.37

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	6-Feb-20	6-Aug-20	5-Nov-20	5-Jan-21	4-Feb-21
EAP - Oil & Gas	100.0	98.6	128.0	117.6	123.0	121.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	99.8	127.1	116.7	122.2	121.2

*Performance measurement base date 1st April 2019

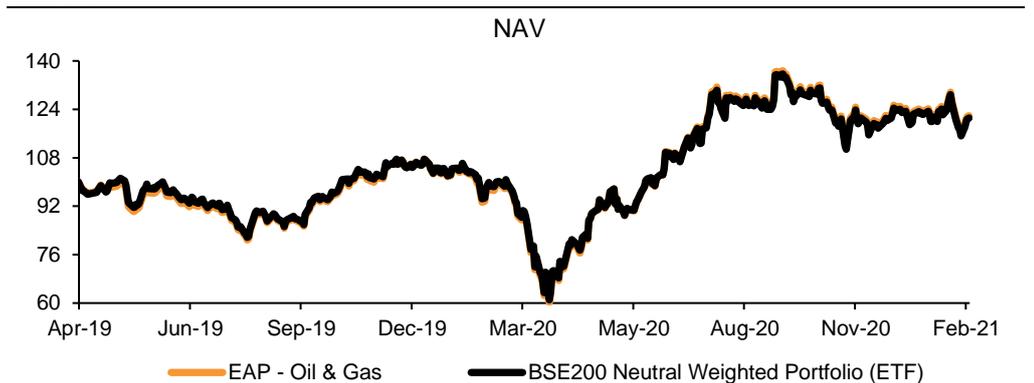
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Oil & Gas	-0.9%	3.7%	-4.7%	23.6%
BSE200 Neutral Weighted Portfolio (ETF)	-0.8%	3.8%	-4.7%	21.4%

Source: Emkay Research

NAV chart



Source: Emkay Research

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

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

“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: 05 Feb 2021 21:33:49 (SGT)
Dissemination Date: 05 Feb 2021 21:34:49 (SGT)

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