

# Petronet LNG

Refer to important disclosures at the end of this report

## Earnings beat, as company capitalizes on sale of saved LNG in spot market

PLNG's Q2FY23 results beat our estimates by 12-13%, driven by higher spot LNG marketing earnings, as its volume rose from 1tbtu to 2tbtu QoQ. This was despite lower overall volumes, as Dahej operated at ~80% capacity vs our expectation of ~86%. EBITDA/PAT of Rs11.7bn/7.4bn grew 10%/6% QoQ. Gross profit was at an 8% beat, with implied marketing margin at USD26-27/mmbtu. Other expenses were also down, by 17% QoQ to Rs2.1bn, standing 4% lower than our estimate, while employee cost was down 23% YoY. Long-term Dahej volumes were up 2% QoQ to 103tbtu, while tolling fell 18% QoQ to 77tbtu. Kochi saw 16% utilization (in-line), with term volume of only 10tbtu (vs 12tbtu QoQ). Overall EBITDA/mmbtu rose 19% QoQ to Rs61.1 (up 8% YoY). PLNG has declared a special interim dividend of Rs7/share (vs. Rs8 YoY). It extracted more gas from internal consumption, selling the excess in the spot market at high premiums, thus driving earnings, which is creditable. We lower our volume assumptions, but raise EBITDA/mmbtu, which results in only a slight change in overall earnings estimates and the Sep-23 TP (Rs260/sh) remaining unchanged; retain BUY. The Board has approved the East-coast terminal at Gopalpur, Odisha (4mmtpa capacity, Rs23bn capex), though we have not built it in our estimates.

**Results summary:** PLNG's total volumes were down 20% YoY/8% QoQ at 192tbtu (3.8mmt). Other Income at Rs942mn was up 15% YoY. Interest cost rose 4% QoQ to Rs811mn, while depreciation and tax rates were largely in-line. H1 saw increase in inventories and receivables, although the rise in payables was lower; this led to higher working capital. Share of profit from JVs rose 15% QoQ to Rs481mn. **What we liked:** Higher spot LNG marketing earnings, driven by volumes. **What we did not like:** Fall in tolling volumes in Dahej.

**Management guidance:** Dahej utilization fell to 80% for Q2FY23 vs. 87% in Q1, on high spot LNG prices. PLNG has also seen impact of the Gazprom default on GAIL, which hindered some cargo coming to the Dahej terminal. PLNG saw Rs150mn/mth power savings on not using LNG; it has also substituted more furnace oil for vessels. Company has sold the unused LNG in the spot market. It evaluates offtake shortfall and 'take or pay' clauses, which it typically books on calendar-year basis in the Dec quarter. It has not received 'take or pay' income booked last year and is following up with customers regarding this. The PDH PPU petchem project is at the licensor selection stage, post which project capex will be determined and presented for Board approval. CBG projects in Haryana are facing land acquisition issues. The Board has approved the Gopalpur FSRU, which would cost Rs23.1bn and take ~3 years for completion. PLNG is also attempting to engage in preliminary discussions for at least 30-40% capacity, and plans to find offtakers in the next 6-12 months. Environmental clearance will be done first, post which other govt. clearances will be sought. FY23 capex guidance was Rs12.5bn, while FY24 capex is likely to range at Rs25-30bn, incl. for Gopalpur and possibly petchem. It is not looking at any global forays presently. Dabhol breakwater completion does not pose a material risk to Dahej, as Dahej volumes are largely tied up.

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

### Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,60,229	4,31,686	5,60,134	5,39,080	5,63,477
EBITDA	46,995	52,523	44,059	48,898	51,018
EBITDA Margin (%)	18.1	12.2	7.9	9.1	9.1
APAT	29,494	33,524	27,823	32,184	34,009
EPS (Rs)	19.7	22.3	18.5	21.5	22.7
EPS (% chg)	14.0	13.7	(17.0)	15.7	5.7
ROE (%)	26.1	26.7	19.8	20.8	19.8
P/E (x)	10.8	9.5	11.5	9.9	9.4
EV/EBITDA (x)	6.5	5.5	6.5	5.6	5.2
P/BV (x)	2.7	2.4	2.2	2.0	1.8

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 213</b> as of (November 10, 2022)	<b>Rs 260 (■)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (■)</b>	<b>22.5 %</b>

### Change in Estimates

EPS Chg FY23E/FY24E (%)	1/4
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	18.5	21.5
Consensus	19.6	21.9
Mean Consensus TP (12M)	Rs 254	

### Stock Details

Bloomberg Code	PLNG IN
Face Value (Rs)	10
Shares outstanding (mn)	1,500
52 Week H/L	233 / 190
M Cap (Rs bn/USD bn)	319 / 3.90
Daily Avg Volume (nos.)	16,00,595
Daily Avg Turnover (US\$ mn)	4.1

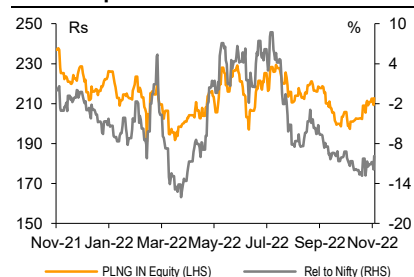
### Shareholding Pattern Sep '22

Promoters	50.0%
FIIIs	34.8%
DIIIs	4.1%
Public and Others	11.1%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	5	1	(1)	(7)
<b>Rel. to Nifty</b>	-	(2)	(11)	(7)

### Relative price chart



Source: Bloomberg

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

**Sabri Hazarika**

sabri.hazarika@emkayglobal.com  
+91 22 6612 1282

**Harsh Maru**

harsh.maru@emkayglobal.com  
+91 22 6612 1336

**Exhibit 1: Actual vs. Estimates (Q2FY23)**

Rs mn	Actual	Estimates (Emkay)	Consensus Estimates (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	1,59,857	1,41,355	1,41,454	13%	13%	
Adjusted EBITDA	11,730	10,471	10,933	12%	7%	Higher spot marketing volumes
EBITDA Margin (%)	7.3%	7.4%	7.7%	-7bps	-39bps	
Adjusted Net Profit	7,443	6,574	6,999	13%	6%	

Source: Company, Emkay Research

**Exhibit 2: Quarterly Summary**

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	YoY	QoQ	H1FY22	H1FY23	YoY
Net sales	101,941	118,422	106,974	137,268	155,477	53%	13%	182,400	292,746	60%
Regas service income^	6,190	7,550	4,630	5,370	4,380	-29%	-18%	11,710	9,750	-17%
<b>Total revenue</b>	<b>108,131</b>	<b>125,972</b>	<b>111,604</b>	<b>142,638</b>	<b>159,857</b>	<b>48%</b>	<b>12%</b>	<b>194,110</b>	<b>302,496</b>	<b>56%</b>
Raw material cost	92,639	106,950	97,828	129,006	145,580	57%	13%	166,035	274,586	65%
Employee cost	561	353	428	454	433	-23%	-5%	990	887	-10%
Other expenses	1,309	1,348	1,657	2,534	2,115	62%	-17%	2,921	4,649	59%
Total expenditure	94,509	108,651	99,913	131,994	148,128	57%	12%	169,945	280,122	65%
<b>EBITDA</b>	<b>13,622</b>	<b>17,322</b>	<b>11,691</b>	<b>10,644</b>	<b>11,730</b>	<b>-14%</b>	<b>10%</b>	<b>24,165</b>	<b>22,373</b>	<b>-7%</b>
Depreciation	1,936	1,936	1,896	1,912	1,922	-1%	1%	3,852	3,835	0%
EBIT	11,687	15,385	9,794	8,732	9,807	-16%	12%	20,313	18,539	-9%
Interest cost	794	776	803	779	811	2%	4%	1,595	1,590	0%
Other income	816	719	852	1,418	942	15%	-34%	1,502	2,360	57%
PBT before exceptional	11,709	15,328	9,844	9,371	9,939	-15%	6%	20,220	19,309	-5%
Exceptional items	-654	-	-	-	-	-	-	-654	-	-
PBT	11,055	15,328	9,844	9,371	9,939	-10%	6%	19,566	19,309	-1%
Current tax	3,060	3,940	2,372	2,780	2,840	-7%	2%	5,380	5,620	4%
Deferred tax	-235	-48	-29	-418	-344	-	-	-400	-762	-
Total tax	2,825	3,893	2,342	2,362	2,496	-12%	6%	4,980	4,858	-2%
<b>Reported PAT</b>	<b>8,230</b>	<b>11,435</b>	<b>7,501</b>	<b>7,009</b>	<b>7,443</b>	<b>-10%</b>	<b>6%</b>	<b>14,587</b>	<b>14,452</b>	<b>-1%</b>
Rep. EPS (Rs)	5.5	7.6	5.0	4.7	5.0	-10%	6%	9.7	9.6	-1%
Adjusted PAT	8,717	11,435	7,501	7,009	7,443	-15%	6%	15,074	14,452	-4%
Adj. EPS (Rs)	5.8	7.6	5.0	4.7	5.0	-15%	6%	10.0	9.6	-4%
Shares O/S (mn)	1,500	1,500	1,500	1,500	1,500	0%	0%	1,500	1,500	0%
EBITDA margin	13%	14%	10%	7%	7%			12%	7%	
NPM	8%	9%	7%	5%	5%			8%	5%	
Effective tax rate	26%	25%	24%	25%	25%			25%	25%	
<b>Dahej sUtilization</b>	<b>101%</b>	<b>88%</b>	<b>81%</b>	<b>89%</b>	<b>81%</b>			<b>94%</b>	<b>85%</b>	
Dahej Volumes (mmt)	4.4	3.9	3.5	3.9	3.6	-19%	-7%	8.3	7.4	-10%
Long Term (tbtu)	102	117	97	101	103	1%	2%	191	204	7%
3rd Party Regas (tbtu)	117	76	78	94	77	-34%	-18%	216	171	-21%
Spot LNG (tbtu)	6	3	3	1	2	-67%	100%	12	3	-75%
<b>Kochi Utilization</b>	<b>23%</b>	<b>19%</b>	<b>19%</b>	<b>19%</b>	<b>16%</b>			<b>24%</b>	<b>17%</b>	
Kochi Volumes (mmt)	0.3	0.2	0.2	0.2	0.2	-33%	-17%	0.6	0.4	-27%
Long Term (tbtu)	14	12	12	12	10	-29%	-17%	25	22	-12%
3rd Party Regas (tbtu)	-	-	-	-	-			2	-	
Spot LNG (tbtu)	1	-	-	-	-			3	-	
Total Volumes (tbtu)	240	208	190	208	192	-20%	-8%	449	400	-11%
<b>Regas Tariff (Rs/mmbtu)</b>										
Dahej	54.3	54.3	57.0	57.0	57.0	5%	0%	54.3	57.0	5%
Kochi	87.3	87.3	77.2	81.0	81.0	-7%	0%	87.3	81.0	-7%
Services Regas Tariff (Rs/mmbtu) ^	52.9	99.3	59.4	57.1	56.9	8%	0%	53.8	57.0	6%
<b>Cal. MM (USD/mmbtu)</b>	<b>5.4</b>	<b>21.5</b>	<b>23.9</b>	<b>32.9</b>	<b>26.6</b>	<b>NM</b>	<b>-19%</b>	<b>3.7</b>	<b>28.8</b>	<b>NM</b>
EBITDA/mmbtu (Rs)	56.8	83.3	61.5	51.2	61.1	8%	19%	53.8	55.9	4%
Avg. real. (USD/mmbtu)	11.2	12.0	12.7	15.6	16.9	51%	9%	10.6	16.2	53%

Source: Company, Emkay Research; Note: i) ^Not reported in results release; ii) Some numbers may not fully match with annual tables, due to a different adjustment method in the Emkay detailed annual model, averaging discrepancies, and past revisions

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 11/14/2022 01:49 PM

**Exhibit 3: Change in assumptions**

	FY23E			FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
EBITDA/mmbtu (Rs)	51.4	55.2	7%	52.4	57.3	9%	51.2	55.6	9%
Blended Regas Tariff (Rs/mmbtu)	64.8	65.9	2%	66.7	67.9	2%	68.2	68.0	0%
Volumes (mmt)	16.8	15.7	-7%	18.2	16.7	-8%	19.3	18.0	-7%
Growth	1%	-4%	-504bps	8%	7%	-115bps	6%	8%	104bps

Source: Company, Emkay Research

**Exhibit 4: Change in estimates**

(Rs bn)	FY23E			FY24E			FY25E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	526.4	560.1	6%	516.0	539.1	4%	542.0	563.5	4%
EBITDA	44.1	44.1	0%	48.5	48.9	1%	50.5	51.0	1%
EBITDA Margins	8.4%	7.9%	-51bps	9.4%	9.1%	-33bps	9.3%	9.1%	-26bps
PAT	27.6	27.8	1%	30.9	32.2	4%	32.6	34.0	4%
EPS (Rs)	18.4	18.5	1%	20.6	21.5	4%	21.7	22.7	4%

Source: Company, Emkay Research

## Concall Highlights

- **Dahej Terminal:** Of the 17.5mmtpa capacity, Dahej terminal is booked for 16.5mmtpa volumes through long-term contracts. Dabhol breakwater completion does not pose a material risk to Dahej, as majority of Dahej volumes are tied up. Dahej utilization fell to 80% for Q2FY23 vs. 87% in Q1 due to high spot LNG prices. PLNG believes the strong pipeline connectivity for Dahej terminal is an advantage, against the upcoming nearby terminals.
- **Spot LNG interplay:** Spot LNG prices are ~USD24/mmbtu at present and PLNG believes Q4 could see a fall to USD15-20/mmbtu which should lead to better LNG demand. PLNG continues to optimize its internal gas consumption through usage of grid power at both, Dahej as well as Kochi. It saw power savings of Rs150mn per month; it is not using LNG for GT and is substituting more furnace oil (FO) for vessels, to save on LNG and sell it in the spot market or on the gas exchange at high prices. This is also akin to being a natural hedge, as high spot LNG prices can reduce volumes but drive such margins, and vice versa.
- **Gazprom impact:** PLNG has also seen impact on GAIL from the Gazprom default leading to some cargo not coming to PLNG's Dahej terminal. Company has a 'take or pay' clause in the contract with GAIL; however, GAIL might use the *force majeure* clause in the contract. Liquidity damages of the Gazprom-GAIL contract are fairly low, at only 20%.
- **Petchem & CBG:** The planned PDH PPU petchem project is at the licensor selection stage, post which project capex would be determined and thereafter presented to the Board for approval, which is likely to happen around Mar-2023. This project is being evaluated at a minimum IRR threshold of 16-17%. In terms of CBG projects, the company is facing land-acquisition challenges in Haryana, for setting up plants (4-5 planned); discussions are underway with the state government, but issues have not yet been resolved.
- **East Coast Terminal – Gopalpur FSRU:**
  - The Board has given approval for the Gopalpur FSRU-based East-coast terminal (Phase 1) at a cost of Rs23.06bn (incl. taxes and duties), and for 4mmtpa capacity, with expected completion in ~3 years post clearances. PLNG plans to enter into an agreement with the port authorities now. It has prepared 3 packages for the project, viz. jetty proposal, pipeline connectivity and topside facilities for LNG. The contract would have provision to convert the FSRU-based terminal into land-based after 5 years, based on traction.
  - Capacity booking – The initial target is to secure long-term contracts for 50-60% capacity and thereafter after 5 years, it targets achieving 70-80% utilization. Company is also making attempts to engage in preliminary discussions for at least 30-40% capacity, and has plans to find offtakers. This will happen simultaneously with project work, in the next 6-12 months.
  - Advantage – Customers would be able to swap gas without requiring physical movement, wherein supply from Gopalpur may be met from Dahej volume. This will help customers save on transmission cost of ~USD3/mmbtu, which is likely to be shared with PLNG.
  - Offtakers & Pipeline connectivity: Gopalpur port is situated ~35km from the Urja Ganga network along the Srikakulam-Angul stretch. This will help in the supply of LNG to industries along the pipeline as well as to CGD entities in close vicinity. PLNG is also looking at small-scale LNG projects, considering that mining industries in the Odisha region are catered by dumpers, tippers, cranes and trucks. NALCO and Utkal could be potential customers. The Vizag refinery can also be accessed.
  - Status: At first, environmental clearance will be attained, post which other government clearances will be sought. EIL has completed the feasibility study, while SBICAPS, which had undertaken looking into the financial diligence aspect for the project, has indicated good IRR.
  - Competition: Capacity on the Dhamra port in the East coast is already booked and customers largely tied up. However, demand in the eastern region is strong. PLNG believes gas consumption is likely to increase in India, from ~150-160mmcmd to ~200mmcmd in a couple of years, primarily led by CGD growth.

- **FSRU availability:** PLNG acknowledges that availability of FSRU could pose a challenge, while it would look for FSRU with daily rent of ~USD70-80k (treated as opex and not capitalized).
- **Dahej Expansion & Capex Guidance:** Project capex is under way in Dahej, with Rs12.46bn on two tanks to be completed by CY24 (38-39% progress now) and Rs5.7bn on the 5mmtpa debottlenecking-led brownfield expansion (2.5mmtpa by end-2024 and another 2.5mmtpa by Mar-Apr '25; the 5mmtpa green-field expansion could cost Rs55bn). Rs17bn would be spent on the third jetty (this will be awarded and take three years from commencement). FY23 capex guidance was Rs12.5bn while FY24 capex is likely to be in the range of Rs25-30bn, incl Gopalpur and possibly petchem. It is not looking at any global forays as of now and nothing regarding Europe.
- **Take or Pay:** PLNG evaluates offtake shortfall and 'take or pay' clauses, which it books on a calendar-year basis in Q3 of a financial year (hence, now it would book for CY22). It has not received 'take or pay' income booked in Q3FY22 and is following up with customers regarding this.
- **Retail LNG:** PLNG's foray into the LNG retail business is under way, with four LNG stations likely to be operational in the next 5-6 months in partnership with IOCL in southern India; dispensing equipment has already been purchased for this. OMCs are setting up more such LNG stations, which is favorable for the eco-system and can eventually help to improve PLNG's terminal utilization.
- **Accounting Aspects:** PLNG recorded Rs980mn of notional forex loss due to rupee depreciation. This loss was included in 'other expenses', and normalized PAT (excluding forex loss) for Q2 stood at Rs8bn. Regas service revenue was recorded at Rs4.4bn in Q2, while inventory gains stood at Rs1.18bn and trading gains at Rs2.73bn. PLNG's trading margins were high, as spot gas prices jumped. The outlook on trading volumes is also contingent on this factor. Gorgon volumes in Dahej stood at 8.7tbu in Q2FY23 (vs. 5.2tbu in Q1). Every one-Rupee change per USD leads to a notional forex loss of Rs400mn. PLNG saw a jump in inventory during Q2, due to lower offtake by customers owing to plant shutdowns in end-user industries.

#### Exhibit 5: DCF Valuation (Sep-23E)

DCF Assumptions			(Rs mn)
Risk Free Rate	7.0%	NPV Of FCF (Sep-24-Sep-35)	2,30,483
Risk Premium	5.3%	Terminal Value	3,23,209
Beta	0.67	PV Of TV	97,344
Cost Of Equity	10.5%	Total Value	3,27,827
Cost Of Debt	8.0%	Less: Net Debt (Y/E)	-62,769
Post Tax Cost Of Debt	6.0%	<b>Equity Value</b>	<b>3,90,596</b>
Average Debt-Equity Ratio	0.0%	No. Of Shares O/S (mn)	1,500
<b>WACC</b>	<b>10.5%</b>	<b>Target Price (Rs/share)</b>	<b>260</b>
Terminal Growth Rate	0.0%		

Source: Company, Emkay Research

#### Exhibit 6: PER-based valuation (Sep-4E)

Rs	FY21	FY22	FY23E	FY24E	FY25E
EPS	19.7	22.3	18.5	21.5	22.7
<b>Implied Target Multiple (x)</b>					<b>11.8</b>
<b>DCF Target Price</b>					<b>260</b>

Source: Company, Emkay Research

## Key Financials (Standalone)

### Income Statement

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>2,60,229</b>	<b>4,31,686</b>	<b>5,60,134</b>	<b>5,39,080</b>	<b>5,63,477</b>
<b>Expenditure</b>	<b>2,13,234</b>	<b>3,79,162</b>	<b>5,16,075</b>	<b>4,90,181</b>	<b>5,12,459</b>
<b>EBITDA</b>	<b>46,995</b>	<b>52,523</b>	<b>44,059</b>	<b>48,898</b>	<b>51,018</b>
Depreciation	7,841	7,685	7,672	7,752	8,081
<b>EBIT</b>	<b>39,155</b>	<b>44,839</b>	<b>36,387</b>	<b>41,146</b>	<b>42,938</b>
Other Income	3,882	3,073	4,040	5,573	6,490
Interest expenses	3,360	3,173	3,231	3,692	3,961
<b>PBT</b>	<b>39,677</b>	<b>44,738</b>	<b>37,197</b>	<b>43,027</b>	<b>45,467</b>
Tax	10,183	11,215	9,374	10,843	11,458
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>29,494</b>	<b>33,524</b>	<b>27,823</b>	<b>32,184</b>	<b>34,009</b>
<b>Adjusted PAT</b>	<b>29,494</b>	<b>33,524</b>	<b>27,823</b>	<b>32,184</b>	<b>34,009</b>

### Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	15,000	15,000	15,000	15,000	15,000
Reserves & surplus	1,01,495	1,19,255	1,31,775	1,47,867	1,64,872
<b>Net worth</b>	<b>1,16,495</b>	<b>1,34,255</b>	<b>1,46,775</b>	<b>1,62,867</b>	<b>1,79,872</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>46,055</b>	<b>43,721</b>	<b>46,463</b>	<b>49,848</b>	<b>52,196</b>
Net deferred tax liability	8,806	8,324	7,324	6,314	5,294
<b>Total Liabilities</b>	<b>1,71,356</b>	<b>1,86,300</b>	<b>2,00,562</b>	<b>2,19,029</b>	<b>2,37,362</b>
<b>Net block</b>	<b>1,03,131</b>	<b>95,572</b>	<b>89,200</b>	<b>82,748</b>	<b>83,968</b>
<b>Investment</b>	<b>15,496</b>	<b>10,502</b>	<b>10,590</b>	<b>10,678</b>	<b>10,768</b>
<b>Current Assets</b>	<b>70,445</b>	<b>1,03,190</b>	<b>1,21,934</b>	<b>1,34,243</b>	<b>1,48,985</b>
Cash & bank balance	43,423	63,266	70,310	84,032	96,088
Other Current Assets	1,864	1,852	2,223	2,667	3,201
<b>Current liabilities &amp; Provision</b>	<b>17,970</b>	<b>24,891</b>	<b>33,789</b>	<b>32,167</b>	<b>33,585</b>
<b>Net current assets</b>	<b>52,474</b>	<b>78,300</b>	<b>88,146</b>	<b>1,02,076</b>	<b>1,15,400</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>1,71,356</b>	<b>1,86,300</b>	<b>2,00,562</b>	<b>2,19,029</b>	<b>2,37,362</b>

### Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>35,795</b>	<b>41,666</b>	<b>33,157</b>	<b>37,454</b>	<b>38,977</b>
Other Non-Cash items	292	1,179	0	0	0
Chg in working cap	35	(6,465)	(3,801)	(1,219)	(2,288)
<b>Operating Cashflow</b>	<b>35,592</b>	<b>34,721</b>	<b>31,226</b>	<b>37,181</b>	<b>37,621</b>
Capital expenditure	702	(1,797)	(12,000)	(12,200)	(13,000)
<b>Free Cash Flow</b>	<b>36,294</b>	<b>32,924</b>	<b>19,226</b>	<b>24,981</b>	<b>24,621</b>
Investments	(12,005)	4,994	(88)	(88)	(89)
Other Investing Cash Flow	(1,481)	961	0	0	0
<b>Investing Cashflow</b>	<b>(8,903)</b>	<b>7,230</b>	<b>(8,048)</b>	<b>(6,716)</b>	<b>(6,599)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(4,434)	(2,334)	2,742	3,385	2,348
Dividend paid (incl tax)	(22,452)	(15,750)	(15,303)	(16,092)	(17,005)
Other Financing Cash Flow	2,659	(852)	(342)	(345)	(348)
<b>Financing Cashflow</b>	<b>(27,586)</b>	<b>(22,109)</b>	<b>(16,133)</b>	<b>(16,744)</b>	<b>(18,965)</b>
<b>Net chg in cash</b>	<b>(897)</b>	<b>19,842</b>	<b>7,045</b>	<b>13,721</b>	<b>12,057</b>
Opening cash position	44,320	43,423	63,266	70,310	84,032
<b>Closing cash position</b>	<b>43,423</b>	<b>63,266</b>	<b>70,310</b>	<b>84,032</b>	<b>96,088</b>

Source: Company, Emkay Research

This report is intended for team.emkay@whitemarquesolutions.com use and downloaded at 11/14/2022 01:49 PM

Emkay Research is also available on [www.emkayglobal.com](http://www.emkayglobal.com) and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.



### Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	18.1	12.2	7.9	9.1	9.1
EBIT Margin	15.0	10.4	6.5	7.6	7.6
Effective Tax Rate	25.7	25.1	25.2	25.2	25.2
Net Margin	11.3	7.8	5.0	6.0	6.0
ROCE	25.3	26.8	20.9	22.3	21.7
ROE	26.1	26.7	19.8	20.8	19.8
RoIC	25.0	30.2	25.0	29.6	31.5

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	19.7	22.3	18.5	21.5	22.7
CEPS	24.9	27.5	23.7	26.6	28.1
BVPS	77.7	89.5	97.9	108.6	119.9
DPS	11.5	11.5	10.2	10.7	11.3

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	10.8	9.5	11.5	9.9	9.4
P/CEPS	8.5	7.7	9.0	8.0	7.6
P/BV	2.7	2.4	2.2	2.0	1.8
EV / Sales	1.2	0.7	0.5	0.5	0.5
EV / EBITDA	6.5	5.5	6.5	5.6	5.2
Dividend Yield (%)	5.4	5.4	4.8	5.0	5.3

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Net Debt/EBIDTA	(0.3)	(0.6)	(0.8)	(0.9)	(1.1)
Working Cap Cycle (days)	13.3	12.9	12.8	12.8	12.9

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(26.6)	65.9	29.8	(3.8)	4.5
EBITDA	10.2	11.8	(16.1)	11.0	4.3
EBIT	12.2	14.5	(18.8)	13.1	4.4
PAT	9.3	13.7	(17.0)	15.7	5.7

Quarterly (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Revenue	1,08,131	1,25,972	1,11,604	1,42,638	1,59,857
EBITDA	13,622	17,322	11,691	10,644	11,730
<b>EBITDA Margin (%)</b>	<b>12.6</b>	<b>13.8</b>	<b>10.5</b>	<b>7.5</b>	<b>7.3</b>
PAT	8,230	11,435	7,501	7,009	7,443
<b>EPS (Rs)</b>	<b>5.5</b>	<b>7.6</b>	<b>5.0</b>	<b>4.7</b>	<b>5.0</b>

Source: Company, Emkay Research

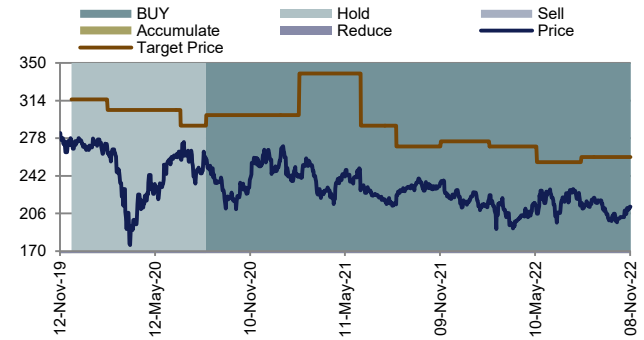
Shareholding Pattern (%)	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	50.0	50.0	50.0	50.0	50.0
FIs	32.1	34.1	33.6	34.8	34.8
DIs	4.6	3.2	3.4	2.9	4.1
Public and Others	13.2	12.7	13.0	12.2	11.1

Source: Capitaline

**RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
06-Aug-22	216	260	12m	Buy	Sabri Hazarika
13-May-22	206	255	12m	Buy	Sabri Hazarika
11-Feb-22	224	270	12m	Buy	Sabri Hazarika
23-Nov-21	224	275	12m	Buy	Sabri Hazarika
10-Nov-21	235	275	12m	Buy	Sabri Hazarika
17-Aug-21	224	270	12m	Buy	Sabri Hazarika
26-Jul-21	219	290	12m	Buy	Sabri Hazarika
23-Jun-21	231	290	12m	Buy	Sabri Hazarika
10-Jun-21	233	290	12m	Buy	Sabri Hazarika
29-May-21	241	340	12m	Buy	Sabri Hazarika
23-Apr-21	235	340	12m	Buy	Sabri Hazarika
23-Mar-21	230	340	12m	Buy	Sabri Hazarika
12-Feb-21	242	340	12m	Buy	Sabri Hazarika
21-Jan-21	246	300	12m	Buy	Sabri Hazarika
12-Nov-20	244	300	12m	Buy	Sabri Hazarika
28-Sep-20	222	300	12m	Buy	Sabri Hazarika
18-Aug-20	258	300	12m	Buy	Sabri Hazarika
30-Jun-20	258	290	12m	Hold	Sabri Hazarika
06-May-20	234	305	12m	Hold	Sabri Hazarika
11-Feb-20	264	305	12m	Hold	Sabri Hazarika
24-Jan-20	277	315	12m	Hold	Sabri Hazarika
04-Dec-19	276	315	12m	Hold	Sabri Hazarika

Source: Company, Emkay Research

**RECOMMENDATION HISTORY CHART**


Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – Oil & Gas



**Analyst: Sabri Hazarika**

### Contact Details

sabri.hazarika@emkayglobal.com  
+91 22 6612 1282

### Sector

Oil & Gas

### Analyst bio

Sabri Hazarika holds an MBA and comes with 12 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 based on Current NAV	Change vs last published EAP (bps)
<b>Oil &amp; Gas</b>	<b>10.07</b>	<b>10.01</b>	<b>-1%</b>	<b>-6</b>	<b>100.00</b>	
BPCL	0.27	0.29	9%	2	2.89	0
GAIL	0.22	0.24	9%	2	2.34	0
Gujarat Gas	0.08	0.07	-13%	-1	0.71	-7
Gujarat State Petronet	0.00	0.01	NA	1	0.10	0
Gulf Oil Lubricants	0.00	0.00	NA	0	0.00	0
HPCL	0.12	0.13	9%	1	1.30	0
Indian Oil	0.24	0.26	9%	2	2.63	-3
Indraprastha Gas	0.14	0.16	15%	2	1.55	0
Petrinet LNG	0.15	0.16	8%	1	1.57	0
Oil India	0.06	0.07	16%	1	0.74	0
ONGC	0.50	0.58	16%	8	5.76	0
Reliance Industries	8.30	8.04	-3%	-26	79.84	0
<b>Cash</b>	<b>0.00</b>	<b>0.06</b>	<b>NA</b>	<b>6</b>	<b>0.56</b>	<b>5</b>

Source: Emkay Research

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

### Sector portfolio NAV

	Base					Latest
	1-Apr-19	10-Nov-21	11-May-22	10-Aug-22	7-Oct-22	9-Nov-22
EAP - Oil & Gas	100.0	160.5	151.8	155.2	147.2	155.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	159.6	150.7	154.2	146.3	155.2

\*Performance measurement base date 1st April 2019

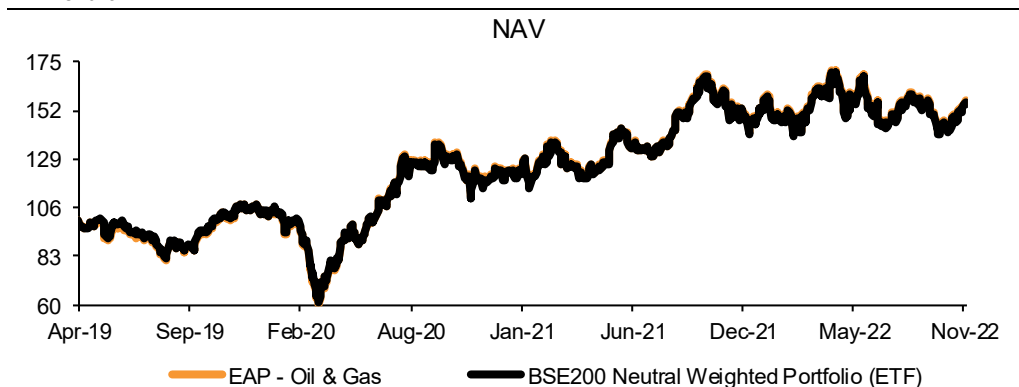
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Oil & Gas	6.0%	0.5%	2.8%	-2.9%
BSE200 Neutral Weighted Portfolio (ETF)	6.1%	0.6%	3.0%	-2.8%

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: 10 Nov 2022 22:00:16 (SGT)  
Dissemination Date: 10 Nov 2022 22:01:16 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

### GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.emkayglobal.com](http://www.emkayglobal.com)

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

**Disclaimer for U.S. persons only:** This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

**ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)**

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):**

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of November 10, 2022
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
3. **Disclosure of previous investment recommendation produced:**  
EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of November 10, 2022.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the November 10, 2022
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the November 10, 2022

**RESTRICTIONS ON DISTRIBUTION**

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 <sup>th</sup> Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: [www.emkayglobal.com](http://www.emkayglobal.com)