

Oil & Gas

Event Update

March 9, 2020

Exhibit 1: PL Coverage

Company Names	Rating	CMP (Rs)	TP (Rs)
BPCL	BUY	424	537
HPCL	BUY	213	295
IOCL	BUY	99	145
Oil India	Acc	91	186
ONGC	BUY	75	167
Reliance Ind.	BUY	1,114	1,705

Source: Company, PL

OMCs best play in weak crude oil prices

Quick Pointers:

- Weak crude price likely to help marketing profitability make up for inventory loss and weak refining.
- FY21E OMCs earnings might increase by 48-66% on higher than base marketing margins. Lower refining margins to potentially hit earnings by 30%.
- Upstream companies and RIL will also be hit from weakening global economy and lower oil and gas realization.

Global crude oil prices have crashed to USD35/bbl on disagreement between OPEC and Russia on extent of production cuts in a weakening global economy. Higher production cuts over current levels of 2.1mbpd were expected to help balance oil markets. With no agreements, we expect oil prices to remain weak. The OMCs with high leverage to low crude oil prices are best placed especially HPCL and BPCL. Our sensitivity suggests OMC profits are likely to increase by 48-66% from higher marketing margins (FY21 Rs4.5 vs Rs3.2 in base case) compared to ~30% lower profits from drop in refining margins (~USD2/bbl vs base case. RIL standalone FY21E PAT is likely to be down 14% from USD2/bbl lower GRMs (base USD10.5/bbl). Also, the upstream companies PAT will be down by 22-58% for drop in crude oil realization to USD45 vs USD65/bbl in base case. Reiterate BUY on HPCL, BPCL and RIL as recent price correction already factors in drop in profits.

Disagreement in OPEC+ causes crude price meltdown: Crude oil prices crashed to ~USD30/bbl on disagreement between OPEC and Russia to cut oil production by further 1.5mbpd from April till December 2020. This is over and above 2.1mbpd cuts already in force, to counter falling demand due to Covid-19 outbreak. With Aramco cutting the Official Selling Price (OSP) for next month by USD6-8/bbl to regain market share, the stage is set for all-out war between OPEC, Russian and US producers. We accordingly expect global crude prices are likely to remain weak, pending any agreement between producing nations.

HPCL, BPCL best placed to benefit from crude price fall: The OMCs are best placed to benefit from recent correction in crude oil prices led by higher marketing profits and lower fuel and oil losses (5-9% for the OMCs) even factoring in for inventory losses and muted refining profits. For Q4YTD average marketing margins were at ~Rs5/3.5/litre for diesel and petrol vis-à-vis Q3 average of Rs3/1.5/litre respectively, and we expect marketing profits to increase post sharp correction in crude oil prices. However, refining profits are likely to remain muted, in line with 9MFY20 average. Also, OMCs will report inventory loss given crude oil price correction.

HPCL, with high marketing leverage (9MFY20 market sales of 29MTPA vs refining volumes of 12MTPA) and no overhang of stake sale (post government stake sale to ONGC) is best placed while BPCL will also benefit from stake sale to potential global oil majors. However, IOCL will have limited benefit as weak refining and

Avishek Datta

avishekdata@plindia.com | 91-22-66322254

petrochemicals profits coupled with high government share (overhang because of ETF sales) will be a drag in stock performance. OMC profits are likely to increase by 48-66% from higher marketing margins (FY21 Rs4.5 vs Rs3.2 in base case) compared to ~30% lower profits from drop in refining margins (~USD2/bbl vs base case).

RIL profitability is likely to be weak given weakness in refining and petrochemicals prices. We calculate 14% hit in FY21E profits from USD2/bbl lower GRMs to USD8.5/bbl. However, positive profit trend in telecom and retail is likely to provide downside support to earnings.

Upstream companies to be worst hit: Upstream companies, ONGC and Oil India will be worst hit from crude price fall. With crude oil and gas realization falling given worsening geopolitical concerns, profits will be impacted given limited production growth.

Exhibit 2: Scenario analysis for OMCs – Expect higher marketing but lower refining margins

	Current marketing margins (Rs/litre)	Revised marketing margins (Rs/litre)	FY21E current PAT	Revised FY21E PAT	% chg
BPCL	3.2	4.5	71,344	110,781	55%
HPCL	3.2	4.5	49,362	82,042	66%
IOCL	3.2	4.5	135,841	201,294	48%

	Current GRMs (USD/bbl)	Revised GRMs (USD/bbl)	FY21E current PAT	Revised FY21E PAT	% chg
BPCL	5.2	3.5	71,344	48,306	-32%
HPCL	4.6	2.5	49,362	34,249	-31%
IOCL	5.2	3.5	135,841	89,082	-34%

Source: Company, PL

Exhibit 3: Scenario analysis of upstream companies and RIL – profitability to take a hit

	Base crude oil px (USD/bbl)	Revised crude oil px (USD/bbl)	FY21 base PAT	Revised FY21E PAT	% chg
OIL	65	45	25,188	10,525	-58%
ONGC	65	45	262,594	204,917	-22%

	Base GRM (USD/bbl)	Revised GRM (USD/bbl)	FY21 base PAT	Revised FY21E PAT	% chg
RIL	10.5		376,381	322,821	-14%

Source: Company, PL

BPCL – BUY | CMP: Rs424 | TP: Rs537

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	2,982,256	3,473,747	3,828,770	4,210,946
YoY gr. (%)	26.5	16.5	10.2	10.0
Cost of Goods Sold	2,627,487	3,105,302	3,437,429	3,800,393
Gross Profit	354,769	368,446	391,341	410,553
Margin (%)	11.9	10.6	10.2	9.7
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	151,122	132,195	141,496	146,018
YoY gr. (%)	(0.4)	(12.5)	7.0	3.2
Margin (%)	5.1	3.8	3.7	3.5
Depreciation and Amortization	34,178	43,939	47,444	53,387
EBIT	116,945	88,256	94,053	92,631
Margin (%)	3.9	2.5	2.5	2.2
Net Interest	17,640	25,906	25,831	26,885
Other Income	20,375	25,778	31,936	34,319
Profit Before Tax	119,680	88,127	100,158	100,065
Margin (%)	4.0	2.5	2.6	2.4
Total Tax	43,775	21,778	21,784	21,742
Effective tax rate (%)	36.6	24.7	21.7	21.7
Profit after tax	75,905	66,349	78,375	78,323
Minority interest	(9,373)	6,033	7,031	7,239
Share Profit from Associate	-	-	-	-
Adjusted PAT	85,278	60,316	71,344	71,084
YoY gr. (%)	(12.9)	(29.3)	18.3	(0.4)
Margin (%)	2.9	1.7	1.9	1.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	85,278	60,316	71,344	71,084
YoY gr. (%)	(12.9)	(29.3)	18.3	(0.4)
Margin (%)	2.9	1.7	1.9	1.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	85,278	60,316	71,344	71,084
Equity Shares O/s (m)	1,967	1,967	1,967	1,967
EPS (Rs)	43.4	30.7	36.3	36.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	589,214	775,401	884,901	964,401
Tangibles	589,214	775,401	884,901	964,401
Intangibles	-	-	-	-
Acc: Dep / Amortization	99,504	168,917	220,135	277,418
Tangibles	99,504	168,917	220,135	277,418
Intangibles	-	-	-	-
Net fixed assets	489,710	606,484	664,767	686,983
Tangibles	489,710	606,484	664,767	686,983
Intangibles	-	-	-	-
Capital Work In Progress	136,545	23,617	24,566	25,610
Goodwill	3,438	2,289	2,289	2,289
Non-Current Investments	230,469	155,549	170,461	186,863
Net Deferred tax assets	(63,383)	(67,935)	(77,155)	(86,307)
Other Non-Current Assets	16,789	856	942	1,036
Current Assets				
Investments	57,991	63,790	70,169	77,186
Inventories	229,349	277,806	306,342	338,269
Trade receivables	69,063	93,530	102,996	113,578
Cash & Bank Balance	6,625	83,162	23,910	3,287
Other Current Assets	13,642	14,637	16,101	17,711
Total Assets	1,369,304	1,444,450	1,517,544	1,601,315
Equity				
Equity Share Capital	19,669	19,669	19,669	19,669
Other Equity	367,978	451,575	487,598	523,402
Total Network	387,647	471,244	507,266	543,071
Non-Current Liabilities				
Long Term borrowings	343,156	247,260	214,870	187,437
Provisions	15,376	16,824	18,506	20,357
Other non current liabilities	2,840	3,124	3,437	3,780
Current Liabilities				
ST Debt / Current of LT Debt	85,990	77,959	82,174	86,811
Trade payables	173,847	211,419	233,095	256,920
Other current liabilities	271,260	320,858	352,960	388,258
Total Equity & Liabilities	1,369,304	1,444,450	1,517,544	1,601,315

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	119,680	88,127	100,158	100,065
Add. Depreciation	34,178	43,939	47,444	53,387
Add. Interest	17,640	25,906	25,831	26,885
Less Financial Other Income	20,375	25,778	31,936	34,319
Add. Other	14,392	40,292	9,054	8,970
Op. profit before WC changes	185,890	198,264	182,487	189,307
Net Changes-WC	(16,219)	1,666	2,040	1,503
Direct tax	(28,126)	(15,817)	(17,517)	(17,547)
Net cash from Op. activities	141,545	184,114	167,010	173,264
Capital expenditures	(114,671)	20,890	(118,012)	(89,118)
Interest / Dividend Income	-	-	-	-
Others	(3,379)	(2,955)	(671)	(738)
Net Cash from Inv. activities	(118,050)	17,936	(118,683)	(89,856)
Issue of share cap. / premium	(20,061)	35,524	(18,432)	(18,850)
Debt changes	59,172	(103,926)	(28,175)	(22,797)
Dividend paid	(48,383)	(25,405)	(28,763)	(28,482)
Interest paid	(17,640)	(25,906)	(25,831)	(26,885)
Others	-	-	-	-
Net cash from Fin. activities	(26,911)	(119,714)	(101,200)	(97,014)
Net change in cash	(3,415)	82,336	(52,873)	(13,606)
Free Cash Flow	26,874	205,004	48,998	84,146

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	43.4	30.7	36.3	36.1
CEPS	60.7	53.0	60.4	63.3
BVPS	197.1	239.6	257.9	276.1
FCF	13.7	104.2	24.9	42.8
DPS	21.0	11.0	12.5	12.3
Return Ratio(%)				
RoCE	15.1	10.9	11.8	11.4
ROIC	9.0	6.8	6.6	6.1
RoE	22.6	14.0	14.6	13.5
Balance Sheet				
Net Debt : Equity (x)	0.9	0.4	0.4	0.4
Net Working Capital (Days)	15	17	17	17
Valuation(x)				
PER	9.8	13.8	11.7	11.7
P/B	2.2	1.8	1.6	1.5
P/CEPS	7.0	8.0	7.0	6.7
EV/EBITDA	7.9	7.7	7.3	7.0
EV/Sales	0.4	0.3	0.3	0.2
Dividend Yield (%)	4.9	2.6	2.9	2.9

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	739,904	763,180	643,408	747,328
YoY gr. (%)	13.4	6.4	(11.0)	(5.6)
Raw Material Expenses	640,003	692,816	568,210	669,101
Gross Profit	99,901	70,364	75,198	78,227
Margin (%)	13.5	9.2	11.7	10.5
EBITDA	48,050	21,799	23,749	27,034
YoY gr. (%)	29.1	(43.7)	(1.8)	266.6
Margin (%)	6.5	2.9	3.7	3.6
Depreciation / Depletion	9,149	9,141	9,523	9,731
EBIT	38,901	12,658	14,226	17,303
Margin (%)	5.3	1.7	2.2	2.3
Net Interest	3,526	4,524	6,388	5,121
Other Income	10,576	5,385	8,713	5,148
Profit before Tax	45,951	13,518	16,551	17,330
Margin (%)	6.2	1.8	2.6	2.3
Total Tax	14,702	2,767	533	4,724
Effective tax rate (%)	32.0	20.5	3.2	27.3
Profit after Tax	31,249	10,751	16,018	12,606
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	31,249	10,751	16,018	12,606
YoY gr. (%)	16.9	(53.1)	31.4	154.6
Margin (%)	4.2	1.4	2.5	1.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	31,249	10,751	16,018	12,606
YoY gr. (%)	16.9	(53.1)	31.4	154.6
Margin (%)	4.2	1.4	2.5	1.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	31,249	10,751	16,018	12,606
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Crude /bbl	70	75	80	85
US\$/Rs	71	73	75	77
GRM (US\$/bbl)	5	5	5	5
Refining volume (MTPA)	30	31	32	32

Source: Company Data, PL Research

HPCL – BUY | CMP: Rs213 | TP: Rs295

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	2,751,974	2,769,195	2,870,934	2,981,680
YoY gr. (%)	-	-	-	-
Cost of Goods Sold	2,479,173	2,520,317	2,595,927	2,673,805
Gross Profit	272,801	248,878	275,007	307,875
Margin (%)	9.9	9.0	9.6	10.3
Employee Cost	29,385	31,442	33,643	35,998
Other Expenses	128,996	137,238	147,785	159,265
EBITDA	114,420	80,199	93,579	112,612
YoY gr. (%)	7.2	(29.9)	16.7	20.3
Margin (%)	4.2	2.9	3.3	3.8
Depreciation and Amortization	30,126	32,696	34,796	56,497
EBIT	84,294	47,503	58,783	56,115
Margin (%)	3.1	1.7	2.0	1.9
Net Interest	7,259	8,749	10,570	10,559
Other Income	16,352	16,576	18,493	20,697
Profit Before Tax	93,387	55,330	66,706	66,253
Margin (%)	3.4	2.0	2.3	2.2
Total Tax	33,100	14,007	17,344	17,226
Effective tax rate (%)	35.4	25.3	26.0	26.0
Profit after tax	60,287	41,323	49,362	49,027
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	60,287	41,323	49,362	49,027
YoY gr. (%)	(5.2)	(31.5)	19.5	(0.7)
Margin (%)	2.2	1.5	1.7	1.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	60,287	41,323	49,362	49,027
YoY gr. (%)	-	-	-	-
Margin (%)	2.2	1.5	1.7	1.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	60,287	41,323	49,362	49,027
Equity Shares O/s (m)	1,524	1,524	1,524	1,524
EPS (Rs)	39.6	27.1	32.4	32.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	509,934	579,934	934,934	1,324,934
Tangibles	509,934	579,934	934,934	1,324,934
Intangibles	-	-	-	-
Acc: Dep / Amortization	104,702	137,398	172,194	228,690
Tangibles	104,702	137,398	172,194	228,690
Intangibles	-	-	-	-
Net fixed assets	405,232	442,536	762,740	1,096,243
Tangibles	405,232	442,536	762,740	1,096,243
Intangibles	-	-	-	-
Capital Work In Progress	94,959	278,729	53,729	(206,271)
Goodwill	4,561	4,561	4,561	4,561
Non-Current Investments	78,810	85,498	92,906	101,055
Net Deferred tax assets	(71,648)	(74,880)	(78,882)	(82,857)
Other Non-Current Assets	22,019	24,221	26,643	29,307
Current Assets				
Investments	50,838	55,921	61,513	67,665
Inventories	201,934	202,871	210,251	218,275
Trade receivables	56,526	57,015	59,096	61,359
Cash & Bank Balance	956	2,499	2,749	3,024
Other Current Assets	6,843	7,527	8,280	9,108
Total Assets	1,037,508	1,185,039	1,345,500	1,534,266
Equity				
Equity Share Capital	15,242	15,242	15,242	15,242
Other Equity	266,506	290,019	319,134	348,052
Total Network	281,748	305,262	334,377	363,294
Non-Current Liabilities				
Long Term borrowings	113,172	143,172	153,172	163,172
Provisions	553	608	669	736
Other non current liabilities	1,237	1,360	1,497	1,646
Current Liabilities				
ST Debt / Current of LT Debt	137,931	187,931	287,931	387,931
Trade payables	188,767	205,133	195,611	211,931
Other current liabilities	242,448	266,692	293,362	322,698
Total Equity & Liabilities	1,037,508	1,185,039	1,345,500	1,534,266

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	93,387	53,872	66,706	66,253
Add. Depreciation	30,126	32,696	34,796	56,497
Add. Interest	7,259	10,207	10,570	10,559
Less Financial Other Income	16,352	16,576	18,493	20,697
Add. Other	-	-	-	-
Op. profit before WC changes	130,772	96,775	112,072	133,309
Net Changes-WC	(16,953)	125,839	(36,253)	(56,990)
Direct tax	(27,277)	(10,774)	(13,341)	(13,251)
Net cash from Op. activities	86,543	211,840	62,478	63,069
Capital expenditures	(124,152)	(260,007)	(136,861)	(137,547)
Interest / Dividend Income	-	-	-	-
Others	2,553	(498)	(548)	(603)
Net Cash from Inv. activities	(121,599)	(260,505)	(137,408)	(138,149)
Issue of share cap. / premium	(7,311)	-	-	-
Debt changes	55,174	80,000	110,000	110,000
Dividend paid	(16,533)	(19,584)	(24,250)	(24,085)
Interest paid	(7,259)	(10,207)	(10,570)	(10,559)
Others	-	-	-	-
Net cash from Fin. activities	24,070	50,209	75,180	75,356
Net change in cash	(10,985)	1,544	250	275
Free Cash Flow	(37,609)	(48,167)	(74,382)	(74,478)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	39.6	27.1	32.4	32.2
CEPS	59.3	48.6	55.2	69.2
BVPS	184.8	200.3	219.4	238.3
FCF	(24.7)	(31.6)	(48.8)	(48.9)
DPS	9.0	10.7	13.2	13.1
Return Ratio(%)				
RoCE	17.4	8.1	8.3	6.6
ROIC	8.6	4.2	4.6	3.8
RoE	23.1	14.1	15.4	14.1
Balance Sheet				
Net Debt : Equity (x)	0.7	0.9	1.1	1.3
Net Working Capital (Days)	9	7	9	8
Valuation(x)				
PER	5.4	7.8	6.6	6.6
P/B	1.2	1.1	1.0	0.9
P/CEPS	3.6	4.4	3.9	3.1
EV/EBITDA	4.6	7.4	7.5	7.1
EV/Sales	0.2	0.2	0.2	0.3
Dividend Yield (%)	4.2	5.0	6.2	6.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	679,381	709,889	608,633	707,496
YoY gr. (%)	11.7	5.0	(9.9)	(1.9)
Raw Material Expenses	586,214	656,571	546,258	646,085
Gross Profit	93,168	53,319	62,375	61,411
Margin (%)	13.7	7.5	10.2	8.7
EBITDA	51,662	16,439	23,189	18,669
YoY gr. (%)	76.8	(48.5)	9.3	93.8
Margin (%)	7.6	2.3	3.8	2.6
Depreciation / Depletion	8,285	8,151	8,121	8,659
EBIT	43,378	8,289	15,068	10,011
Margin (%)	6.4	1.2	2.5	1.4
Net Interest	1,872	2,063	2,856	2,524
Other Income	5,225	6,165	3,957	4,022
Profit before Tax	46,731	12,390	16,170	11,508
Margin (%)	6.9	1.7	2.7	1.6
Total Tax	17,032	4,281	5,647	4,036
Effective tax rate (%)	36.4	34.6	34.9	35.1
Profit after Tax	29,699	8,110	10,523	7,472
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	29,699	8,110	10,523	7,472
YoY gr. (%)	69.9	(52.8)	(3.6)	201.9
Margin (%)	4.4	1.1	1.7	1.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	29,699	8,110	10,523	7,472
YoY gr. (%)	69.9	(52.8)	(3.6)	201.9
Margin (%)	4.4	1.1	1.7	1.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,699	8,110	10,523	7,472
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Crude /bbl	70	70	70	70
US\$/Rs	70	70	72	74
GRM (US\$/bbl)	5	3	5	5
Refining volume (MTPA)	18	19	19	23
Net subsidy burden (Rs m)	20,378			

Source: Company Data, PL Research

IOCL – BUY | CMP: Rs99 | TP: Rs145

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	5,281,489	5,546,221	5,789,923	5,971,669
YoY gr. (%)	25.3	5.0	4.4	3.1
Cost of Goods Sold	4,420,968	4,764,192	4,944,222	5,092,557
Gross Profit	860,522	782,029	845,700	879,112
Margin (%)	16.3	14.1	14.6	14.7
Employee Cost	-	-	-	-
Other Expenses	508,295	517,744	538,937	561,167
EBITDA	352,227	264,285	306,763	317,944
YoY gr. (%)	(15.3)	(25.0)	16.1	3.6
Margin (%)	6.7	4.8	5.3	5.3
Depreciation and Amortization	85,065	87,105	92,564	98,106
EBIT	267,162	177,180	214,200	219,839
Margin (%)	5.1	3.2	3.7	3.7
Net Interest	48,880	57,310	61,710	65,910
Other Income	27,143	32,124	34,360	36,779
Profit Before Tax	245,425	151,994	186,850	190,707
Margin (%)	4.6	2.7	3.2	3.2
Total Tax	86,531	41,314	50,731	51,918
Effective tax rate (%)	35.3	27.2	27.2	27.2
Profit after tax	158,895	110,680	136,118	138,790
Minority interest	13,844	770	277	(251)
Share Profit from Associate	-	-	-	-
Adjusted PAT	145,051	109,910	135,841	139,040
YoY gr. (%)	(30.3)	(24.2)	23.6	2.4
Margin (%)	2.7	2.0	2.3	2.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	145,051	109,910	135,841	139,040
YoY gr. (%)	(30.3)	(24.2)	23.6	2.4
Margin (%)	2.7	2.0	2.3	2.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	145,051	109,910	135,841	139,040
Equity Shares O/s (m)	9,181	9,181	9,181	9,181
EPS (Rs)	15.8	12.0	14.8	15.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	1,574,876	1,836,377	2,025,901	2,215,427
Tangibles	1,574,876	1,836,377	2,025,901	2,215,427
Intangibles	-	-	-	-
Acc: Dep / Amortization	278,405	349,891	442,455	540,561
Tangibles	278,405	349,891	442,455	540,561
Intangibles	-	-	-	-
Net fixed assets	1,296,471	1,486,486	1,583,446	1,674,867
Tangibles	1,296,471	1,486,486	1,583,446	1,674,867
Intangibles	-	-	-	-
Capital Work In Progress	311,263	179,734	208,987	238,823
Goodwill	10	15,373	16,887	18,553
Non-Current Investments	393,847	465,569	494,170	525,630
Net Deferred tax assets	(165,097)	(174,537)	(193,254)	(212,482)
Other Non-Current Assets	52,199	56,981	62,679	68,947
Current Assets				
Investments	84,169	84,158	84,158	84,158
Inventories	771,265	745,103	777,899	802,186
Trade receivables	157,977	167,245	174,520	179,961
Cash & Bank Balance	10,647	(5,547)	15,305	46,952
Other Current Assets	50,603	52,460	55,083	57,837
Total Assets	3,351,551	3,503,894	3,743,041	3,982,149
Equity				
Equity Share Capital	91,810	91,810	91,810	91,810
Other Equity	1,032,882	1,080,565	1,168,847	1,259,028
Total Network	1,124,692	1,172,376	1,260,657	1,350,839
Non-Current Liabilities				
Long Term borrowings	391,525	411,099	461,099	511,099
Provisions	22,120	11,953	12,550	13,178
Other non current liabilities	15,995	15,981	15,981	15,981
Current Liabilities				
ST Debt / Current of LT Debt	535,593	559,675	579,675	599,675
Trade payables	411,941	415,224	433,332	446,846
Other current liabilities	659,655	715,548	756,902	800,880
Total Equity & Liabilities	3,351,551	3,503,894	3,743,041	3,982,149

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	245,425	151,994	186,850	190,707
Add. Depreciation	85,065	87,105	92,564	98,106
Add. Interest	48,880	57,310	61,710	65,910
Less Financial Other Income	27,143	32,124	34,360	36,779
Add. Other	-	-	-	-
Op. profit before WC changes	379,370	296,409	341,123	354,723
Net Changes-WC	(118,273)	45,855	14,267	21,457
Direct tax	(53,103)	(26,215)	(32,015)	(32,689)
Net cash from Op. activities	207,994	316,049	323,376	343,491
Capital expenditures	(269,425)	(221,714)	(220,304)	(221,042)
Interest / Dividend Income	-	-	-	-
Others	19,414	(21,040)	(25,721)	(28,294)
Net Cash from Inv. activities	(250,011)	(242,754)	(246,026)	(249,335)
Issue of share cap. / premium	(92,547)	(22,749)	1,055	(66,599)
Debt changes	305,707	43,656	70,000	70,000
Dividend paid	(116,560)	(53,087)	(65,842)	-
Interest paid	(48,880)	(57,310)	(61,710)	(65,910)
Others	-	-	-	-
Net cash from Fin. activities	47,720	(89,489)	(56,498)	(62,509)
Net change in cash	5,704	(16,194)	20,852	31,647
Free Cash Flow	(61,430)	94,335	103,071	122,449

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	15.8	12.0	14.8	15.1
CEPS	25.1	21.5	24.9	25.8
BVPS	122.5	127.7	137.3	147.1
FCF	(6.7)	10.3	11.2	13.3
DPS	10.5	4.8	6.0	6.1
Return Ratio(%)				
RoCE	14.0	8.4	9.6	9.2
ROIC	8.2	5.2	5.9	5.7
RoE	12.8	9.6	11.2	10.6
Balance Sheet				
Net Debt : Equity (x)	0.7	0.8	0.7	0.7
Net Working Capital (Days)	36	33	33	33
Valuation(x)				
PER	6.3	8.3	6.7	6.6
P/B	0.8	0.8	0.7	0.7
P/CEPS	17.2	14.7	17.1	17.7
EV/EBITDA	5.0	6.8	6.0	6.0
EV/Sales	0.3	0.3	0.3	0.3
Dividend Yield (%)	10.6	4.8	6.0	6.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	1,262,141	1,315,125	1,116,897	1,246,152
YoY gr. (%)	7.5	1.6	(15.4)	(11.0)
Raw Material Expenses	1,038,550	1,125,260	961,619	1,068,915
Gross Profit	223,591	189,865	155,278	177,237
Margin (%)	17.7	14.4	13.9	14.2
EBITDA	108,759	83,500	35,722	66,503
YoY gr. (%)	(1.3)	(33.6)	(47.2)	84.2
Margin (%)	8.6	6.3	3.2	5.3
Depreciation / Depletion	20,567	20,929	20,975	21,862
EBIT	88,192	62,571	14,747	44,641
Margin (%)	7.0	4.8	1.3	3.6
Net Interest	12,442	15,091	13,083	13,117
Other Income	10,595	6,314	6,481	5,697
Profit before Tax	86,344	53,794	8,145	37,222
Margin (%)	6.8	4.1	0.7	3.0
Total Tax	25,351	17,833	2,511	13,832
Effective tax rate (%)	29.4	33.2	30.8	37.2
Profit after Tax	60,993	35,961	5,634	23,390
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	60,993	35,961	5,634	23,390
YoY gr. (%)	16.9	(47.4)	(82.6)	226.3
Margin (%)	4.8	2.7	0.5	1.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	60,993	35,961	5,634	23,390
YoY gr. (%)	16.9	(47.4)	(82.6)	226.3
Margin (%)	4.8	2.7	0.5	1.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	60,993	35,961	5,634	23,390
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Crude /bbl	70	70	70	70
US\$/Rs	70	70	72	74
GRM (US\$/bbl)	5	4	5	5
Refining volume (MTPA)	72	71	72	72

Source: Company Data, PL Research

Oil India – Acc | CMP: Rs91 | TP: Rs186

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	137,350	128,295	131,188	135,725
YoY gr. (%)	28.9	(6.6)	2.3	3.5
Cost of Goods Sold	(262)	-	-	-
Gross Profit	137,611	128,295	131,188	135,725
Margin (%)	100.2	100.0	100.0	100.0
Employee Cost	-	-	-	-
Other Expenses	33,553	36,908	37,646	38,399
EBITDA	54,838	49,952	48,679	50,575
YoY gr. (%)	40.2	(8.9)	(2.5)	3.9
Margin (%)	39.9	38.9	37.1	37.3
Depreciation and Amortization	14,963	17,751	20,421	22,072
EBIT	39,875	32,201	28,258	28,503
Margin (%)	29.0	25.1	21.5	21.0
Net Interest	4,795	4,795	4,795	4,795
Other Income	14,350	10,360	10,959	11,617
Profit Before Tax	49,430	37,766	34,422	35,325
Margin (%)	36.0	29.4	26.2	26.0
Total Tax	13,261	10,132	9,235	9,477
Effective tax rate (%)	26.8	26.8	26.8	26.8
Profit after tax	36,169	27,634	25,188	25,848
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	25,901	27,634	25,188	25,848
YoY gr. (%)	(2.9)	6.7	(8.9)	2.6
Margin (%)	18.9	21.5	19.2	19.0
Extra Ord. Income / (Exp)	10,268	-	-	-
Reported PAT	36,169	27,634	25,188	25,848
YoY gr. (%)	35.6	(23.6)	(8.9)	2.6
Margin (%)	26.3	21.5	19.2	19.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	36,169	27,634	25,188	25,848
Equity Shares O/s (m)	1,084	1,084	1,084	1,084
EPS (Rs)	23.9	25.5	23.2	23.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	-	165,022	180,022	195,022
Tangibles	-	165,022	180,022	195,022
Intangibles	-	-	-	-
Acc: Dep / Amortization	49,462	36,209	40,249	44,639
Tangibles	49,462	36,209	40,249	44,639
Intangibles	-	-	-	-
Net fixed assets	-	128,813	139,773	150,383
Tangibles	-	128,813	139,773	150,383
Intangibles	-	-	-	-
Capital Work In Progress	12,674	12,000	12,000	12,000
Goodwill	334	334	334	334
Non-Current Investments	226,258	226,696	227,156	227,638
Net Deferred tax assets	(34,127)	(34,127)	(34,127)	(34,127)
Other Non-Current Assets	711	747	784	824
Current Assets				
Investments	2,528	2,780	3,058	3,364
Inventories	12,199	11,395	11,652	12,055
Trade receivables	13,135	12,269	12,546	12,980
Cash & Bank Balance	61,358	72,766	78,024	83,975
Other Current Assets	10,072	10,575	11,104	11,659
Total Assets	-	493,535	512,350	531,926
Equity				
Equity Share Capital	10,844	10,844	10,844	10,844
Other Equity	266,608	278,077	288,530	299,258
Total Network	277,452	288,921	299,374	310,102
Non-Current Liabilities				
Long Term borrowings	72,668	76,301	80,116	84,122
Provisions	7,565	7,943	8,340	8,757
Other non current liabilities	1,508	1,583	1,662	1,745
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,386	5,965	6,099	6,310
Other current liabilities	74,949	78,697	82,631	86,763
Total Equity & Liabilities	474,653	493,535	512,350	531,926

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	49,430	37,766	34,422	35,325
Add. Depreciation	14,963	17,751	20,421	22,072
Add. Interest	4,795	4,795	4,795	4,795
Less Financial Other Income	14,350	10,360	10,959	11,617
Add. Other	-	-	-	-
Op. profit before WC changes	69,188	60,312	59,638	62,192
Net Changes-WC	37,630	(31,090)	(163)	(258)
Direct tax	(10,709)	(10,132)	(9,235)	(9,477)
Net cash from Op. activities	96,109	19,091	50,240	52,457
Capital expenditures	(19,437)	(24,944)	(31,381)	(32,682)
Interest / Dividend Income	-	-	-	-
Others	4,300	-	-	-
Net Cash from Invst. activities	(15,137)	(24,944)	(31,381)	(32,682)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(15,151)	(16,165)	(14,734)	(15,121)
Interest paid	-	-	-	-
Others	(88,021)	7,733	(79,971)	(10,001)
Net cash from Fin. activities	(103,173)	(8,432)	(94,705)	(25,122)
Net change in cash	(22,201)	(14,286)	(75,846)	(5,347)
Free Cash Flow	76,672	(5,854)	18,859	19,775

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	23.9	25.5	23.2	23.8
CEPS	37.7	41.9	42.1	44.2
BVPS	255.9	266.4	276.1	286.0
FCF	70.7	(5.4)	17.4	18.2
DPS	11.9	12.7	11.6	11.9
Return Ratio(%)				
RoCE	11.3	9.0	7.6	7.4
ROIC	-	7.7	6.6	6.4
RoE	9.3	9.8	8.6	8.5
Balance Sheet				
Net Debt : Equity (x)	0.0	-	-	0.0
Net Working Capital (Days)	50	50	50	50
Valuation(x)				
PER	3.8	3.6	3.9	3.8
P/B	0.4	0.3	0.3	0.3
P/CEPS	2.4	2.2	2.2	2.1
EV/EBITDA	2.0	2.0	2.0	1.9
EV/Sales	0.8	0.8	0.7	0.7
Dividend Yield (%)	13.1	14.0	12.7	13.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	30,869	34,734	32,136	29,520
YoY gr. (%)	2.9	2.4	(14.2)	(16.0)
Raw Material Expenses	610	1,251	1,170	881
Gross Profit	30,259	33,482	30,966	28,639
Margin (%)	98.0	96.4	96.4	97.0
EBITDA	11,389	14,532	12,429	10,960
YoY gr. (%)	42.3	3.2	(15.7)	(28.0)
Margin (%)	36.9	41.8	38.7	37.1
Depreciation / Depletion	4,241	3,994	4,154	4,243
EBIT	7,148	10,538	8,275	6,717
Margin (%)	23.2	30.3	25.7	22.8
Net Interest	1,198	1,235	1,208	1,218
Other Income	4,192	1,227	2,679	1,354
Profit before Tax	10,142	10,530	9,746	6,853
Margin (%)	32.9	30.3	30.3	23.2
Total Tax	1,363	3,282	3,473	2,789
Effective tax rate (%)	13.4	31.2	35.6	40.7
Profit after Tax	8,779	7,248	6,272	4,064
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	19,047	7,248	6,272	4,064
YoY gr. (%)	119.8	3.1	(27.2)	(67.1)
Margin (%)	61.7	20.9	19.5	13.8
Extra Ord. Income / (Exp)	(10,268)	-	-	-
Reported PAT	8,779	7,248	6,272	4,064
YoY gr. (%)	1.3	3.1	(27.2)	(67.1)
Margin (%)	28.4	20.9	19.5	13.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,779	7,248	6,272	4,064
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Gross realisation (US\$/bbl)	69	61	64	64
Subsidy (US\$/bbl)	-	2	5	5
Net realisation (US\$/bbl)	69	59	59	59
Oil Production (mn tons)	3	3	3	3
Gas production (mscm)	2,865	2,900	3,011	3,046
US\$/Rs	71	73	75	77

Source: Company Data, PL Research

ONGC – BUY | CMP: Rs75 | TP: Rs167

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	4,534,606	4,573,394	4,888,516	5,218,591
YoY gr. (%)	25.2	0.9	6.9	6.8
Cost of Goods Sold	-	-	-	-
Gross Profit	4,534,606	4,573,394	4,888,516	5,218,591
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	-	-	-	-
Other Expenses	2,671,205	307,773	323,504	365,278
EBITDA	838,647	735,354	737,626	852,528
YoY gr. (%)	30.4	(12.3)	0.3	15.6
Margin (%)	18.5	16.1	15.1	16.3
Depreciation and Amortization	332,469	369,800	400,734	451,322
EBIT	506,179	365,553	336,892	401,205
Margin (%)	11.2	8.0	6.9	7.7
Net Interest	58,367	51,222	41,000	34,894
Other Income	81,488	85,199	95,786	96,976
Profit Before Tax	529,299	399,531	391,678	463,288
Margin (%)	11.7	8.7	8.0	8.9
Total Tax	208,802	102,280	100,270	118,602
Effective tax rate (%)	39.4	25.6	25.6	25.6
Profit after tax	320,497	297,251	291,409	344,686
Minority interest	(34,283)	26,246	29,327	(35,174)
Share Profit from Associate	-	511	512	513
Adjusted PAT	354,779	271,516	262,594	380,373
YoY gr. (%)	37.4	(23.5)	(3.3)	44.9
Margin (%)	7.8	5.9	5.4	7.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	354,779	271,516	262,594	380,373
YoY gr. (%)	37.4	(23.5)	(3.3)	44.9
Margin (%)	7.8	5.9	5.4	7.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	354,779	271,516	262,594	380,373
Equity Shares O/s (m)	12,580	12,580	12,580	12,580
EPS (Rs)	28.2	21.6	20.9	30.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	2,342,883	3,404,190	4,079,190	4,859,190
Tangibles	2,342,883	3,404,190	4,079,190	4,859,190
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,064,739	3,530,090	4,217,680	5,011,529
Tangibles	876,881	1,269,128	1,556,433	1,671,322
Intangibles	-	-	-	-
Net fixed assets	2,187,857	2,260,962	2,661,247	3,340,207
Tangibles	2,181,089	2,260,602	2,660,851	3,339,772
Intangibles	6,768	360	396	436
Capital Work In Progress	690,564	926,811	759,568	569,151
Goodwill	140,884	151,304	165,978	182,120
Non-Current Investments	866,740	1,489,889	1,548,444	1,673,344
Net Deferred tax assets	(456,357)	(464,691)	(482,356)	(502,978)
Other Non-Current Assets	152,907	143,649	151,218	166,340
Current Assets				
Investments	50,838	55,921	61,513	67,665
Inventories	351,807	343,363	356,111	283,537
Trade receivables	153,961	162,940	169,770	188,993
Cash & Bank Balance	51,034	15,907	(680)	(320,616)
Other Current Assets	80,040	80,580	88,638	97,502
Total Assets	4,957,020	5,800,469	6,183,293	6,570,885
Equity				
Equity Share Capital	62,902	62,902	62,902	62,902
Other Equity	2,118,506	2,851,993	3,029,446	3,227,073
Total Network	2,181,408	2,914,895	3,092,347	3,289,974
Non-Current Liabilities				
Long Term borrowings	531,441	565,804	595,804	625,804
Provisions	278,499	305,410	335,951	369,546
Other non current liabilities	12,275	9,194	10,113	11,125
Current Liabilities				
ST Debt / Current of LT Debt	489,623	474,009	524,009	574,009
Trade payables	324,775	356,484	353,360	388,222
Other current liabilities	475,918	473,462	520,623	572,500
Total Equity & Liabilities	4,957,020	5,800,469	6,183,293	6,570,885

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	529,299	399,531	391,678	463,288
Add. Depreciation	240,262	274,057	301,945	327,780
Add. Interest	58,367	51,222	41,000	34,894
Less Financial Other Income	81,488	85,199	95,786	96,976
Add. Other	(81,488)	(85,199)	(95,786)	(96,976)
Op. profit before WC changes	746,441	639,610	638,836	728,986
Net Changes-WC	(36,042)	118,421	(3,681)	44,029
Direct tax	(159,121)	(79,906)	(78,336)	(92,658)
Net cash from Op. activities	551,279	678,124	556,820	680,357
Capital expenditures	(383,872)	(593,828)	(549,660)	(832,467)
Interest / Dividend Income	81,488	85,199	95,786	96,976
Others	5,078	(612,257)	(51,971)	(101,731)
Net Cash from Inv. activities	(297,306)	(1,120,886)	(505,845)	(837,221)
Issue of share cap. / premium	(94,363)	526,504	(22,977)	(102,114)
Debt changes	8,603	18,749	80,000	80,000
Dividend paid	(109,595)	(86,396)	(83,586)	(106,063)
Interest paid	(58,367)	(51,222)	(41,000)	(34,894)
Others	-	-	-	-
Net cash from Fin. activities	(253,722)	407,635	(67,562)	(163,071)
Net change in cash	251	(35,127)	(16,587)	(319,935)
Free Cash Flow	167,407	84,296	7,160	(152,110)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	28.2	21.6	20.9	30.2
CEPS	54.6	51.0	52.7	66.1
BVPS	173.4	231.7	245.8	261.5
FCF	13.3	6.7	0.6	(12.1)
DPS	7.4	5.8	5.6	7.1
Return Ratio(%)				
RoCE	16.2	10.2	8.3	9.2
ROIC	10.4	6.4	5.5	5.9
RoE	16.8	10.7	8.7	11.9
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.3	0.4
Net Working Capital (Days)	15	12	13	6
Valuation(x)				
PER	2.6	3.5	3.6	2.5
P/B	0.4	0.3	0.3	0.3
P/CEPS	29.9	27.9	28.9	36.2
EV/EBITDA	2.2	2.6	2.7	2.8
EV/Sales	0.4	0.4	0.4	0.5
Dividend Yield (%)	9.9	7.8	7.5	9.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	267,585	265,547	244,926	237,101
YoY gr. (%)	11.6	(2.4)	(12.5)	(14.4)
Raw Material Expenses	6,570	6,251	6,894	4,634
Gross Profit	261,014	259,296	238,033	232,467
Margin (%)	97.5	97.6	97.2	98.0
EBITDA	123,710	151,120	132,900	122,983
YoY gr. (%)	8.7	2.6	(15.8)	(25.8)
Margin (%)	46.2	56.9	54.3	51.9
Depreciation / Depletion	85,084	61,563	62,553	70,759
EBIT	38,627	89,558	70,347	52,224
Margin (%)	14.4	33.7	28.7	22.0
Net Interest	5,337	6,461	6,818	6,264
Other Income	22,503	7,475	26,853	14,025
Profit before Tax	55,793	90,572	90,383	59,986
Margin (%)	20.9	34.1	36.9	25.3
Total Tax	15,347	31,529	27,752	18,469
Effective tax rate (%)	27.5	34.8	30.7	30.8
Profit after Tax	40,446	59,043	62,631	41,516
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	40,446	59,043	62,631	41,516
YoY gr. (%)	(31.6)	(3.9)	(24.2)	(49.8)
Margin (%)	15.1	22.2	25.6	17.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	40,446	59,043	62,631	41,516
YoY gr. (%)	(31.6)	(3.9)	(24.2)	(49.8)
Margin (%)	15.1	22.2	25.6	17.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	40,446	59,043	62,631	41,516
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Gross realisation (US\$/bbl)	71	71	71	72
Net realisation (US\$/bbl)	71	71	71	72
Oil Production (mn tons)	25	25	25	26
Gas production (bcm)	26	25	29	31
US\$/Rs	71	71	73	75

Source: Company Data, PL Research

RIL - BUY | CMP: Rs1,114 | TP: Rs1,705

Income Statement (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Net Revenues	3,710,190	3,817,244	4,024,117	4,213,394
YoY gr. (%)	27.9	2.9	5.4	4.7
Cost of Goods Sold	2,948,210	3,079,613	3,208,612	3,346,351
Gross Profit	761,980	737,632	815,505	867,043
Margin (%)	20.5	19.3	20.3	20.6
Employee Cost	-	-	-	-
Other Expenses	-	-	-	-
EBITDA	582,570	539,409	603,407	640,098
YoY gr. (%)	12.6	(7.4)	11.9	6.1
Margin (%)	15.7	14.1	15.0	15.2
Depreciation and Amortization	105,580	97,802	135,498	144,923
EBIT	476,990	441,607	467,908	495,174
Margin (%)	12.9	11.6	11.6	11.8
Net Interest	97,510	100,143	100,645	100,740
Other Income	94,190	125,417	138,461	153,715
Profit Before Tax	473,670	466,881	505,724	548,149
Margin (%)	12.8	12.2	12.6	13.0
Total Tax	122,040	109,255	129,343	140,834
Effective tax rate (%)	25.8	23.4	25.6	25.7
Profit after tax	351,630	357,626	376,381	407,316
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	351,630	357,626	376,381	407,316
YoY gr. (%)	4.6	1.7	5.2	8.2
Margin (%)	9.5	9.4	9.4	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	351,630	357,626	376,381	407,316
YoY gr. (%)	4.6	1.7	5.2	8.2
Margin (%)	9.5	9.4	9.4	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	351,630	357,626	376,381	407,316
Equity Shares O/s (m)	6,339	6,339	6,339	6,339
EPS (Rs)	55.5	56.4	59.4	64.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
Non-Current Assets				
Gross Block	3,157,560	4,414,111	4,619,113	4,824,116
Tangibles	3,157,560	4,414,111	4,619,113	4,824,116
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,208,610	1,306,412	1,441,910	1,586,834
Tangibles	1,208,610	1,306,412	1,441,910	1,586,834
Intangibles	-	-	-	-
Net fixed assets	1,948,950	3,107,699	3,177,203	3,237,282
Tangibles	1,948,950	3,107,699	3,177,203	3,237,282
Intangibles	-	-	-	-
Capital Work In Progress	1,115,570	269,021	269,022	269,023
Goodwill	82,930	82,930	82,930	82,930
Non-Current Investments	3,037,860	3,147,420	3,258,218	3,276,586
Net Deferred tax assets	(473,170)	(480,413)	(491,562)	(502,337)
Other Non-Current Assets	42,870	51,444	61,733	66,054
Current Assets				
Investments	595,560	625,338	656,605	689,435
Inventories	441,440	397,412	418,949	415,568
Trade receivables	121,100	104,582	110,250	115,435
Cash & Bank Balance	37,680	125,288	184,135	307,873
Other Current Assets	111,990	117,590	123,469	132,112
Total Assets	7,757,450	8,263,736	8,601,028	8,868,909
Equity				
Equity Share Capital	63,390	63,390	63,390	63,390
Other Equity	3,989,830	4,217,380	4,456,458	4,719,245
Total Network	4,053,220	4,280,770	4,519,848	4,782,635
Non-Current Liabilities				
Long Term borrowings	1,180,980	1,080,980	930,980	780,980
Provisions	24,830	29,796	35,755	42,906
Other non current liabilities	5,040	6,048	7,258	8,709
Current Liabilities				
ST Debt / Current of LT Debt	390,970	469,164	609,913	670,905
Trade payables	882,410	1,150,402	1,212,748	1,269,790
Other current liabilities	746,830	766,163	792,964	810,648
Total Equity & Liabilities	7,757,450	8,263,736	8,601,028	8,868,909

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20E	FY21E	FY22E
PBT	473,670	466,881	505,724	548,149
Add. Depreciation	105,580	97,802	135,498	144,923
Add. Interest	97,510	100,143	100,645	100,740
Less Financial Other Income	94,190	125,417	138,461	153,715
Add. Other	-	-	-	-
Op. profit before WC changes	676,760	664,825	741,868	793,813
Net Changes-WC	(356,650)	271,818	(8,171)	10,040
Direct tax	(122,040)	(109,255)	(129,343)	(140,834)
Net cash from Op. activities	198,070	827,389	604,354	663,019
Capital expenditures	(248,560)	(410,002)	(205,003)	(205,004)
Interest / Dividend Income	-	-	-	-
Others	(1,000,350)	(77,754)	(93,305)	-
Net Cash from Inv. activities	(1,248,910)	(487,756)	(298,308)	(205,004)
Issue of share cap. / premium	677,892	-	-	-
Debt changes	603,600	(21,806)	(9,251)	(89,009)
Dividend paid	(122,772)	(130,076)	(137,303)	(144,529)
Interest paid	(97,510)	(100,143)	(100,645)	(100,740)
Others	-	-	-	-
Net cash from Fin. activities	1,061,210	(252,025)	(247,199)	(334,278)
Net change in cash	10,370	87,608	58,847	123,738
Free Cash Flow	(50,490)	417,387	399,351	458,015

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Per Share(Rs)				
EPS	55.5	56.4	59.4	64.3
CEPS	72.1	71.8	80.8	87.1
BVPS	639.4	675.3	713.0	754.5
FCF	(8.0)	65.8	63.0	72.3
DPS	17.0	18.0	19.0	20.0
Return Ratio(%)				
RoCE	9.8	7.7	7.9	8.1
ROIC	6.7	5.9	6.0	6.3
RoE	9.8	8.6	8.6	8.8
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.1
Net Working Capital (Days)	(31)	(62)	(62)	(64)
Valuation(x)				
PER	20.1	19.7	18.8	17.3
P/B	1.7	1.6	1.6	1.5
P/CEPS	56.7	56.5	63.5	68.5
EV/EBITDA	13.7	14.6	12.9	11.7
EV/Sales	2.2	2.1	1.9	1.8
Dividend Yield (%)	1.5	1.6	1.7	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Net Revenue	865,720	926,360	907,600	901,520
YoY gr. (%)	(0.8)	(3.0)	(8.2)	(13.3)
Raw Material Expenses	587,980	650,950	644,820	676,390
Gross Profit	277,740	275,410	262,780	225,130
Margin (%)	32.1	29.7	29.0	25.0
EBITDA	137,040	136,400	136,660	128,710
YoY gr. (%)	2.1	(10.0)	(8.2)	(11.3)
Margin (%)	15.8	14.7	15.1	14.3
Depreciation / Depletion	24,650	21,750	23,170	25,510
EBIT	112,390	114,650	113,490	103,200
Margin (%)	13.0	12.4	12.5	11.4
Net Interest	27,910	27,010	27,230	25,200
Other Income	28,830	33,450	36,290	39,540
Profit before Tax	113,310	121,090	122,550	117,540
Margin (%)	13.1	13.1	13.5	13.0
Total Tax	27,750	30,730	25,530	21,690
Effective tax rate (%)	24.5	25.4	20.8	18.5
Profit after Tax	85,560	90,360	97,020	95,850
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	85,560	90,360	97,020	95,850
YoY gr. (%)	(1.6)	2.4	9.5	7.4
Margin (%)	9.9	9.8	10.7	10.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	85,560	90,360	97,020	95,850
YoY gr. (%)	(1.6)	2.4	9.5	7.4
Margin (%)	9.9	9.8	10.7	10.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	85,560	90,360	97,020	95,850
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20E	FY21E	FY22E
Brent (US\$/bbl)	70	70	70	70
GRM(US\$/bbl)	9	10	11	11
Refining thrupt (MTPA)	70	70	70	70
US\$/Rs	70	70	72	74

Source: Company Data, PL Research

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	BUY	1,154	972
2	Bharat Petroleum Corporation	BUY	537	469
3	GAIL (India)	BUY	170	122
4	Hindustan Petroleum Corporation	BUY	295	237
5	I.G. Petrochemicals	BUY	175	171
6	Indian Oil Corporation	BUY	145	113
7	Indraprastha Gas	BUY	616	522
8	Mahanagar Gas	BUY	1,348	1,195
9	NOCIL	BUY	129	109
10	Oil & Natural Gas Corporation	BUY	167	104
11	Oil India	Accumulate	186	134
12	Petronet LNG	BUY	388	271
13	Reliance Industries	BUY	1,705	1,581

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Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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