March 31, 2020

Volatile times…

Global crude oil prices have declined significantly to ~US$30/bbl in the current quarter (Q4FY20-TD) from a closing price of US$66.4/bbl in Q3FY20. A sharp reduction in oil demand owing to Covid-19 outbreak coupled with a disagreement between Opec and Russia regarding a reduction in oil output has resulted in a sharp drop in crude oil prices.

Realisation of upstream companies to be impacted

Crude prices witnessed a sharp decline in March due to spread of Covid-19 across the globe and Opec deal failure. A likely increase in oil output by both Saudi Arabia and Russia from Q1FY21E and lower demand are expected to lead to a sizeable oversupply in the oil market. Subsequent low oil prices are expected to significantly affect ONGC's profitability.

Higher marketing margins to provide some relief

Oil marketing companies (OMCs) are expected to face huge inventory losses during the quarter and report losses. However, higher marketing margins are expected to provide respite to OMCs as the cost benefit has not been fully passed on to consumers. In the first fortnight of March 2020, product sales of OMCs have reduced by 10% YoY owing to lowered demand amid the Covid-19 spread. On refining profitability front, weak gasoline, gasoil and jet fuel spreads will keep refining margins subdued in the near term.

CGD sales volume to be impacted in near term

City gas distribution (CGD) companies' sales earnings are set to be impacted in the near term. The central government has put restrictions on travel, which has resulted in lower demand. The reduced demand will affect CNG sales volume of CGDs. On the PNG front, industrial and commercial sales were impacted due to closure of industries. This is expected to lead to 25-30% decline in volumes in Q1FY21 assuming lockdown during April.

Valuation & Outlook

Although it is difficult to assess the exact impact of the ongoing situation, lower demand of all kinds of fuels amid Coronavirus outbreak are expected to impact Q4FY20E, FY21E earnings of all our coverage companies. A decline in stock prices presents investors with a buying opportunity. We prefer CGD companies and selective OMCs in our coverage. CGD companies are a structural play on increasing gas demand, favourable government policies and competitive price advantage vs. competing fuels.

Revised targets : Oil & Gas

Company	Old Target	Old Rating	CMP	New Target	New Rating
AGL	140	HOLD	89	110	BUY
BPCL	490	HOLD	288	340	BUY
GAIL	130	HOLD	72	80	HOLD
Gujarat Gas	355	BUY	232	290	BUY
GSPL	210	HOLD	165	210	BUY
HPCL	245	HOLD	170	200	BUY
IOC	125	HOLD	77	85	HOLD
IGL	495	HOLD	358	425	BUY
MGL	1,380	BUY	814	1,115	BUY
MRPL	40	REDUCE	23	21	REDUCE
ONGC	110	HOLD	64	65	HOLD
Petronet LNG	295	HOLD	194	245	BUY

Source: Company, ICICI Direct Research

Key Highlights

- A sharp decline in crude oil prices by ~60% will impact upstream companies' realisations and profits drastically
- Reduction in oil prices will lift core marketing margins of oil marketing companies. However, weak petroleum product demand and inventory losses will dent their profitability in the near term
- Due to restrictions on travel and closure of industries amid nationwide lockdown, CNG & PNG sales are expected to decline 25-30% in Q1FY21 (base case scenario)

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Sector Update

Adani Gas (AGL)

The government put restrictions on travel ban that will impact CNG volumes by 15% YoY to 0.7 mmscmd in Q4FY20E. Similarly, industrial PNG will decline 25% YoY in Q4FY20E amid closure of industries. For Q1FY21E, we expect CNG volumes to decline 28% YoY as the travel ban is extended into April 2020. With expectation of a price cut in sale of domestic gas, we lower realisation estimates. Going forward, we estimate margins at ₹ 12.9/scm and ₹ 13.1/scm for FY21E and FY22E, respectively. We revise our target price to ₹ 110/share and change our rating from HOLD to **BUY**.

Exhibit 1: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	**284.2**	257.6	226.5

Source: ICICI Direct Research

Exhibit 2: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY20E-22E)
Revenues (₹ crore)	1,457.7	1,823.5	1,893.0	1,870.9	2,201.6	7.8
EBITDA (₹ crore)	365.3	454.6	557.8	592.4	717.7	13.4
Net Profit (₹ crore)	164.6	228.7	397.9	284.2	292.9	(14.2)
EPS (₹)	1.5	2.1	3.6	2.6	2.7	
P/E (x)	59.5	42.8	24.6	34.4	33.4	
Price / Book (x)	11.1	8.8	6.7	5.7	5.2	
EV/EBITDA (x)	31.0	22.6	20.0	20.4	17.8	
RoCE (%)	18.7	20.6	27.1	16.6	15.6	
RoE (%)	12.4	21.8	16.1	10.6	9.9	

Source: Company, ICICI Direct Research

Bharat Petroleum Corporation (BPCL)

Currently, diesel and petrol sales constitute ~41% and ~16% of total marketing sales volume of BPCL. Government restrictions on travel have resulted into a significant decline in diesel and petrol sales. ATF sales are also expected to be lower as commercial flights are banned while LPG sales are expected to be flat or marginally higher. The lockdown will result in total sales decline of 14.5% YoY and 24.4% YoY for Q4FY20E and Q1FY21E, respectively. As retail prices have not declined in proportion to oil prices, we expect higher marketing margins QoQ for BPCL. On the refining front, we expect core margins at US$2.7/bbl while inventory loss is expected leading to negative normalised margins. For FY21E and FY22E, we expect core margins at US$3.6/bbl and US$3.9/bbl, respectively. We believe sale of government's stake in BPCL will unlock value for shareholders in the year ahead. On account of stock price correction and stake sale, we change our rating from HOLD to **BUY** with a target price of ₹ 340 per share (based on average of P/BV multiple: ₹ 356/share and P/E multiple: ₹ 324/share).

Exhibit 3: Sensitivity of FY22E PAT to change in GRMs

			Base Case		
GRM (US$/bbl)	1.9	2.9	**3.9**	4.9	5.9
PAT (₹ crore)	3,382.4	4,687.5	**5,992.6**	7,297.8	8,602.9

Source: ICICI Direct Research

Exhibit 4: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	2,77,155.8	3,37,495.3	3,07,140.3	2,04,520.8	2,84,562.5	(8.2)
EBITDA (₹ crore)	11,662.4	11,837.0	7,092.4	10,300.7	10,982.7	(3.7)
Net Profit (₹ crore)	7,919.3	7,132.0	3,488.0	5,694.7	5,992.6	(8.3)
EPS (₹)	40.3	36.3	17.7	29.0	30.5	
P/E (x)	7.2	7.9	16.2	9.9	9.5	
Price / Book (x)	1.7	1.5	1.5	1.5	1.4	
EV/EBITDA (x)	6.9	7.2	12.4	9.0	7.9	
RoCE (%)	15.7	13.1	4.8	8.3	8.8	
RoE (%)	23.2	19.4	9.5	14.6	14.7	

Source: Company, ICICI Direct Research

Gail

Gail's gas transmission segment is expected to be impacted owing to lower demand. We expect a 4% decline YoY in transmission volumes for Q4FY20E. The gas trading segment is also expected to report lower volumes at 93 mmscmd in Q4FY20E. We expect 4% YoY decline and 4% YoY decline in transmission and trading segment, respectively, for Q1FY21E. We lower our transmission tariffs in FY21E and FY22E to account for lower tax rates. Profitability of the LPG pipeline segment is expected to decline due to lower volumes and reduced tariffs. In case of LPG and liquid hydrocarbon segment, we expect volumes to decline 3% YoY for Q4FY20E and 7% for Q1FY21E. However, its realisations are expected to remain steady, going ahead. On account of low crude oil and spot gas prices, petchem and gas trading segments, respectively, continue to remain a concern for Gail. We maintain **HOLD** rating and value Gail using the SOTP method with a revised target price of ₹ 80/share.

Exhibit 5: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	**4,092.3**	4,002.5	3,912.7

Source: ICICI Direct Research

Exhibit 6: Key financial summary

Key Financials	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	53,825.1	75,126.3	69,798.4	66,578.4	71,521.8	(2.4)
EBITDA (₹ crore)	7,633.9	9,528.7	7,902.4	6,556.8	6,952.3	(14.6)
Net Profit (₹ crore)	4,618.4	6,025.7	4,944.1	4,092.3	4,105.8	(17.5)
EPS (₹)	10.2	13.4	11.0	9.1	9.1	
P/E (x)	7.0	5.4	6.6	7.9	7.9	
Price / Book (x)	0.8	0.7	0.7	0.7	0.7	
EV/EBITDA (x)	4.2	3.4	4.7	6.6	6.5	
RoCE (%)	14.7	17.6	12.3	7.8	7.5	
RoE (%)	11.5	13.7	10.9	8.7	8.5	

Source: Company, ICICI Direct Research

Gujarat Gas

Gujarat Gas' industrial sales volume are expected to be impacted by the closure of ceramics and textile industries during the lockdown period. We expect a decline of 3% QoQ in industrial sales for Q4FY20E and 21% decline QoQ for Q1FY21E as the closure may continue in the next quarter also. CNG volumes are also expected to decline due to travel restrictions put up by the government. We expect 13% decline QoQ in CNG sales for Q4FY20E and 19% decline QoQ for Q1FY21E. Going forward, in the long run, we maintain our estimate of steady volumes with healthy margins of ₹ 6.7/scm for FY21E and ₹ 6.9/scm for FY22E. We revise the target price to ₹ 290 per share (18x FY22E EPS) and maintain our **BUY** rating.

Exhibit 7: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	806.5	703.7	609.3

Source: ICICI Direct Research

Exhibit 8: Key financial summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	6,174.3	7,754.4	9,915.4	9,079.0	10,663.3	17.3
EBITDA (₹ crore)	895.1	984.5	1,669.8	1,509.3	1,863.7	37.6
Net Profit (₹ crore)	291.4	416.9	1,206.5	806.5	1,096.5	62.2
EPS (₹)	4.2	6.1	17.5	11.7	15.9	
P/E (x)	53.9	37.6	13.0	19.5	14.3	
Price / Book (x)	8.5	7.2	5.0	4.2	3.4	
EV/EBITDA (x)	19.9	17.8	10.0	10.8	8.3	
RoCE (%)	15.8	19.1	38.3	21.5	23.8	
RoE (%)	15.3	16.1	28.2	23.6	29.6	

Source: Company, ICICI Direct Research

Gujarat State Petronet

Transmission volumes are expected to decline 9% QoQ to 33.5 mmscmd in Q4FY20E due to lower CNG & industrial PNG demand from Gujarat. In Q1FY21E, volumes are expected to decline further to 30 mmscmd (10% down QoQ) as demand is expected to be subdued due to extended lockdown in April 2020. Subdued demand along with lower net tariffs are expected to impact GSPL's profitability in the near term. In the long run, the company will be a beneficiary of increasing gas consumption and its connectivity to new LNG terminals in Gujarat. We value GSPL on an SOTP basis with standalone business at ₹ 123/share and investments at ₹ 87/share with a target price of ₹ 210. We revise our rating from HOLD to **BUY**.

Exhibit 9: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	622.9	599.5	576.0

Source: ICICI Direct Research

Exhibit 10: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	1,331.7	1,877.3	2,310.0	2,017.1	2,142.7	6.8
EBITDA (₹ crore)	1,147.8	1,542.6	1,541.6	1,142.9	1,186.5	(12.3)
Net Profit (₹ crore)	668.4	794.7	1,055.7	622.9	653.4	(9.3)
EPS (₹)	11.9	14.1	18.7	11.0	11.6	
P/E (x)	13.9	11.7	8.8	14.9	14.2	
Price / Book (x)	1.8	1.6	1.4	1.3	1.2	
EV/EBITDA (x)	11.0	7.7	7.5	9.8	9.2	
RoCE (%)	11.6	16.3	15.0	10.0	10.2	
RoE (%)	13.2	13.8	15.9	8.8	8.7	

Source: Company, ICICI Direct Research.

Hindustan Petroleum Corporation (HPCL)

HPCL's diesel (~43% of total sales) and petrol (~17% of total sales) sales were impacted by the nationwide lockdown. We expect a 15% decline YoY in total sales for Q4FY20E and 25.6% decline YoY for Q1FY21E as the restrictions on road travel and flights are extended in April 2020 also. We expect crude throughput in Q4FY20E to be down 11% YoY as the company has regulated its capacity utilisation due to lower demand. Marketing margins will be higher QoQ as the company has not passed on the full cost benefit to customers. Core GRMs are expected at US$2.5/bbl while inventory loss is expected. For FY21E and FY22E, we expect GRMs at US$3.3/bbl and US$3.5/bbl, respectively. On account of the sharp correction in stock price, we revise our rating from HOLD to **BUY** with a target price of ₹ 200 per share (based on average of P/BV multiple: ₹ 215/share and P/E multiple: ₹ 184/share).

Exhibit 11: Sensitivity of FY22E PAT to change in GRMs

			Base case		
GRM (US$/bbl)	1.5	2.5	**3.5**	4.5	5.5
PAT (₹ crore)	2,232.4	3,117.3	**4,002.3**	4,887.2	5,772.1

Source: ICICI Direct Research

Exhibit 12: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	2,44,027.9	2,96,928.4	2,72,222.7	1,84,787.7	2,87,935.1	(1.5)
EBITDA (₹ crore)	10,614.7	11,442.0	5,678.0	7,917.1	9,159.8	(10.5)
Net Profit (₹ crore)	6,357.1	6,028.7	1,982.0	3,615.7	4,002.3	(18.5)
EPS (₹)	41.7	39.5	13.0	23.7	26.2	
P/E (x)	5.7	6.0	18.2	10.0	9.0	
Price / Book (x)	1.5	1.3	1.3	1.2	1.2	
EV/EBITDA (x)	5.3	5.5	12.1	9.0	7.4	
RoCE (%)	17.5	15.2	3.9	6.6	7.6	
RoE (%)	26.5	21.4	7.1	12.3	13.2	

Source: Company, ICICI Direct Research.

Indian Oil Corporation (IOC)

IOC's diesel and petrol sales (which together contribute 57% of total sales) are expected to take a hit due to the travel ban imposed in the country. While LPG sales are expected to be marginally higher, ATF sales will also be lower due to commercial flight ban. We expect total sales to be down 12.3% YoY for Q4FY20E and 25.8% lower YoY for Q1FY21E as the imposed lockdown is expected to continue till April 14. Crude throughput is expected to decline 5.5% YoY and 9% YoY for Q4FY20E and Q1FY21E, respectively. IOC is expected to report higher marketing margins QoQ. Core refining margins are expected at US$2.5/bbl while inventory loss is expected leading to negative normalised margins. Going forward, we expect GRMs at US$3.8/bbl and US$4/bbl for FY21E and FY22E, respectively. We revise our target price to ₹ 85/share (based on average of P/BV multiple: ₹ 95/share and P/E multiple: ₹ 76/share) and maintain **HOLD** rating.

Exhibit 13: Sensitivity of FY22E PAT to change in GRMs

			Base case		
GRM (US$/bbl)	2.0	3.0	**4.0**	5.0	6.0
PAT (₹ crore)	5,023.7	7,852.2	**10,680.7**	13,509.1	16,337.7

Source: ICICI Direct Research

Exhibit 14: Key financial summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	5,06,425.3	6,05,923.8	5,42,685.4	3,89,681.5	5,02,615.3	(8.9)
EBITDA (₹ crore)	39,662.8	33,826.2	18,058.0	25,312.9	26,692.0	(11.2)
Net Profit (₹ crore)	21,346.1	16,894.1	4,122.3	9,895.2	10,680.7	(20.5)
EPS (₹)	22.5	18.4	4.5	10.8	11.6	
P/E (x)	3.4	4.2	17.1	7.1	6.6	
Price / Book (x)	0.7	0.7	0.7	0.6	0.6	
EV/EBITDA (x)	1.8	2.1	3.9	2.8	2.6	
RoCE (%)	19.4	13.5	4.9	8.2	8.6	
RoE (%)	19.4	15.5	3.9	9.0	9.7	

Source: Company, ICICI Direct Research

Indraprastha Gas (IGL)

IGL is currently operating only 55 CNG stations out of 155 in the Delhi-NCR area due to lower demand. As the lockdown period affected sales of the last 10 days of Q4FY20E, we expect CNG sales to decline 7.5% YoY. For Q1FY21E, we expect 26.2% decline YoY. On the PNG front, we expect 17.2% decline YoY in Q1FY21E as industrial and commercial PNG sales are hugely impacted. We lowered CNG realisation estimates as the price for domestic gas sales is expected to be revised downwards. We marginally lower our gross margin estimates at ₹ 11.6/scm for FY21E and ₹ 11.4/scm for FY22E. Increased demand for CNG on account of price competitiveness and government regulations will lead to sustained volumes growth in the near term. We value standalone IGL at ₹ 392/share (21x FY22E EPS) and investments in CUGL and MNGL at ₹ 33 per share to arrive at a target price of ₹ 425 per share. We revise our rating from HOLD to **BUY**.

Exhibit 15: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	**1,152.7**	1,080.0	1,003.0

Source: ICICI Direct Research

Exhibit 16: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY20E-22E)
Revenues (₹ crore)	4,592.1	5,760.0	6,369.9	6,236.0	7,405.4	7.8
EBITDA (₹ crore)	1,113.3	1,252.1	1,493.0	1,671.0	1,920.9	13.4
Net Profit (₹ crore)	670.8	786.7	1,129.9	1,152.7	1,307.3	7.6
EPS (₹)	9.6	11.2	16.1	16.5	18.7	
P/E (x)	37.4	31.9	22.2	21.7	19.2	
Price / Book (x)	7.1	6.1	5.0	4.2	3.7	
EV/EBITDA (x)	22.0	19.5	16.5	14.8	12.8	
RoCE (%)	26.5	25.4	24.6	22.8	22.3	
RoE (%)	19.1	19.0	22.4	19.5	19.1	

Source: Company, ICICI Direct Research

Mahanagar Gas (MGL)

Due to the lockdown in Mumbai and adjacent areas, we expect ~13% decline YoY in CNG sales in Q4FY20E. For Q1FY21E, we expect 28.4% decline YoY in CNG sales. We expect PNG sales to decline 4.3% YoY for Q4FY20E and 11.6% lower YoY for Q1FY21E as the industrial/commercial

PNG sales are impacted. We reduce CNG realisation estimates from Q1FY21E onwards as the regulatory body is likely to cut domestic natural gas prices. We expect the company to partially pass on the benefit of reduced raw material costs to consumers. On account of attractive valuations, strong return ratios and steady volumes over the medium term, we maintain **BUY** rating with a revised target price of ₹ 1115/share (13x FY22E EPS).

Exhibit 17: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	**743.8**	694.2	638.2

Source: ICICI Direct Research

Exhibit 18: Key Financial Summary

Key Financials	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**	**CAGR (FY19-22E)**
Revenues (₹ crore)	2,452.9	3,056.8	3,208.0	2,935.5	3,316.8	4.2
EBITDA (₹ crore)	780.6	885.5	1,053.8	1,069.9	1,206.4	16.7
Net Profit (₹ crore)	477.9	546.5	795.6	743.8	847.2	24.5
EPS (₹)	48.4	55.3	80.5	75.3	85.8	
P/E (x)	16.8	14.7	10.1	10.8	9.5	
Price / Book (x)	3.8	3.4	2.7	2.4	2.0	
RoCE (%)	31.9	31.7	30.5	26.6	26.1	
RoE (%)	22.8	22.8	27.1	21.8	21.4	

Source: Company, ICICI Direct Research

Mangalore Refinery & Petrochemicals (MRPL)

MRPL's crude throughput is expected to decline 16% YoY in Q4FY20E as the refineries have reduced their throughput due to lower demand. GRMs for Q4FY20E are expected at negative US$3.9/bbl owing to inventory losses. We expect GRMs at US$2.8/bbl for Q1FY21E as product spreads are expected to remain weak due to lower demand and lack of refining operational efficiency. We revise the target price to ₹ 21/share and maintain **REDUCE** rating.

Exhibit 19: Sensitivity of FY22E PAT to change in GRMs

			Base case		
GRM (US$/bbl)	1.8	2.8	**3.8**	4.8	5.8
PAT (₹ crore)	(1,325.5)	(667.9)	**(10.0)**	647.5	1,305.2

Source: ICICI Direct Research

Exhibit 20: Key Financial Summary

(Year-end March)	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**	**CAGR (FY19-22E)**
Revenues (₹ crore)	63,083.6	72,315.1	54,566.5	43,812.2	56,104.7	(11.9)
EBITDA (₹ crore)	4,283.8	1,668.8	(1,986.1)	1,330.4	1,599.8	(2.1)
Net Profit (₹ crore)	2,223.9	331.9	(2,820.7)	(119.9)	(10.0)	N.A.
EPS (₹)	12.7	1.9	(16.1)	(0.7)	(0.1)	
P/E (x)	1.8	12.1	(1.4)	(33.6)	(402.6)	
Price / Book (x)	0.4	0.4	0.5	0.5	0.5	
EV/EBITDA (x)	1.8	7.0	(5.6)	10.2	7.9	
RoCE (%)	23.2	4.9	(17.0)	2.9	4.2	
RoE (%)	20.2	3.1	(35.7)	(1.5)	(0.1)	

Source: Company, ICICI Direct Research

ONGC

The movement in international oil prices is important for ONGC's performance, going ahead. Increase in the global oil production from current levels is expected to lead to a substantial oversupply in the oil market while subsequent lower oil prices are going to impact ONGC's profits drastically. We model oil prices of US$37.5/bbl for FY21E and US$50/bbl for FY22E, given the currently volatile oil market scenario. Also, the regulatory body is likely to reduce domestic natural gas prices by 25% to US$2.5/mmbtu from Q1FY21E, which will impact ONGC's earnings. Considering the lower output and current realisations, in spite of lower valuation, we maintain **HOLD** rating with a target price of ₹ 65/share. We value the core business i.e. standalone & OVL at ₹ 50/share (6x FY22E core earnings) & investments at ₹ 15/share (50% discount to current MCap).

Exhibit 21: Sensitivity of FY22E PAT to change in oil prices

			Base case		
Oil price (US$/bbl)	30.0	40.0	**50.0**	60.0	70.0
PAT (₹ crore)	3,036.8	8,638.9	**14,241.0**	19,843.2	25,445.3

Source: ICICI Direct Research

Exhibit 22: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	85,004.1	1,09,654.6	95,823.3	64,541.3	81,227.5	(13.9)
EBITDA (₹ crore)	21,502.0	24,535.5	25,075.4	23,818.0	23,811.6	(1.5)
Net Profit (₹ crore)	19,945.3	26,715.8	20,404.7	3,777.6	14,241.0	(27.0)
EPS (₹)	15.5	21.2	16.2	3.0	11.3	
P/E (x)	4.1	3.0	3.9	21.3	5.7	
Price / Book (x)	0.4	0.4	0.4	0.4	0.4	
EV/EBITDA (x)	2.4	1.7	2.0	4.7	3.0	
RoCE (%)	10.4	15.6	10.8	0.3	5.8	
RoE (%)	10.3	13.2	9.4	1.7	6.4	

Source: Company, ICICI Direct Research

Petronet LNG

Petronet LNG's spot volumes will be impacted significantly due to lower offtake. Media reports indicate that the company recently invoked the *force majeure* clause due to reduced demand. We expect regasification volumes to be 5% lower QoQ to 105 tbtu in Q4FY20E. Similarly, we expect further decline of 5% QoQ to 100tbtu in Q1FY21E as demand will continue to remain lower at the start of Q1FY21E. We expect sales to decline 7% YoY for Q4FY20E with a further decline of 11% YoY expected for Q1FY21E. However, with India continuing to be short of natural gas supply, Petronet LNG will benefit and remains a structural story of India's increasing gas demand. We change our rating from HOLD to **BUY** with a revised target price of ₹ 245 (12.5x FY22E EPS).

Exhibit 23: Sensitivity of FY21E PAT to change in Q1FY21E volumes

	Base Case	Bear Case Scenario 1	Bear Case Scenario 2
	April impacted	April & May impacted	Whole Q1 impacted
PAT (₹ crore)	**2,511.4**	2,341.2	2,194.0

Source: ICICI Direct Research

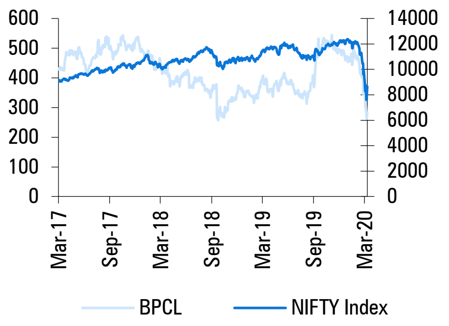
Exhibit 24: Key Financial Summary

(Year-end March)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY19-22E)
Revenues (₹ crore)	30,598.6	38,395.4	34,806.5	34,866.2	37,180.6	(1.6)
EBITDA (₹ crore)	3,312.4	3,293.4	4,270.1	4,285.5	4,816.2	20.9
Net Profit (₹ crore)	2,077.9	2,155.4	2,916.0	2,511.4	2,949.2	17.0
EPS (₹)	13.9	14.4	19.4	16.7	19.7	
P/E (x)	14.0	13.5	10.0	11.6	9.9	
Price / Book (x)	3.0	2.9	2.8	2.7	2.7	
EV/EBITDA (x)	9.0	8.2	6.9	6.7	5.8	
RoCE (%)	25.9	26.6	24.2	24.1	29.0	
RoE (%)	21.4	21.4	27.7	23.7	26.9	

Source: Company, ICICI Direct Research

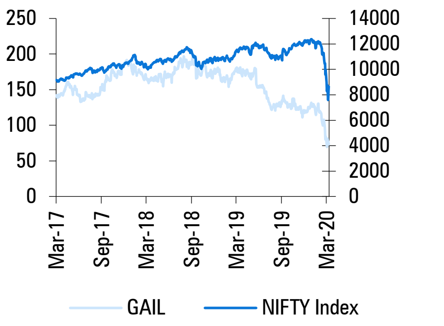
Exhibit 17: Price Charts (LHS = stock price RHS = Nifty Index)

BPCL



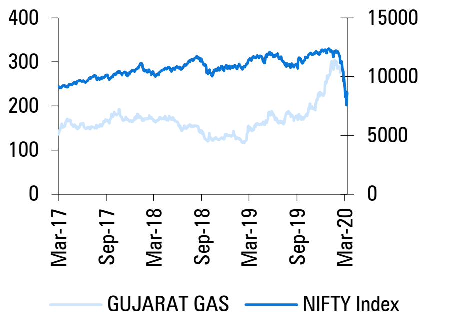
Source: Bloomberg, ICICI Direct Research

Gail



Source: Bloomberg, ICICI Direct Research

Gujarat Gas



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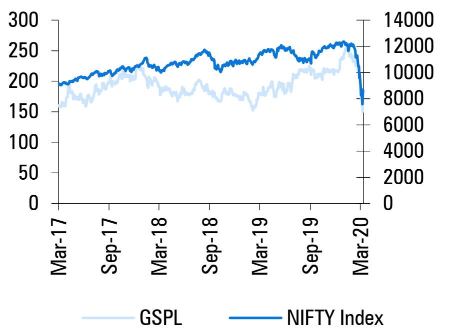
GSPL



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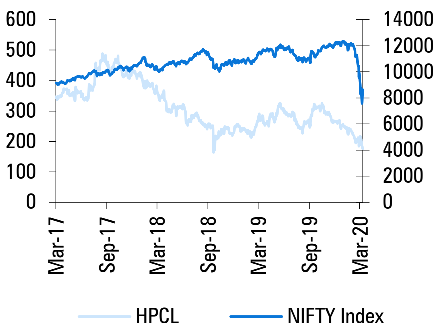

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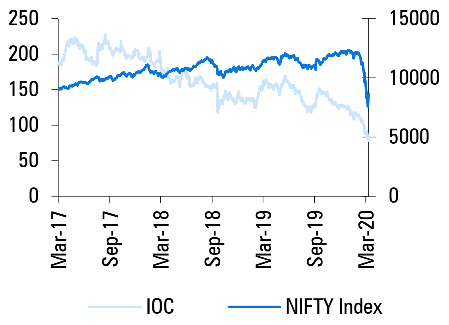
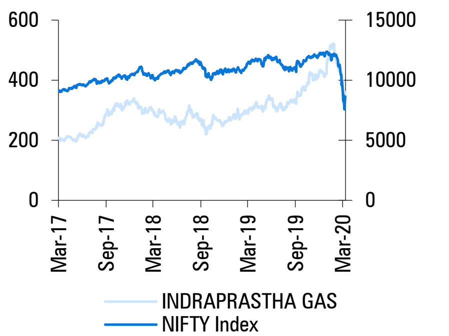
IOC



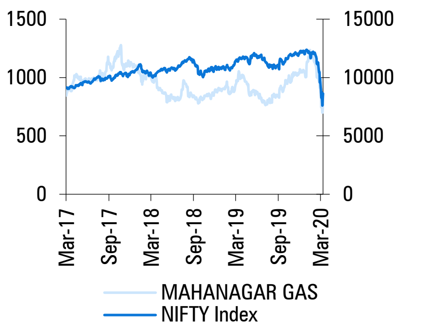
Source: Bloomberg, ICICI Direct Research

Indraprastha Gas



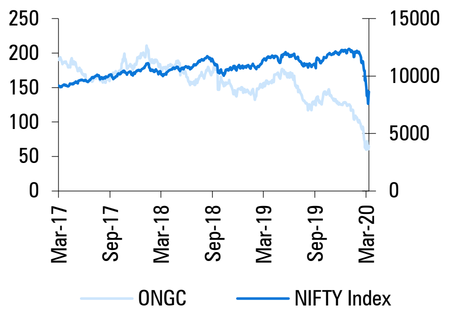
Source: Bloomberg, ICICI Direct Research

Mahanagar Gas



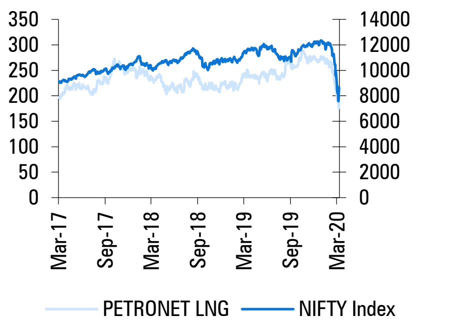
Source: Bloomberg, ICICI Direct Research

ONGC



Source: Bloomberg, ICICI Direct Research

Petronet LNG



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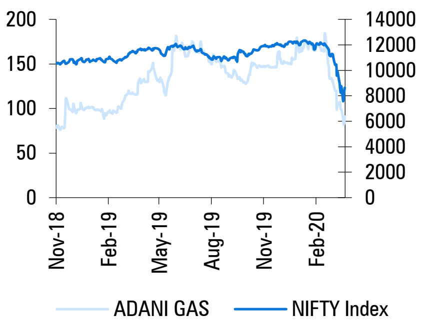
Adani Gas



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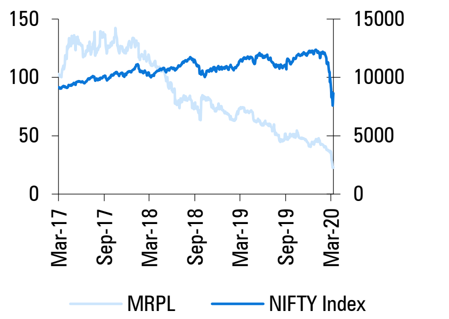
MRPL



Source: Bloomberg, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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