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Company name

BPCL
GAIL
Gujarat Gas
Gujarat State Petronet
HPCL
Indraprastha Gas
IOC
MRPL
Oil India
ONGC
Petronet LNG
Reliance Industries

Crude prices down QoQ; GRMs up YoY/flat QoQ

Inventory losses to dampen refiners' earnings

- Singapore complex GRM was USD6.4/bbl in 1QFY18 v/s USD6.4/bbl in 4QFY17 and USD5.0/bbl in 1QFY17. Reported earnings are likely to remain subdued due to inventory losses during the quarter.
- Average Brent crude price was up 9% YoY but declined 7% QoQ to USD50.2/bbl. While the QoQ decline would impact upstream companies, we expect lower operating costs to benefit them. ONGC and Oil India should see a YoY/QoQ increase in EBITDA.
- RIL would report lower GRM, led by narrowing light-heavy differential. Petchem segment would benefit due to increased HDPE and LLDPE delta.

Brent declined 7% QoQ (grew 9% YoY); upstream subsidy nil in 1QFY18

- Despite the production cut extension taken by OPEC and non-OPEC countries, crude oil prices declined in 1QFY18. The average for the quarter was down 7% QoQ at ~USD50.2/bbl. OMCs are likely to post inventory losses for the quarter.
- We do not build any net under-recovery either for the OMCs or for the upstream companies.

GRM at USD6.4/bbl, up from USD5/bbl in 1QFY17

- The regional benchmark Reuters Singapore GRM was up 28% YoY and flat QoQ, led by improvement in fuel oil cracks.
- PE, PP and PVC delta improved sequentially. While POY spread increased, PSF spread declined sequentially during the quarter. RIL is expected to benefit from QoQ/YoY strengthening in deltas and increase in petchem volumes.

Exhibit 1: Expected quarterly performance summary

Sector	CMP (INR)	Reco.	Sales (INR m)			EBDITA (INR m)			PAT (INR m)		
			Jun-17	Var % YoY	Var % QoQ	Jun-17	Var % YoY	Var % QoQ	Jun-17	Var % YoY	Var % QoQ
Oil & Gas											
BPCL	657	Neutral	501,061	6.7	-12.2	18,895	-32.6	-17.9	12,500	-52.3	-32.1
GAIL	364	Sell	127,921	19.7	-4.7	18,628	18.4	22.2	10,915	29.0	4.1
Gujarat Gas	752	Sell	15,438	26.0	10.3	1,857	-15.2	26.9	579	-23.7	74.7
Gujarat State Petronet	178	Neutral	3,086	19.7	26.2	2,690	15.4	33.6	1,515	24.9	19.3
HPCL	512	Buy	452,439	1.0	-12.0	18,119	-16.2	-35.8	8,690	-58.6	-52.2
IOC	382	Neutral	899,810	5.1	-10.3	67,668	9.9	-19.2	32,483	-60.7	-12.7
Indraprastha Gas	1,062	Neutral	10,577	17.9	5.6	2,481	-3.5	16.9	1,517	2.5	13.1
MRPL	121	Neutral	106,126	25.9	-20.4	7,562	-38.1	-51.3	3,325	-53.7	-61.8
Oil India	264	Buy	23,155	8.5	-4.9	7,279	-6.1	-6.1	5,312	7.5	-54.6
ONGC	160	Buy	202,876	14.8	-6.6	109,681	18.2	-0.9	52,137	23.2	20.1
Petronet LNG	214	Buy	60,545	13.4	-4.9	6,932	7.9	12.5	4,621	22.3	-1.9
Reliance Inds.	1,423	Neutral	574,944	7.5	-14.4	118,523	9.6	5.1	82,924	9.9	1.7
Sector Aggregate			2,977,979	7.3	-11.3	380,314	5.2	-7.0	216,517	-21.4	-8.7
Oil & Gas Excl. OMCs			1,124,669	12.3	-11.5	275,633	10.2	0.7	162,844	11.8	-0.4

Source: MOSL

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 Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Daily pricing of auto fuels

- On June 16, 2017, GOI rolled out daily pricing of auto fuels across the country. In our view, daily pricing would allow OMCs to pass on product price and exchange rate fluctuations without any lag. This would make OMCs' earnings less volatile.
- OMCs' gross margins for auto fuels have declined YoY/QoQ during the quarter. Gross margins were INR2.28/liter in 1QFY18 v/s INR2.32/liter in 1QFY17 for petrol and INR1.89/liter in 1QFY18 v/s INR2.40/liter in 1QFY17 for diesel.

Domestic oil production revived

- After almost a decade of negative-to-flat growth, domestic gas production has increased by ~5% YoY in April-May 2017 v/s 3% YoY decline in FY17. We expect domestic gas production to grow at 10-15% annually for the next five years.
- Domestic crude oil production increased by 0.07% YoY in April-May 2017. Production for ONGC grew by 2.51% YoY to 3.78mmt during April-May 2017; OIL's production grew by 5.32% YoY to 0.53mmt during April-May 2017.
- We expect oil production for ONGC to further increase from the nominated fields like WO16, Vasai East, and Ratna & R-series.

LNG imports to continue growing

- While LNG imports grew by 16% YoY in FY17, they declined by 4% during April-May 2017 due to lower volumes at Dabhol LNG terminal. We expect LNG imports to revive and grow in double-digits for the rest of the year.

Valuation and view

- The recent fall in crude oil price would result in inventory losses (~USD1-2/bbl) for OMCs (IOCL/HPCL/BPCL). We expect OMCs' core earnings to decline YoY/QoQ in 1QFY18.
- RIL is expected to report a decline in its GRM in the quarter, led by narrowing light-heavy differential and inventory loss of ~USD1/bbl. While we expect subdued profitability in the refining segment, petchem profitability is likely to increase YoY/QoQ, led by improved deltas and increase in petchem volumes.
- We expect volume growth to continue for CGD players. We might see margin compression (YoY) in the industrial segment due to increase in LNG prices.
- Decline in crude oil price is negative for ONGC/OINL; however, OPEC and non-OPEC efforts to cut oil production should revive realizations, benefitting ONGC/OINL.
- **Remain cautious on OMCs:** We have downgraded OMCs (except HPCL) on account of loss in market share at the end of FY17. Private players' market share in diesel segment stood ~8% at the end of FY17 v/s less than ~5% earlier. We believe OMCs would continue to lose market share. Hence, we remain cautious, though the recent correction in stock prices does make them look attractive.
- **ONGC looks attractive:** We prefer ONGC, as (a) cost efficiency would result in decline in opex, (b) gas production is likely to grow 10-15% annually for the next five years, (c) oil production is set to increase, (d) it has no subsidy burden, and (e) recent correction in stock price provides an opportunity to buy.
- **PLNG – a long term buy:** Visibility on PLNG's medium/long-term earnings is high, given (a) the huge gas demand-supply gap in India, (b) volume growth, driven by gradual capacity addition, and (c) earnings growth boosted by annual

re-gas charge escalation to protect IRR. Poor competition from existing and upcoming terminals and lower LNG prices adds to the Buy case for PLNG.

Exhibit 2: Relative performance - 3m (%)

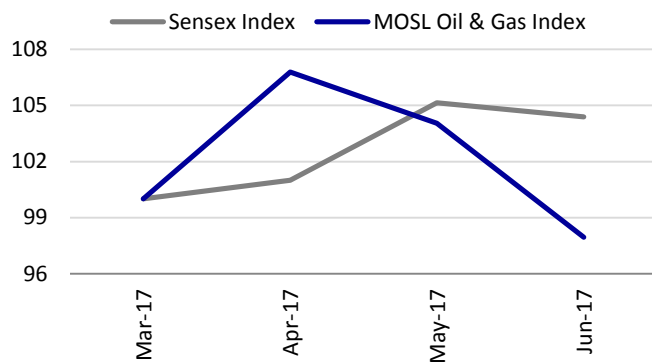
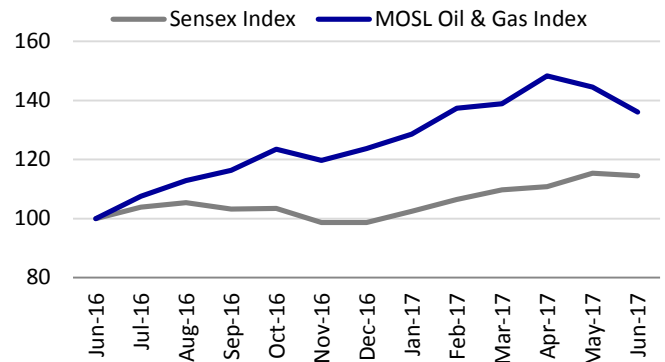


Exhibit 3: Relative performance - 1Yr (%)



Source: Bloomberg, MOSL

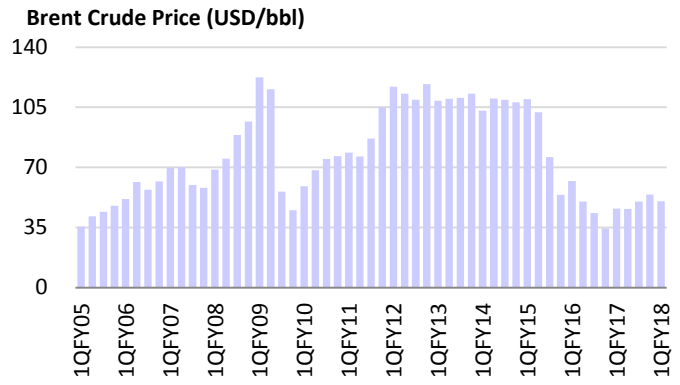
Exhibit 4: Comparative valuations

Sector / Companies	CMP (INR)	Reco	EPS (INR)			PE (x)			P/BV (x)			RoE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Oil & Gas														
BPCL	657	Neutral	55.0	65.2	67.0	11.9	10.1	9.8	2.4	2.1	1.8	21.7	22.3	19.9
GAIL	364	Sell	26.3	29.8	31.8	13.8	12.2	11.5	1.5	1.4	1.3	11.3	11.8	11.7
Gujarat Gas	752	Sell	33.7	46.5	51.8	22.3	16.2	14.5	5.1	4.1	3.3	25.3	28.0	25.2
Gujarat State Petronet	178	Neutral	11.0	13.1	15.0	16.1	13.6	11.9	2.0	1.8	1.6	13.1	14.0	14.4
HPCL	512	Buy	44.3	48.9	49.0	11.6	10.5	10.4	2.2	2.0	1.8	20.6	20.0	17.7
Indraprastha Gas	1,062	Neutral	46.8	51.9	58.0	22.7	20.5	18.3	4.3	3.7	3.2	20.6	19.6	18.9
IOC	382	Neutral	36.0	40.0	41.2	10.6	9.6	9.3	1.6	1.4	1.3	15.8	15.8	14.8
MRPL	121	Neutral	10.2	11.8	12.3	11.9	10.3	9.8	1.9	1.6	1.4	16.5	16.9	15.5
Oil India	264	Buy	27.9	30.1	28.3	9.5	8.8	9.3	0.7	0.7	0.6	7.5	7.8	7.0
ONGC	160	Buy	17.4	19.7	18.8	9.2	8.1	8.5	0.9	0.9	0.8	9.9	10.8	10.0
Petronet LNG	214	Buy	8.6	17.6	17.9	24.9	12.2	12.0	3.6	2.9	2.5	15.1	26.4	22.6
Reliance Inds.	1,423	Neutral	122.1	131.0	135.4	11.7	10.9	10.5	1.3	1.2	1.1	11.8	11.5	10.8
Sector Aggregate						11.8	10.5	10.4	1.4	1.3	1.2	12.0	12.4	11.6
Ex OMCs						12.0	10.7	10.6	1.3	1.2	1.1	10.7	11.1	10.5

Source: MOSL

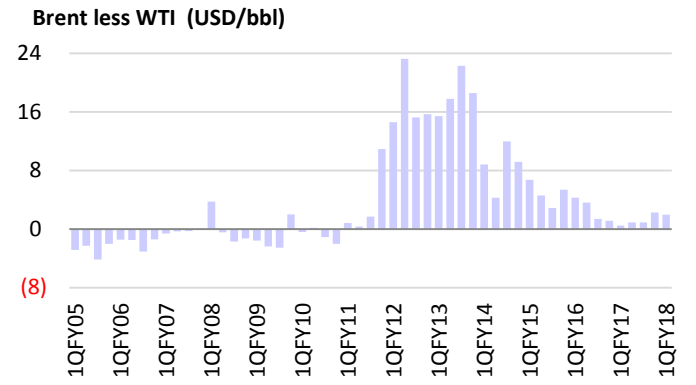
Brent down 7% QoQ, GRM flat, light/heavy spreads decline

Exhibit 5: Brent crude price was up 9% YoY and down 7% QoQ to an average of USD50.2/bbl in 1QFY18



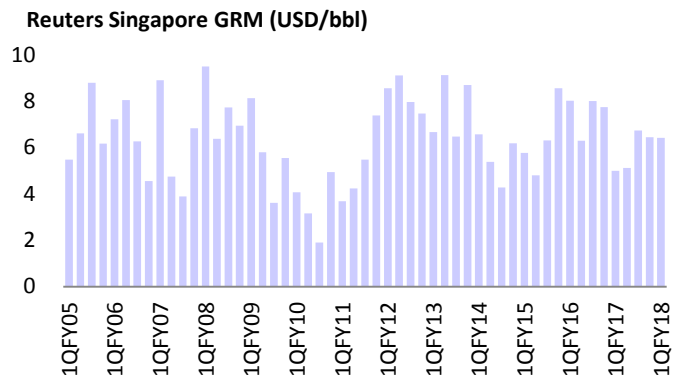
Source: Bloomberg, MOSL

Exhibit 6: Premium of Brent over WTI declined QoQ to USD2/bbl in 1QFY18



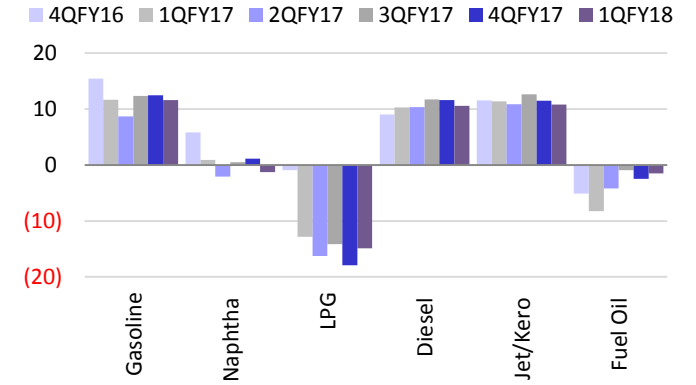
Source: Bloomberg, MOSL

Exhibit 7: Reuters Singapore GRM rose 28% YoY (flat QoQ) to an average of USD6.4/bbl in 1QFY18



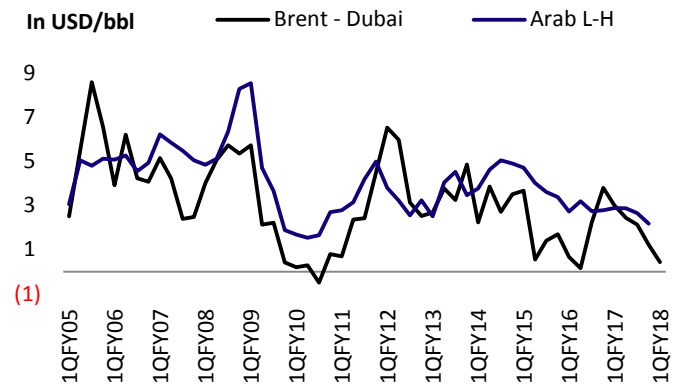
Source: Bloomberg, MOSL

Exhibit 8: YoY GRM increase led by higher FO cracks



Source: Reuters, MOSL

Exhibit 9: Crude differentials declined in 1QFY18 (USD/bbl)



Source: Bloomberg, MOSL

Our key assumptions

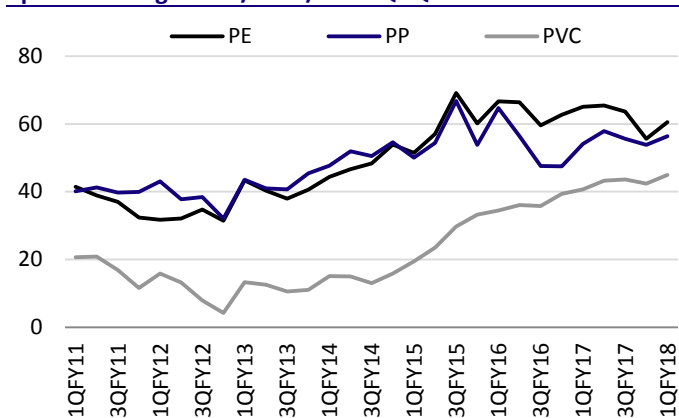
- Our crude price assumptions are USD50.3/bbl for 1QFY18, USD50/bbl for FY18 and USD55/bbl for FY19/20.
- We expect the regional benchmark Singapore Reuters GRM to remain in the USD5-6/bbl range for the near term, with downward bias.

Exhibit 10: Polymer spreads rise QoQ

(INR/kg)	RIL Basic prices (INR/kg)						Simple Spreads			Int. Spreads	
	PE	PP	PVC	POY	PSF	Naphtha	PE	PP	PVC	POY	PSF
3QFY14	107.6	109.8	72.3	103.4	106.0	59.3	48.4	50.6	13.1	56.3	58.9
4QFY14	112.3	113.0	74.3	97.9	100.9	58.4	53.9	54.6	15.9	51.4	54.4
1QFY15	109.0	107.7	77.0	97.7	97.6	57.6	51.4	50.1	19.5	51.8	51.7
2QFY15	113.0	110.3	79.4	102.9	103.6	55.9	57.1	54.4	23.5	58.5	59.2
3QFY15	109.3	107.0	70.0	92.7	92.4	40.2	69.1	66.8	29.8	61.0	60.7
4QFY15	90.7	84.3	63.7	80.6	79.8	30.5	60.1	53.8	33.2	56.6	55.8
1QFY16	102.3	100.3	70.1	84.8	84.0	35.6	66.7	64.7	34.5	56.8	56.0
2QFY16	95.8	85.8	65.5	79.0	80.5	29.4	66.4	56.4	36.1	56.1	57.5
3QFY16	88.8	76.7	65.0	73.0	77.5	29.2	59.6	47.6	35.8	50.2	54.7
4QFY16	85.6	70.4	62.3	71.5	74.0	22.8	62.8	47.6	39.5	53.8	56.3
1QFY17	92.4	81.5	68.1	74.4	79.7	27.4	65.0	54.1	40.7	53.1	58.3
2QFY17	91.4	83.9	69.2	74.1	79.3	26.0	65.5	57.9	43.3	53.9	59.2
3QFY17	88.8	82.7	70.8	74.1	79.3	27.1	63.7	55.6	43.7	53.0	58.2
4QFY17	89.1	87.4	75.9	83.0	89.5	33.5	55.6	53.8	42.4	56.7	63.2
1QFY18	89.4	85.4	73.9	85.0	82.2	28.9	60.5	56.4	45.0	62.5	59.6
QoQ (%)	0.4%	-2.3%	-2.6%	2.5%	-8.2%	-13.7%	8.8%	4.8%	6.1%	10.2%	-5.8%
YoY (%)	-3.2%	4.7%	8.5%	14.3%	3.1%	5.6%	-7.0%	4.2%	10.5%	17.7%	2.2%

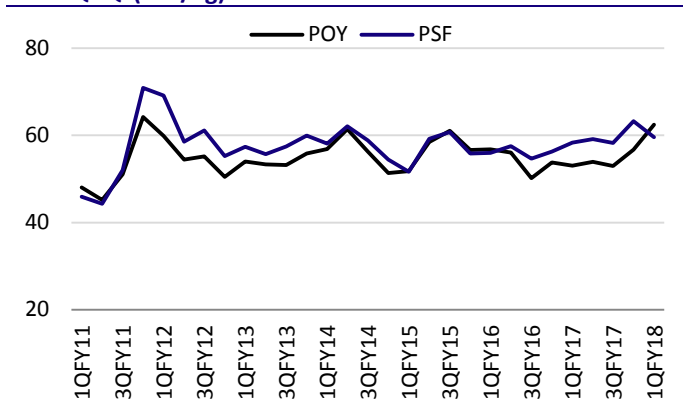
Source: Company, MOSL

Exhibit 11: Polymer spreads rise QoQ (INR/kg): PE, PP, PVC spreads change 8.8%/4.8%/6.1% QoQ



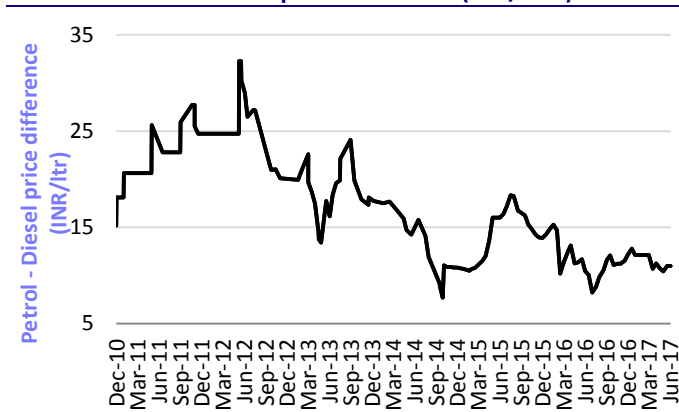
Source: Bloomberg, Company, MOSL

Exhibit 12: POY spreads up 10.2% QoQ; PSF spreads down 5.8% QoQ (INR/kg)



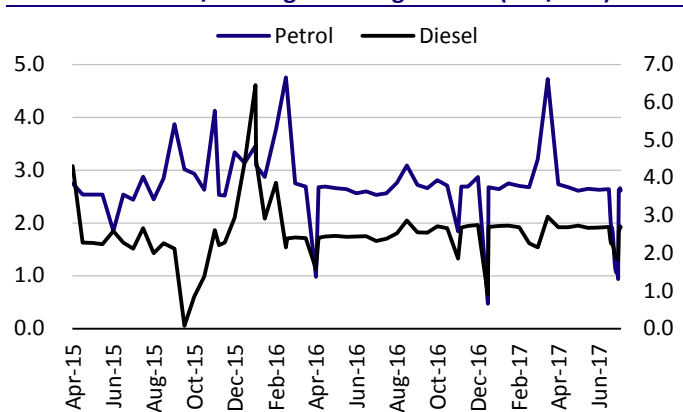
Source: Bloomberg, Company

Exhibit 13: Petrol-diesel price difference (INR/liter)



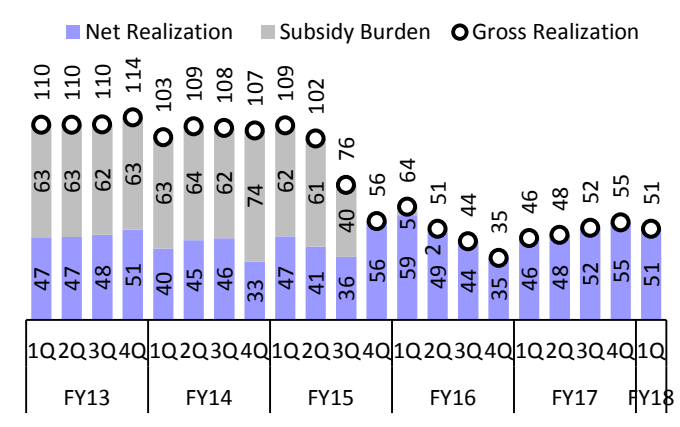
Source: PPAC, MoPNG, MOSL

Exhibit 14: Petrol/diesel gross margin trend (INR/liter)



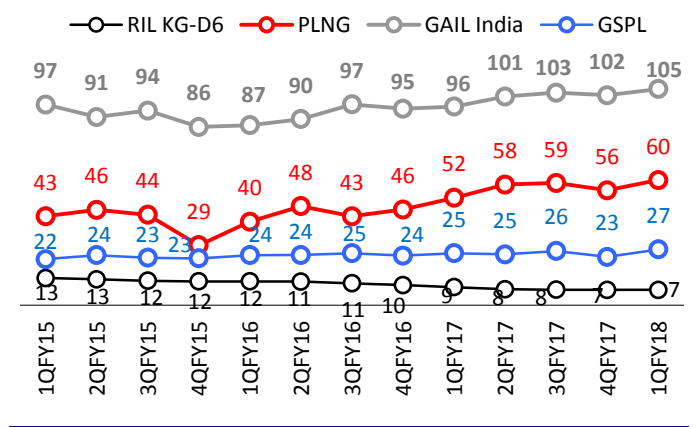
Source: PPAC, MoPNG, MOSL

Exhibit 15: With almost nil subsidy, model ONGC's net realization for 1QFY18 at USD51/bbl



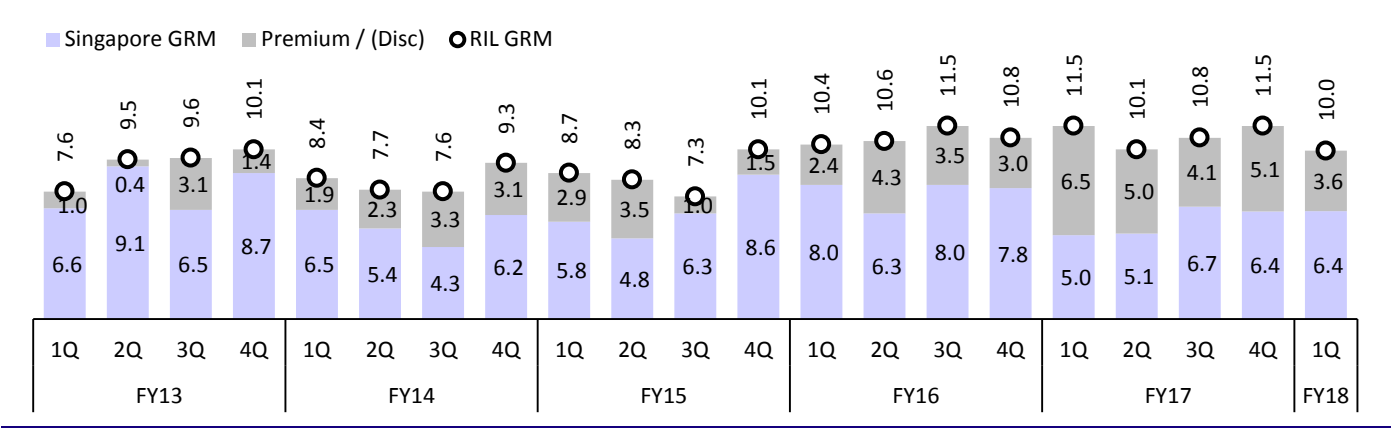
Source: Company, MOSL

Exhibit 16: Expect higher LNG volumes in 1QFY18 (mmscmd) and lower production in RIL's KG-D6



Source: Company, MOSL

Exhibit 17: Expect RIL's GRM at USD10/bbl in 1QFY18 (USD/bbl)



Source: MOSL, Company

BPCL

Bloomberg	BPCL IN
Equity Shares (m)	1311.3
M. Cap. (INR b)/(USD b)	862 / 13
52-Week Range (INR)	770 / 534
1,6,12 Rel Perf. (%)	-9 / -17 / 4

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	2012.5	2048.0	2275.1	2312.0
EBITDA	135.1	119.1	135.6	138.8
Adj. PAT	95.1	72.1	85.5	87.9
Adj. EPS (INR)	72.5	55.0	65.2	67.0
EPS Gr.%	97.8	-10.8	-10.1	21.9
BV/Sh.INR	235.0	271.5	314.4	721.4
RoE (%)	32.4	21.7	22.3	19.9
RoCE (%)	16.2	11.7	12.3	11.6
Payout (%)	52.4	33.7	34.2	30.9
Valuation				
P/E (x)	9.1	11.9	10.1	9.8
P/BV (x)	2.8	2.4	2.1	0.9
EV/EBITDA (x)	8.6	10.1	8.9	5.7
Div. Yld (%)	4.9	2.4	2.9	5.4

CMP: INR657**TP: INR768 (+17%)****Neutral**

- We expect OMCs' (IOCL, BPCL and HPCL) core earnings to decline YoY/QoQ, led by inventory losses in 1QFY18.
- We model nil subsidy sharing for OMCs; subsidy in 1QFY18 would be entirely borne by the government.
- We peg BPCL's refinery throughput at 6.2mmt for 1QFY18 v/s 6.0mmt in 4QFY17 and 6.2mmt in 1QFY17.
- We model GRM of USD5.5/bbl (including inventory loss) for BPCL in 1QFY18.
- We expect BPCL to report EBITDA of INR18.9b (-15% QoQ, -54% YoY) in 1QFY18.
- We estimate PAT at INR12.5b (-32% QoQ, -52% YoY) for 1QFY18.
- BPCL trades at 10.1x FY19E EPS of INR65.2 and 2.1x FY19E BV (adjusted for investments), with ~5% dividend yield. Maintain **Neutral**.

Key issues to watch for

- (a) Inventory and forex change impact, (b) GRM, (c) Kochi refinery expansion and (d) update on Mozambique/Brazil E&P blocks.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	469,387	446,927	535,427	570,365	501,061	517,671	498,110	501,565	2,022,106	2,018,407
YoY Change (%)	-9.9	-3.4	15.1	31.0	6.7	15.8	-7.0	-12.1	7.3	-0.2
Total Expenditure	428,532	433,257	500,775	548,242	482,167	491,454	469,772	473,118	1,910,807	1,916,511
EBITDA	40,855	13,670	34,652	22,123	18,895	26,217	28,339	28,446	111,299	101,896
Margins (%)	8.7	3.1	6.5	3.9	3.8	5.1	5.7	5.7	5.5	5.0
Depreciation	4,315	4,524	4,836	5,238	5,367	5,367	5,367	5,367	18,913	21,466
Interest	1,111	1,024	1,349	1,475	2,063	2,063	2,063	2,063	4,959	8,254
Other Income	1,986	10,367	4,024	6,624	5,542	5,542	5,542	5,542	23,001	22,169
PBT	37,415	18,489	33,978	22,033	17,007	24,329	26,451	26,558	110,428	94,345
Tax	11,210	5,437	9,771	3,616	4,507	6,447	7,009	7,038	30,035	25,001
Rate (%)	30.0	29.4	28.8	16.4	26.5	26.5	26.5	26.5	27.2	26.5
Reported PAT	26,205	13,052	22,719	18,417	12,500	17,882	19,441	19,520	80,393	69,343
Adj. PAT	26,205	13,052	23,147	18,417	12,500	17,882	19,441	19,520	80,393	69,343
YoY Change (%)	11.0	26.2	49.8	-13.0	-52.3	37.0	-16.0	6.0	13.9	-13.7
Margins (%)	5.6	2.9	4.3	3.2	2.5	3.5	3.9	3.9	4.0	3.4
Key Assumptions										
Refining throughput (mmt)	6.2	6.4	6.8	6.0	6.2	6.2	7.2	7.2	25.4	26.8
GRM (USD/bbl)	6.1	3.1	5.9	6.0	5.5	6.1	6.1	6.1	5.3	6.0
Marketing sales volume excl. exports (mmt)	9.7	8.9	9.8	9.3	9.9	9.9	9.9	9.9	37.7	39.5
Marketing GM per liter (INR/liter)	4.6	3.3	4.2	4.5	3.0	3.4	3.4	3.4	3.7	3.3

E: MOSL Estimates

GAIL

Bloomberg	GAIL IN
Equity Shares (m)	1691.3
M. Cap. (INR b)/(USD b)	616 / 10
52-Week Range (INR)	434 / 269
1,6,12 Rel Perf. (%)	-9 / -7 / 8

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	480.7	534.0	616.4	663.7
EBITDA	63.2	76.4	84.1	89.3
Adj. PAT	38.2	44.5	50.3	53.7
Adj. EPS (INR)	22.6	26.3	29.8	31.8
EPS Gr. (%)	71.4	16.7	13.0	6.7
BV/Sh.(INR)	225.6	242.0	260.5	280.3
RoE (%)	9.6	11.3	11.8	11.7
RoCE (%)	8.7	9.7	10.2	10.1
Payout (%)	41.1	37.7	37.7	37.7
Valuations				
P/E (x)	16.1	13.8	12.2	11.5
P/BV (x)	1.6	1.5	1.4	1.3
EV/EBITDA (x)	9.1	7.8	7.2	6.8
Div. Yield (%)	1.9	2.3	2.6	2.7

CMP: INR364**TP: INR340 (-7%)****Sell**

- We expect GAIL to report adj. PAT of INR10.9b (+29% YoY and +4% QoQ). We model nil subsidy sharing for GAIL in 1QFY18 (v/s nil in 1QFY17 and 4QFY17).
- We estimate EBITDA at INR18.6b in 1QFY18 v/s INR15.7b in 1QFY17 and INR15.3b in 4QFY17.
- We model Brent crude price of USD50/bbl for FY18 and USD55/bbl for FY19/20.
- Segmental EBIT (pre-subsidy) is expected to be INR15b (+22% YoY), led by a turnaround in petchem division profitability and likely higher gas transmission profitability.
- GAIL trades at 11.8x FY19E EPS of INR29.8. Maintain **Sell**.

Key issues to watch for

- (a) Petchem profitability, (b) profitability in the gas trading business, (c) progress of pipeline projects, (d) pending tariff revisions for key pipelines and (e) visibility on placement of US contracts.

Quarterly Performance**(INR Million)**

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	106,866	118,582	121,079	134,217	127,921	133,754	136,477	137,254	480,743	535,406
Change (%)	-14.6	-15.8	-9.5	15.4	19.7	12.8	12.7	2.3	-6.9	11.4
EBITDA	15,732	15,155	17,015	15,250	18,628	19,179	19,331	19,232	63,152	76,371
% of Net Sales	14.7	12.8	14.1	11.4	14.6	14.3	14.2	14.0	13.1	14.3
Depreciation	3,354	3,563	3,579	3,471	3,580	3,580	3,580	3,537	13,968	14,277
Interest	1,774	1,198	1,601	220	860	860	860	857	4,794	3,437
Other Income	1,362	3,361	3,002	4,981	2,350	2,350	2,350	1,762	12,705	8,812
Extraordinary item	4,893	0	0	-7,880	0	0	0	0	-2,987	0
PBT	16,858	13,755	14,836	8,659	16,538	17,089	17,241	16,601	54,108	67,469
Tax	3,506	4,508	5,007	6,058	5,623	5,810	5,862	5,644	19,079	22,940
Rate (%)	20.8	32.8	33.7	70.0	34.0	34.0	34.0	34.0	35.3	34.0
PAT	13,352	9,247	9,829	2,602	10,915	11,279	11,379	10,956	35,029	44,530
Adj. PAT	8,459	9,247	9,829	10,482	10,915	11,279	11,379	10,956	38,016	44,530
Change (%)	99.4	109.9	48.0	36.1	29.0	22.0	15.8	4.5	65.4	17.1
EPS (INR)	5.0	5.5	5.8	6.2	6.5	6.7	6.7	6.5	22.5	26.3
Key Assumptions										
Gas Trans. volume (mmsmd)	96	101	103	102	105	108	109	111	100	108
Petchem sales ('000MT)	110	136	146	186	200	200	200	210	578	810

E: MOSL Estimates

Gujarat Gas

Bloomberg	GUJGA IN
Equity Shares (m)	137.7
M. Cap. (INR b)/(USD b)	104 / 2
52-Week Range (INR)	880 / 487
1,6,12 Rel Perf. (%)	0 / 23 / 23

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	50.9	68.4	79.3	87.8
EBITDA	7.5	10.9	13.3	14.3
PAT	2.8	4.6	6.4	7.1
EPS (INR)	20.4	33.7	46.5	51.8
EPS Gr. (%)	36.3	64.7	38.0	11.5
BV/Sh.(INR)	119.5	146.9	184.6	226.8
RoE (%)	17.8	25.3	28.0	25.2
RoCE (%)	14.5	21.5	26.5	27.0
Payout (%)	18.7	18.7	18.7	18.7
Valuations				
P/E (x)	36.8	22.3	16.2	14.5
P/BV (x)	6.3	5.1	4.1	3.3
EV/EBITDA (x)	16.8	11.4	9.0	8.1
Div. Yield (%)	0.4	0.7	1.0	1.1

CMP: INR752
TP: INR697 (-7%)
Sell

- We expect GUJGA to report volumes of 6.2mmscmd, and assume EBITDA/scm at INR3.3 for 1QFY18.
- We expect 1QFY18 PNG industrial/commercial volumes at 4.4mmscmd (+24% YoY, +2% QoQ) and PNG household volumes at 0.6mmscmd (+47% YoY, +2% QoQ). We expect CNG volumes at 1.3mmscmd (+14% YoY, +5% QoQ).
- We model total volumes of 6.5/7.3/8.1mmscmd in FY18/FY19/FY20.
- We expect GUJGA to report EBITDA of INR1.8b (-15% YoY, +27% QoQ) for 1QFY18.
- We expect GUJGA to report PAT of INR579m (-24% YoY, +75% QoQ).
- The stock trades at 16.2x FY19E EPS of INR46.5. Maintain **Sell**.

Key issues to watch for

- PNG and CNG volumes.
- EBITDA/scm.
- Gas cost.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	12,248	12,371	12,309	14,002	15,438	17,155	17,523	18,236	50,930	68,352
YoY Change (%)	-26.7	-21.3	-17.1	1.6	26.0	38.7	42.4	30.2	-16.6	34.2
Total Expenditure	10,058	10,243	10,600	12,539	13,581	14,217	14,490	15,175	43,439	57,463
EBITDA	2,190	2,129	1,709	1,463	1,857	2,938	3,033	3,061	7,491	10,889
Margins (%)	17.9	17.2	13.9	10.4	12.0	17.1	17.3	16.8	14.7	15.9
Depreciation	632	645	653	643	710	710	710	710	2,672	2,840
Interest	534	541	539	476	407	407	407	407	1,518	1,629
Other Income	62	53	75	71	125	125	125	125	372	499
PBT before EO expense	1,086	995	593	415	864	1,945	2,040	2,069	3,672	6,919
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,086	995	593	415	864	1,945	2,040	2,069	3,672	6,919
Tax	327	277	170	84	285	642	673	683	858	2,283
Rate (%)	30.1	27.8	28.6	20.2	33.0	33.0	33.0	33.0	23.4	33.0
Reported PAT	759	718	423	331	579	1,303	1,367	1,386	2,814	4,635
Adj. PAT	759	718	423	331	579	1,303	1,367	1,386	2,814	4,635
YoY Change (%)	29.5	158.8	31.5	-63.9	-23.7	81.4	223.3	318.3	36.3	64.7
Margins (%)	6.2	5.8	3.4	2.4	3.8	7.6	7.8	7.6	5.5	6.8
Total volume (mmscmd)	5.1	5.2	5.3	6.1	6.2	6.4	6.6	6.8	5.4	6.5
CNG	1.1	1.2	1.2	1.2	1.3	1.4	1.4	1.5	1.2	1.4
PNG - Industrials/commercial	3.5	3.6	3.7	4.3	4.4	4.5	4.6	4.7	3.8	4.6
PNG - Households	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.6
EBITDA (INR/scm)	4.8	4.5	3.5	2.7	3.3	5.0	5.0	5.0	3.9	4.6

E: MOSL Estimates

Gujarat State Petronet

Bloomberg	GUJS IN
Equity Shares (m)	563.0
M. Cap. (INR b)/(USD b)	100 / 2
52-Week Range (INR)	204 / 119
1,6,12 Rel Perf. (%)	0 / 10 / 15

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	10.3	12.6	14.4	15.7
EBITDA	8.9	11.0	12.6	13.7
Adj. PAT	5.0	6.2	7.4	8.5
Adj. EPS (INR)	8.8	11.0	13.1	15.0
EPS Gr. (%)	11.5	25.4	18.3	14.8
BV/Sh.(INR)	80	88.4	98.5	110.2
RoE (%)	11.6	13.1	14.0	14.4
RoCE (%)	9.9	11.2	11.8	12.2
Payout (%)	22.6	22.2	22.4	21.8
Valuations				
P/E (x)	20.2	16.1	13.6	11.9
P/BV (x)	2.2	2.0	1.8	1.6
EV/EBITDA (x)	11.5	9.0	7.3	6.2
Div. Yield (%)	1.0	1.2	1.4	1.6

CMP: INR178

TP: INR168 (-6%)

Neutral

- We expect GUJS to report net sales of INR3.1b and PAT of INR1.5b (+19% QoQ, +25% YoY).
- We model transmission volume at 27mmscmd (+7% YoY, +15% QoQ) and transmission tariff at INR1,200/mscmd (+12% YoY, flat QoQ).
- GUJS had won the bids for three cross-country pipelines (Mehsana-Bhatinda, Bhatinda-Srinagar, Mallavaram-Bhilwara). We await clarity on the current status, timelines and other details regarding these pipelines.
- We build in gas transmission volumes of 28mmscmd for FY18 and 32/35mmscmd for FY19/20, and model tariff at INR1,200/mscmd for FY18/19/20. The stock trades at 13.6x FY19E EPS of INR13.1. Maintain **Neutral**.

Key issues to watch for

- Transmission volumes and tariffs.
- Progress on clearances of the three pipelines.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	2,579	2,564	2,668	2,446	3,086	3,238	3,173	3,139	10,256	12,636
Change (%)	-0.5	-0.7	3.4	5.5	19.7	26.3	18.9	28.3	1.8	23.2
EBITDA	2,330	2,245	2,275	2,013	2,690	2,828	2,768	2,739	8,864	11,026
% of Net Sales	90.4	87.6	85.3	82.3	87.2	87.3	87.3	87.3	86.4	87.3
% Change	2.6	-3.8	0.6	-1.6	15.4	26.0	21.7	36.1	-0.5	24.4
Depreciation	430	436	465	460	507	507	507	509	1,791	2,030
Interest	167	148	165	116	130	130	130	139	596	529
Other Income	147	304	177	273	253	253	253	253	901	1,012
PBT	1,881	1,965	1,822	1,710	2,306	2,444	2,384	2,345	7,378	9,480
Tax	668	666	636	441	792	839	818	805	2,411	3,254
Rate (%)	35.5	33.9	34.9	25.8	34.3	34.3	34.3	34.3	32.7	34.3
PAT	1,213	1,298	1,186	1,270	1,515	1,605	1,566	1,540	4,966	6,226
Adj. PAT	1,213	1,298	1,186	1,270	1,515	1,605	1,566	1,540	4,966	6,226
Change (%)	8	7	-9	28	25	24	32	21	7	25
EPS (INR)	2.2	2.3	2.1	2.3	2.7	2.9	2.8	2.7	8.8	11.1
Transmission Vol. (mmscmd)	25.1	24.6	26.2	23.4	27.0	28.0	28.5	28.5	24.8	28.0
Implied adj. tariff (INR/mscmd)	1,073	1,079	1,095	1,197	1,200	1,200	1,200	1,200	1,111	1,200

E: MOSL Estimates

HPCL

	HPCL IN
Bloomberg	
Equity Shares (m)	1017.0
M. Cap. (INR b)/(USD b)	520 / 8
52-Week Range (INR)	584 / 331
1,6,12 Rel Perf. (%)	-5 / -6 / 34

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	1,870	1,855	2,085	2,116
EBITDA	105.8	91.4	100.6	103.9
Adj. PAT	62.1	45.0	49.7	49.8
Adj. EPS (INR)	61.0	44.3	48.9	49.0
EPS Gr. (%)	66.6	(27.5)	10.4	0.3
BV/Sh.(INR)	200.1	228.8	260.5	292.2
RoE (%)	32.4	20.6	20.0	17.7
RoCE (%)	18.8	12.3	12.0	10.3
Payout (%)	57.5	35.2	35.2	35.2
Valuations				
P/E (x)	8.4	11.6	10.5	10.4
P/BV (x)	2.6	2.2	2.0	1.8
EV/EBITDA (x)	6.5	7.7	7.3	7.8
Div. Yield (%)	5.9	2.6	2.9	2.9

CMP: INR512

TP: INR630 (+23%)

Buy

- We expect OMCs' (IOCL, BPCL and HPCL) core earnings to decline YoY/QoQ, led by inventory losses in 1QFY18.
- We model nil subsidy sharing for OMCs; subsidy in 1QFY18 would be entirely borne by the government.
- We peg HPCL's refinery throughput at 4.4mmt for 1QFY18 v/s 4.5mmt in 1QFY17 and 4.6mmt in 4QFY17.
- We model GRM of USD4.9/bbl (including inventory loss) for HPCL in 1QFY18.
- We expect HPCL to report EBITDA of INR18.1b (-35% QoQ, -50% YoY) in 1QFY18.
- We estimate PAT at INR8.7b (-52% QoQ, -59% YoY) for 1QFY18.
- HPCL trades at 10.5x FY19E EPS of INR48.9 and 2x FY19E BV (adjusted for investments), with ~5% dividend yield. Maintain **Buy**.

Key issues to watch for

- GRM.
- Impact of forex and inventory change.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	447,793	420,306	484,856	514,142	452,439	463,030	466,184	469,338	1,867,097	1,850,990
YoY Change (%)	-13.4	0.1	12.9	25.3	1.0	10.2	-3.9	-8.7	5.1	-0.9
Total Expenditure	411,389	408,416	455,903	486,388	434,320	439,823	442,939	446,055	1,762,097	1,763,137
EBITDA	36,403	11,890	28,953	27,754	18,119	23,206	23,245	23,283	105,000	87,853
Margins (%)	8.1	2.8	6.0	5.4	4.0	5.0	5.0	5.0	5.6	4.7
Depreciation	6,108	6,160	6,336	6,749	7,272	7,272	7,272	7,272	25,353	29,087
Interest	1,395	1,164	530	2,268	1,319	1,319	1,319	1,319	5,357	5,276
Other Income	2,618	6,188	1,959	5,153	3,507	3,507	3,507	3,507	15,918	14,028
PBT	31,518	10,755	24,046	23,890	13,035	18,123	18,161	18,200	90,208	67,518
Tax	10,534	3,741	8,143	5,702	4,345	6,040	6,053	6,066	28,120	22,504
Rate (%)	33	35	34	24	33	33	33	33	31	33
Reported PAT	20,984	7,013	15,903	18,188	8,690	12,082	12,108	12,134	62,088	45,015
YoY Change (%)	32.1	-318.8	52.7	31.0	-58.6	72.3	-23.9	-33.3	68.0	-27.5
Margins (%)	4.7	1.7	3.3	3.5	1.9	2.6	2.6	2.6	3.3	2.4
Key Assumptions										
Refining throughput (mmt)	4.5	4.0	4.7	4.6	4.4	4.4	4.4	4.4	17.8	17.5
GRM (USD/bbl)	6.8	3.2	6.4	8.0	4.9	5.1	5.1	5.0	6.1	5.0
Marketing sales volume incl. exports (mmt)	8.9	8.0	9.3	8.9	9.2	9.2	9.2	9.2	35.1	36.8
Marketing GM per liter (INR/liter)	4.7	3.5	3.9	4.0	3.4	3.8	3.8	3.8	4.0	3.7

E: MOSL Estimates

Indraprastha Gas

Bloomberg	IGL IN
Equity Shares (m)	140.0
M. Cap. (INR b)/(USD b)	149 / 2
52-Week Range (INR)	1125 / 593
1,6,12 Rel Perf. (%)	-2 / -4 / 57

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	38.1	44.6	49.5	54.0
EBITDA	9.6	10.6	11.6	12.6
Adj. PAT	6.0	6.5	7.3	8.1
Adj. EPS (INR)	42.5	46.8	51.9	58.0
EPS Gr. (%)	42.1	10.0	11.0	11.7
BV/Sh.(INR)	209.0	245.3	285.5	329.5
RoE (%)	21.0	20.6	19.6	18.9
RoCE (%)	19.8	19.5	18.7	18.1
Payout (%)	18.8	19.2	19.3	20.7
Valuation				
P/E (x)	25.0	22.7	20.5	18.3
P/BV (x)	5.1	4.3	3.7	3.2
EV/EBITDA (x)	14.8	13.3	11.7	10.3
Div. Yield (%)	0.8	0.8	0.9	1.1

CMP: INR1,062 TP: INR1,070 (+1%) Neutral

- We expect IGL to report volumes of 4.85mmscmd, and assume EBITDA/scm at INR5.6 for 1QFY18.
- We expect 1QFY18 CNG volumes at 3.71mmscmd (+12% YoY, +2% QoQ) and PNG volumes at 1.13mmscmd (+11% YoY, -5% QoQ).
- We model total volumes of 5.09/5.57/6.03mmscmd in FY18/FY19/FY20.
- We expect IGL to report EBITDA of INR2.5b (-3% YoY, +17% QoQ) for 1QFY18.
- We expect IGL to report PAT of INR1.5b (+2% YoY, +13% QoQ)
- The stock trades at 20.5x FY19E EPS of INR51.9. Maintain **Neutral**.

Key issues to watch for

- Increase in volumes.
- EBITDA margin.

Quarterly performance

(INR Million)

Y/E MARCH	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	8,970	9,624	9,467	10,019	10,577	11,201	11,278	11,519	38,081	44,574
Change (%)	-0.3	-0.3	2.1	13.1	17.9	16.4	19.1	15.0	3.5	17.1
EBITDA	2,570	2,575	2,554	2,122	2,481	2,678	2,681	2,809	9,821	10,649
EBITDA (INR/scm)	6.5	6.1	6.0	4.9	5.6	5.7	5.7	5.8	5.9	5.7
% of Net Sales	28.7	26.8	27.0	21.2	23.5	23.9	23.8	24.4	25.8	23.9
% Change	32.7	37.0	38.0	19.3	-3.5	4.0	5.0	32.4	31.9	8.4
Depreciation	466	483	479	244	463	463	463	463	1,671	1,853
Interest	0	0	0	12	0	0	0	0	12	0
Other Income	106.5	251.4	152.4	208.8	280.0	280.0	280.0	286.8	719.1	1,126.8
PBT before EO	2,211	2,344	2,227	2,075	2,298	2,495	2,498	2,633	8,857	9,923
EO	0	-167	-83	0	0	0	0	0	-250	0
PBT after EO	2,211	2,177	2,144	2,075	2,298	2,495	2,498	2,633	8,607	9,923
Tax	731	735	696	734	781	848	849	895	2,896	3,374
Rate (%)	33.1	33.8	32.5	35.4	34.0	34.0	34.0	34.0	33.7	34.0
PAT	1,480	1,442	1,448	1,341	1,517	1,647	1,648	1,738	5,711	6,549
EPS (INR)	10.6	11.1	10.3	9.6	10.8	11.8	11.8	12.4	41.6	46.8
Gas Volumes (mmscmd)										
CNG	3.31	3.47	3.48	3.65	3.71	3.85	3.86	4.02	3.48	3.86
PNG	1.02	1.11	1.13	1.19	1.13	1.23	1.25	1.32	1.11	1.24
Total	4.34	4.58	4.61	4.84	4.85	5.08	5.12	5.34	4.59	5.09
YoY Change (%)										
CNG	11.7	11.9	13.2	15.7	12.0	11.0	11.0	10.1	13.2	11.0
PNG	17.7	13.3	20.1	25.8	11.0	11.0	11.0	11.1	19.2	11.0
Total	13.0	12.3	14.8	18.1	11.8	11.0	11.0	10.3	14.6	11.0

E: MOSL Estimates

Bloomberg	IOCL IN
Equity Shares (m)	4855.9
M. Cap. (INR b)/(USD b)	1856 / 29
52-Week Range (INR)	451 / 220
1,6,12 Rel Perf. (%)	-8 / -6 / 45

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	3,553	3,654	4,357	4,707
EBITDA	340.1	333.9	365.1	373.5
Adj. PAT	203.9	170.6	189.5	195.1
Adj. EPS (INR)	43.0	36.0	40.0	41.2
EPS Gr. (%)	106.9	-16.3	11.1	3.0
BV/Sh.(INR)	215.4	239.3	265.7	292.1
RoE (%)	21.2	15.8	15.8	14.8
RoCE (%)	15.0	11.4	12.5	12.4
Payout (%)	53.0	33.8	33.8	36.0
Valuations				
P/E (x)	8.9	10.6	9.6	9.3
P/BV (x)	1.8	1.6	1.4	1.3
EV/EBITDA (x)	7.0	6.8	6.0	3.3
Div. Yield (%)	5.1	2.7	3.0	6.6

CMP: INR382 TP: INR459 (+20%) Neutral

- We expect OMCs' (IOCL, BPCL and HPCL) core earnings to decline YoY/QoQ, led by inventory losses in 1QFY18.
- We model nil subsidy sharing for OMCs; subsidy in 1QFY18 would be entirely borne by the government.
- We peg IOCL's refinery throughput at 17.9mmt for 1QFY18 v/s 16.1mmt in 1QFY17 and 17.1mmt in 4QFY17 – higher due to contribution from the Paradip refinery.
- We model GRM of USD4.6/bbl (including inventory loss) for IOCL in 1QFY18.
- We expect IOCL to report EBITDA of INR67.6b (+53% QoQ, -50% YoY) in 1QFY18.
- We estimate PAT at INR32.5b (-13% QoQ, -61% YoY) in 1QFY18.
- IOCL trades at 9.6x FY19E EPS of INR40 and at 1.4x FY19E BV. Dividend yield is ~5%. Maintain **Neutral**.

Key issues to watch for

- Utilization of Paradip refinery.
- GRM.
- Capex plans.
- Forex/inventory changes.

Standalone - Quarterly Earning Model

Y/E March	(INR Million)									
	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	856,553	800,435	931,019	1,003,375	899,810	925,020	937,442	942,246	3,591,382	3,704,518
YoY Change (%)	-15.3	-5.1	13.0	28.0	5.1	15.6	0.7	-6.1	3.7	3.2
Total Expenditure	720,652	748,519	848,541	959,289	832,142	841,463	852,046	856,915	3,277,001	3,382,565
EBITDA	135,901	51,916	82,478	44,086	67,668	83,556	85,396	85,332	314,381	321,952
Margins (%)	15.9	6.5	8.9	4.4	7.5	9.0	9.1	9.1	8.8	8.7
Depreciation	14,350	15,048	15,541	17,290	17,649	17,649	17,649	17,649	62,230	70,594
Interest	6,800	6,147	9,967	11,541	6,899	6,899	6,899	6,899	34,454	27,596
Other Income	5,637	14,347	4,938	20,593	5,602	5,602	5,602	5,602	45,515	22,406
PBT	120,388	45,069	61,907	35,849	48,722	64,610	66,450	66,386	263,212	246,168
Tax	37,698	13,850	21,958	-1,358	16,239	21,535	22,148	22,126	72,148	82,048
Rate (%)	31.3	30.7	35.5	-3.8	33.3	33.3	33.3	33.3	27.4	33.3
Reported PAT	82,690	31,219	39,949	37,206	32,483	43,076	44,302	44,259	191,064	164,121
Adj. PAT	82,690	31,219	39,949	37,206	32,483	43,076	44,302	44,259	191,064	164,121
YoY Change (%)	35.2	-456.2	52.3	85.5	-60.7	38.0	10.9	19.0	84.9	-14.1
Margins (%)	9.7	3.9	4.3	3.7	3.6	4.7	4.7	4.7	5.3	4.4
Key Assumptions										
Refining throughput (mmt)	16.1	15.6	16.4	17.1	17.9	17.9	17.9	17.9	65.2	71.7
GRM (USD/bbl)	10.0	4.3	7.7	8.9	4.6	5.8	5.8	5.8	7.7	5.5
Domestic sale of refined products (mmt)	19.3	17.3	19.0	18.5	20.1	18.0	19.7	19.3	74.1	77.1
Blended gross marketing margin (INR/lit)	3.4	3.5	3.5	3.3	3.1	3.5	3.5	3.5	3.4	3.4

E: MOSL Estimates

MRPL

Bloomberg	MRPL IN
Equity Shares (m)	1752.7
M. Cap. (INR b)/(USD b)	212 / 3
52-Week Range (INR)	143 / 67
1,6,12 Rel Perf. (%)	-9 / -5 / 63

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	432.1	436.9	488.2	488.2
EBITDA	47.1	37.0	40.3	40.3
Adj. PAT	25.9	17.8	20.6	21.5
Adj. EPS (INR)	14.8	10.2	11.8	12.3
EPS Gr. (%)	95.1	(31.3)	15.9	4.3
BV/Sh.(INR)	57.5	65.2	74.2	83.6
RoE (%)	31.4	16.5	16.9	15.5
RoCE (%)	19.6	12.4	13.5	13.3
Payout (%)	23.4	23.4	23.4	23.4
Valuation				
P/E (x)	8.2	11.9	10.3	9.8
P/BV (x)	2.1	1.9	1.6	1.4
EV/EBITDA (x)	5.5	6.1	5.5	4.6
Div. Yield (%)	3.4	1.7	1.9	2.0

CMP: INR121 TP: INR113 (-6%) Neutral

- We expect MRPL to report EBITDA of INR7.5b (v/s INR15.5b in 4QFY17). We estimate adjusted PAT at INR3.3b (v/s INR8.7b in 4QFY17).
- Regional benchmark Reuters Singapore's GRM is up 28% YoY and flat QoQ at USD6.4/bbl. We model MRPL's GRM at USD5.5/bbl v/s USD8.1/bbl in 4QFY17 and USD5.3/bbl in 1QFY17 due to the shutdown at its plant.
- We expect refinery throughput at 4mmt v/s 4.2mmt in 4QFY17 and 3.7mmt in 1QFY17.
- For MRPL, we model GRM of ~USD6.2/bbl in FY18 and ~USD6.45/bbl in FY19/20. The stock trades at 10.3x FY19E EPS of INR11.8 and EV of 5.5x FY19E EBITDA. Maintain **Neutral**.

Key issues to watch for

- GRM.
- Forex fluctuations.
- Inventory changes.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	84,288	99,690	114,753	133,349	106,126	109,409	110,241	111,074	432,079	436,851
YoY Change (%)	-25.5	-2.5	30.1	43.5	25.9	9.7	-3.9	-16.7	9.0	1.1
Total Expenditure	72,076	91,835	103,277	117,808	98,564	99,672	100,433	101,194	384,996	399,863
EBITDA	12,212	7,855	11,476	15,540	7,562	9,737	9,809	9,881	47,083	36,988
Margins (%)	14.5	7.9	10.0	11.7	7.1	8.9	8.9	8.9	10.9	8.5
Depreciation	1,707	1,681	1,702	1,703	1,896	1,896	1,896	1,896	6,793	7,583
Interest	1,465	1,115	1,395	1,219	1,263	1,263	1,263	1,263	5,194	5,053
Other Income	2,295	926	636	375	584	584	584	584	4,232	2,336
PBT before EO expense	11,335	5,984	9,015	12,993	4,987	7,162	7,234	7,305	39,328	26,688
Extra-Ord expense	0	0	0	-15,973	0	0	0	0	-15,973	0
PBT	11,335	5,984	9,015	28,966	4,987	7,162	7,234	7,305	55,301	26,688
Tax	4,155	1,826	3,355	9,542	1,662	2,387	2,411	2,435	18,877	8,895
Rate (%)	37	31	37	33	33	33	33	33	34	33
Reported PAT	7,181	4,159	5,660	19,424	3,325	4,775	4,823	4,871	36,423	17,793
Adj. PAT	7,181	4,159	5,660	8,713	3,325	4,775	4,823	4,871	25,903	17,793
YoY Change (%)	35.9	-146.5	91.8	-35.5	-53.7	14.8	-14.8	-44.1	98.2	-31.3
Margins (%)	8.5	4.2	4.9	6.5	3.1	4.4	4.4	4.4	6.0	4.1
Key Assumptions										
Refining throughput (mmt)	3.7	4.0	4.4	4.2	4.0	4.0	4.0	4.0	16.3	16.0
Core GRM (USD/bbl)	5.3	5.5	5.1	8.1	5.5	6.4	6.4	6.4	6.0	6.2

E: MOSL Estimates

Oil India

Bloomberg	OINL IN
Equity Shares (m)	801.5
M. Cap. (INR b)/(USD b)	212 / 3
52-Week Range (INR)	367 / 258
1,6,12 Rel Perf. (%)	-12 / -40 / -20

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	91.9	93.5	104.8	107.9
EBITDA	27.8	30.0	36.2	36.9
Adj. PAT	27.0	22.4	24.2	22.7
Adj. EPS (INR)	19.3	27.9	30.1	28.3
EPS Gr. (%)	7.2	-17.2	8.1	-6.2
BV/Sh.(INR)	362.9	377.7	393.7	408.7
RoE (%)	5.7	7.5	7.8	7.0
RoCE (%)	6.4	5.9	6.0	5.4
Payout (%)	88.8	46.9	46.9	46.9
Valuations				
P/E (x)	13.7	9.5	8.8	9.3
P/BV (x)	0.7	0.7	0.7	0.6
EV/EBITDA	8.4	9.0	8.0	8.3
Div. Yield (%)	5.3	4.2	4.5	4.2

CMP: INR264 TP: INR305 (+15%) Buy

- We expect OINL to report adjusted PAT of INR5.3b (v/s INR4.9b in 1QFY17 and INR0.2b in 4QFY17).
- We estimate EBITDA at INR7.3b (+22% YoY and -6% QoQ). We estimate gross and net realization at USD49.1/bbl, with no subsidy sharing burden.
- Our Brent price assumption is USD50/bbl for FY18 and USD55/bbl for FY19/20.
- The stock trades at 8.8x FY19E EPS of INR30.1. We remain positive on OINL due to its attractive valuations and high dividend yield of ~5%. Maintain **Buy**.

Key issues to watch for

- Subsidy sharing.
- DD&A charges.
- Oil & gas production volumes.

Quarterly Performance

(INR Billion)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	21.3	22.4	23.8	24.4	23.2	22.9	22.6	24.6	91.9	93.3
Change (%)	-22.4	-6.5	7.1	28.3	8.5	2.1	-4.8	1.1	-0.8	1.6
EBITDA	7.8	7.5	6.6	5.9	7.3	7.1	6.7	8.6	27.8	29.7
% of Net Sales	36.3	33.3	28.0	24.4	31.4	31.0	29.8	35.0	30.3	31.9
Change (%)	-28.5	-2.9	7.1	0.2	-6.1	-5.2	1.5	45.0	-9.3	6.9
D,D&A	2.3	2.5	2.8	3.3	3.0	3.0	3.0	2.8	10.9	11.8
Interest	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	4.0	3.9
OI (incl. Oper. other income)	3.3	4.8	3.2	8.7	4.6	4.6	5.0	4.9	20.0	19.1
PBT before exceptionals	7.7	8.8	6.1	10.4	7.9	7.7	7.8	9.7	33.0	33.1
Exceptional item	0.0	0.0	0.0	11.5	0.0	0.0	0.0	0.0	11.5	0.0
PBT after exceptionals	7.7	8.8	6.1	-1.1	7.9	7.7	7.8	9.7	21.5	33.1
Tax	2.8	2.9	1.5	-1.3	2.6	2.6	2.6	3.2	6.0	10.9
Rate (%)	36.2	33.7	25.1	-12.5	33.0	33.0	33.0	33.0	18.1	33.0
PAT	4.9	5.8	4.5	0.2	5.3	5.2	5.2	6.5	15.5	22.2
Change (%)	-36.2	-14.0	18.8	-95.9	7.5	-10.6	14.9	3,254.6	-32.8	43.4
Adj. EPS (INR)	6.2	7.2	5.7	14.6	6.6	6.5	6.5	8.1	33.7	27.7
Key Assumptions (USD/bbl)										
Exchange rate (INR/USD)	66.9	67.0	67.4	67.2	64.4	65.5	66.0	66.5	67.1	65.6
Gas Price (USD/bbl)	3.4	3.4	2.8	2.8	3.4	3.2	2.8	2.3	3.1	2.9
Gross Oil Realization	43.1	44.6	49.2	52.5	49.1	48.7	48.7	48.7	47.3	48.8
Subsidy	-	-	-	-	-	-	-	-	-	-
Net Oil Realization	43.1	44.6	49.2	52.5	49.1	48.7	48.7	48.7	47.3	48.8
Subsidy (INR b)	-	-	-	-	-	-	-	-	-	-

ONGC

Bloomberg	ONGC IN
Equity Shares (m)	12833.3
M. Cap. (INR b)/(USD b)	2053 / 32
52-Week Range (INR)	212 / 144
1,6,12 Rel Perf. (%)	-8 / -35 / -11

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	1421	1501	1706	1755
EBITDA	471	605	700	726
Adj. PAT	211	223	253	241
Adj. EPS	16.4	17.4	19.7	18.8
(INR) EPS Gr. (%)	20.8	6.0	13.4	-4.7
BV/Sh.(INR)	172	178	185	192
RoE (%)	10.1	9.9	10.8	10.0
RoCE (%)	8.5	8.7	9.3	8.5
Payout (%)	52.5	64.9	64.9	64.9
Valuation				
P/E (x)	9.7	9.2	8.1	8.5
P/BV (x)	0.9	0.9	0.9	0.8
EV/EBITDA	4.9	3.8	3.3	2.9
(x) Div. Yield (%)	4.7	6.0	6.8	9.8

CMP: INR160 TP: INR195 (+22%) Buy

- We expect ONGC to report adjusted PAT of INR52b in 1QFY18 (v/s INR43.4b in 4QFY17 and INR42.3b in 1QFY17).
- We estimate EBITDA at INR109.7b (v/s INR67.3b in 4QFY17 and INR92.7b in 1QFY17), led by lower opex assumption.
- We estimate gross and net realization at USD51.2/bbl, as we expect the entire subsidy to be borne by the government.
- Our Brent price assumption is USD50/bbl for FY18 and USD55/bbl for FY19/20.
- The stock trades at 8.1x FY19E consolidated EPS of INR19.7, with implied dividend yield of ~5%. Maintain **Buy**.

Key issues to watch for

- Subsidy sharing.
- DD&A charges.
- Oil & gas production volumes.
- Development plan for KG Basin.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	176,704	182,866	199,338	217,140	202,876	202,369	206,958	208,471	776,048	820,674
YoY Change (%)	-21.5	-11.1	9.2	33.7	14.8	10.7	3.8	-4.0	0.1	5.8
Total Expenditure	83,942	87,476	96,440	149,889	93,195	93,388	94,116	94,475	417,746	375,174
EBITDA	92,761	95,391	102,898	67,252	109,681	108,982	112,842	113,996	358,302	445,500
Margins (%)	52.5	52.2	51.6	31.0	54.1	53.9	54.5	54.7	46.2	54.3
Depreciation	36,997	34,529	47,039	53,875	44,451	44,451	44,451	44,451	172,440	177,805
Interest	2,920	3,034	3,062	3,202	960	960	960	960	12,217	3,840
Other Income	10,668	12,920	9,727	45,195	13,931	13,931	13,931	13,931	78,511	55,725
PBT before EO expense	63,512	70,748	62,524	55,371	78,201	77,502	81,362	82,516	252,155	319,581
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	63,512	70,748	62,524	55,371	78,201	77,502	81,362	82,516	252,155	319,581
Tax	21,186	20,999	19,001	11,969	26,064	25,831	27,118	27,503	73,155	106,516
Rate (%)	33.4	29.7	30.4	21.6	33.3	33.3	33.3	33.3	29.0	33
Reported PAT	42,325	49,749	43,523	43,402	52,137	51,670	54,244	55,013	179,000	213,065
Adj. PAT	42,325	49,749	43,523	43,402	52,137	51,670	54,244	55,013	179,000	213,065
YoY Change (%)	-21.2	2.7	3.3	-0.3	23.2	3.9	24.6	26.8	-8.3	19.0
Margins (%)	24.0	27.2	21.8	20.0	25.7	25.5	26.2	26.4	23.1	26.0
Key Assumptions (USD/bbl)										
Fx rate (INR/USD)	66.9	67.0	67.4	67.2	64.4	65.5	66.0	66.5	67.1	65.6
Gross Oil Realization	46.1	47.9	50.1	54.9	51.2	50.9	50.9	50.9	49.8	51.0
Subsidy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Oil Realization	46.1	47.9	50.1	54.9	51.2	50.9	50.9	50.9	49.8	51.0
Subsidy (INR b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

E: MOSL Estimates

Petronet LNG

Bloomberg	PLNG IN
Equity Shares (m)	1500.0
M. Cap. (INR b)/(USD b)	321 / 5
52-Week Range (INR)	229 / 141
1,6,12 Rel Perf. (%)	-4 / -3 / 30

CMP: INR214 TP: INR259 (+21%) Buy

- We expect PLNG to report PAT of INR4.6b (+22% YoY, -2% QoQ) and EBITDA of INR6.9b (+8% YoY, +12% QoQ) for 1QFY18.
- We model Dahej LNG volumes at 3.75mmt, with 100% utilization in 1QFY18.
- PLNG's long-term growth would depend on Dahej's ramp-up and Kochi terminal's pipeline connectivity.
- As against 15mmt capacity, PLNG has ~16mmt long-term take-or-pay contracts.
- The stock trades at 12.2x FY19E EPS of INR17.6. Maintain **Buy**.

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	246.2	259.4	338.1	343.5
EBITDA	25.9	23.0	39.3	40.2
Adj. PAT	17.1	12.9	26.3	26.8
Adj. EPS (INR)	11.4	8.6	17.6	17.9
EPS Gr. (%)	102.7	(24.5)	104.4	1.7
BV/Sh.(INR)	54.0	60.1	72.8	85.6
RoE (%)	23.2	15.1	26.4	22.6
RoCE (%)	20.2	13.4	24.8	22.5
Payout (%)	25.7	28.1	28.1	28.1
Valuation				
P/E (x)	18.8	24.9	12.2	12.0
P/BV (x)	4.0	3.6	2.9	2.5
EV/EBITDA (x)	1.3	1.3	0.9	0.4
Div. Yield (%)	1.2	1.0	2.0	4.0

Key issues to watch for

- Utilization at Dahej terminal.
- Progress on Kochi-Mangalore pipeline.
- Spot volumes and marketing margin on spot volumes.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	53,373	66,144	62,993	63,651	60,545	68,211	68,654	69,549	246,160	266,959
YoY Change (%)	-36.3	-12.3	22.4	4.9	13.4	3.1	9.0	9.3	-9.3	8.4
EBITDA	6,425	7,264	6,071	6,163	6,932	7,784	7,719	8,104	25,923	30,539
Margins (%)	12.0	11.0	9.6	9.7	11.4	11.4	11.2	11.7	10.5	11.4
Depreciation	806	860	1,009	1,016	1,078	1,078	1,078	1,078	3,691	4,310
Interest	556	554	517	469	267	267	267	267	2,097	1,068
Other Income	494	915	550	1,508	1,014	1,014	1,014	1,014	3,466	4,056
PBT	5,556	6,765	5,095	6,186	6,601	7,454	7,389	7,773	23,602	29,217
Tax	1,777	2,170	1,121	1,478	1,980	2,236	2,217	2,332	6,545	8,765
Rate (%)	32	32	22	24	30	30	30	30	28	30
PAT	3,779	4,596	3,975	4,708	4,621	5,218	5,172	5,441	17,057	20,452
YoY Change (%)	115.8	84.7	122.8	96.8	22.3	13.5	30.1	15.6	102.7	19.9
Margins (%)	7.1	6.9	6.3	7.4	7.6	7.6	7.5	7.8	6.9	7.7
Key Assumptions										
Regas volume (tbtu)	50.1	60.7	75.3	71.1	92.0	94.3	94.3	94.3	257.1	374.8
Sales volume (tbtu)	118.1	128.2	116.1	108.9	103.9	117.4	117.4	117.4	471.2	456.2

E: MOSL Estimates

Reliance Industries

Bloomberg	RIL IN
Equity Shares (m)	3240.0
M. Cap. (INR b)/(USD b)	4610 / 71
52-Week Range (INR)	1465 / 932
1,6,12 Rel Perf. (%)	8 / 16 / 30

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	2,420.3	3,190.8	3,740.1	3,677.1
EBITDA	432.6	510.2	538.8	522.3
Net Profit	314.3	359.8	386.1	399.2
Adj. EPS	106.6	122.1	131.0	135.4
EPS Gr. (%)	14.6	14.5	7.3	3.4
BV/Sh. (INR)	978.1	1,082.6	1,194.7	1,310.6
RoE (%)	11.9	11.8	11.5	10.8
RoCE (%)	9.1	10.1	10.2	9.6
Payout (%)	14.6	14.4	14.4	14.4
Valuations				
P/E (x)	13.3	11.7	10.9	10.5
P/BV (x)	1.5	1.3	1.2	1.1
EV/EBITDA	12.0	8.7	7.1	6.6
EV/Sales (x)	2.1	1.4	1.0	0.9

CMP: INR1,423 TP: INR1,262 (-11%) Neutral

- We expect RIL to report GRM of USD10/bbl v/s USD11.5/bbl in 4QFY17 and 1QFY18.
- RIL is expected to report a decline in its GRM in the quarter, led by narrowing light-heavy differential and inventory losses. While we expect subdued profitability in the refining segment, petchem profitability is expected to increase YoY/QoQ, led by improved deltas and an increase in petchem volumes.
- We expect RIL to report EBITDA of INR118.5b v/s INR112.8b in 4QFY17 and INR108.2b in 1QFY18.
- We expect RIL to report standalone PAT of INR82.9b (+10% YoY and +2% QoQ).
- RIL trades at 10.9x FY19E adjusted EPS of INR131. Its new refining/petchem projects are likely to add to earnings from 2HFY18/FY19, but the telecom business would be a drag on profitability. Maintain **Neutral**.

Key issues to watch for

- GRM.
- Petchem margins.
- Progress on core expansions.
- Update on telecom venture.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	534,960	595,770	618,060	671,460	574,944	853,386	877,941	884,481	2,420,250	3,190,752
YoY Change (%)	-18.7	-2.0	9.3	34.4	7.5	43.2	42.0	31.7	3.8	31.8
Total Expenditure	426,790	490,220	512,020	558,660	456,421	724,216	745,171	754,789	1,987,690	2,680,598
EBITDA	108,170	105,550	106,040	112,800	118,523	129,169	132,770	129,692	432,560	510,154
Margins (%)	20.2	17.7	17.2	16.8	20.6	15.1	15.1	14.7	17.9	16.0
Depreciation	19,500	20,290	20,770	24,090	27,456	27,456	27,456	27,456	84,650	109,824
Interest	9,240	6,330	9,310	2,350	9,355	9,355	9,355	9,355	27,230	37,418
Other Income	20,330	22,800	30,250	13,710	24,600	24,600	24,600	24,600	87,090	98,401
PBT	99,760	101,730	106,210	100,070	106,313	116,959	120,560	117,482	407,770	461,313
Tax	24,280	24,690	25,990	18,560	23,389	25,731	26,523	25,846	93,520	101,489
Rate (%)	24	24	24	19	22	22	22	22	23	22
Adj. PAT	75,480	77,040	80,220	81,510	82,924	91,228	94,037	91,636	314,250	359,825
YoY Change (%)	19.5	17.4	11.1	11.4	9.9	18.4	17.2	12.4	14.6	14.5
Margins (%)	14.1	12.9	13.0	12.1	14.4	10.7	10.7	10.4	13.0	11.3
Key Assumptions										
Refining throughput (mmt)	16.8	18.0	17.8	17.5	17.5	17.5	17.5	17.5	70.1	70.0
GRM (USD/bbl)	11.5	10.1	10.8	11.5	10.0	10.0	10.0	10.0	11.0	10.0
Petchem EBITDA/tonne (USD/MT)	303.8	314.4	329.4	326.2	350.0	300.0	300.0	280.0	318.5	307.5
Petchem volumes (mmt)	1.9	2.1	2.0	2.1	2.5	2.9	3.0	3.0	8.0	11.4

E: MOSL Estimates

NOTES

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