

# Earnings miss on higher dry-wells write-off and impairment

**CMP: Rs 71**  
as of (November 17, 2020)

**TP: Rs 100 (■)**  
12 months

**Rating: BUY (■)**

**Upside: 40.2 %**

- ONGC posted standalone revenue/EBITDA/APAT of Rs169.2bn/69.9bn/37.7bn in Q2. EBITDA was 9% below estimate on higher dry-wells write-off of Rs12.6bn. RPAT of Rs28.8bn was a 13% miss on Rs12.4bn impairment. Opex, DD&A and tax rate were lower.
- Nominated block crude output was down 1% yoy/flat qoq at 5.1mmt, while gas fell 5%/rose 5% to 5.6bcm. VAP fell 3%/rose 14% qoq to 0.83mmt with a decline in naphtha volumes yoy. Overall volumes were a 1% miss to our estimates, down 4% yoy/up 4% qoq.
- NB/JV crude oil realization jumped 44%/42% qoq to USD41.4/40.5/bbl, while for gas it was flat/up 4% qoq at USD2.7/3.3 per mmbtu (NCV). Nominated block (NB) crude oil realization discount to Brent narrowed to USD1.3/bbl from USD2.7/bbl in Q1 and vs USD2.0 est.
- We cut FY21E EPS by 2% and raise FY22/23E EPS by 19%/16%, building in lower DD&A and interest. Our FY21E EBITDA is down 10% due to lower oil price assumptions, while FY22/23E is mostly unchanged. We rollover to Sep'22E, retaining Rs100 TP and Buy/EW.

**Highlights:** Revenue was a 2% miss on lower crude sales/production and some miss in gas and naphtha-C2/C3 revenues. Total production cost was down 15% yoy/up 10% qoq with Rs4.1bn of forex gain. DD&A fell 4% qoq to Rs36.8bn due to a negative impairment of Rs2.1bn, while interest costs declined 36% qoq to Rs3.2bn, both below our estimates. Other income was 28% higher at Rs22.4bn due to unreported and higher dividend income, which resulted in a PBT beat of 6%. APAT was a 14% beat with a tax rate of 28% vs. 33% estimate. JV crude revenue was a 3% beat on better realizations. Statutory levies were broadly in line. Cash flow statement capex was Rs119bn in H1FY21. Gross debt reduced to Rs121bn from Rs139bn HoH. OVL reported consolidated revenue/EBITDA/PAT of Rs32.4bn/23.9bn/6.7bn. Crude production was down 16% yoy/6% qoq, while gas fell 16% yoy/10% qoq. H1 capex was Rs32.3bn.

**Guidance:** Impairment loss in Q2 was entirely due to lower gas prices. It can reverse going ahead if prices recover. Dry-wells write-off is down due to a reduction in exploration cost and activity levels (on Covid-19). It is trying to catch up on activities now. HPCL-MRPL integration-related interaction is currently on. MRPL-OMPL will be a merger. It makes sense to align HPCL with MRPL-OMPL, but OPaL would be outside. It is aware that a committee formed by MOPNG is looking at APM gas pricing and report would come soon. ONGC expects remunerative pricing though cannot give a timeline or quantum. Qatar term LNG price may be a relevant reference. It's looking at free pricing. FY21 capex to be Rs290-300bn.

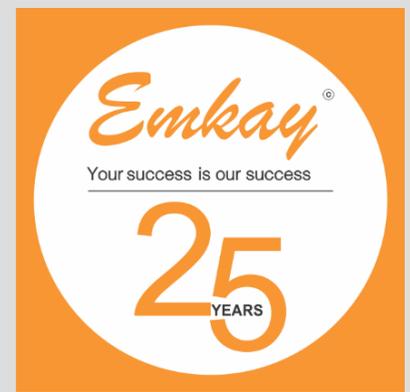
**Valuation:** We value ONGC at 3.5x Sep'22E standalone EV/EBITDA and listed investments at a 50% holdco discount to CMP. Key risks are adverse oil-gas prices, policy issues, divestment, cost overruns, Covid-19-led delays and dry holes. Trigger is gas reforms.

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

## Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,096,546	962,136	635,355	766,389	812,338
EBITDA	514,482	414,509	240,736	310,545	327,312
EBITDA Margin (%)	46.9	43.1	37.9	40.5	40.3
APAT	272,569	172,377	75,683	129,047	135,310
EPS (Rs)	21.7	13.7	6.0	10.3	10.8
EPS (% chg)	38.0	(36.8)	(56.1)	70.5	4.9
ROE (%)	13.9	9.7	4.1	6.4	6.4
P/E (x)	3.3	5.2	11.8	6.9	6.6
EV/EBITDA (x)	2.2	2.7	4.0	3.0	2.6
P/BV (x)	0.4	0.5	0.5	0.4	0.4

Source: Company, Emkay Research



## Change in Estimates

EPS Chg FY21E/FY22E (%)	(2)/19
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

## Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	6.0	10.3
Consensus	5.6	12.6
Mean Consensus TP (12M)	Rs 90	

## Stock Details

Bloomberg Code	ONGC IN
Face Value (Rs)	5
Shares outstanding (mn)	12,580
52 Week H/L	136 / 50
M Cap (Rs bn/USD bn)	896 / 12.04
Daily Avg Volume (nos.)	21,257,100
Daily Avg Turnover (US\$ mn)	20.8

## Shareholding Pattern Sep '20

Promoters	60.4%
FIIs	7.7%
DIIIs	17.5%
Public and Others	14.4%

## Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	6	(10)	(6)	(47)
<b>Rel. to Nifty</b>	(3)	(22)	(34)	(51)

## Relative price chart



Source: Bloomberg

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

### Sabri Hazarika

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

### Tanay Gabhawala

tanay.gabhawala@emkayglobal.com  
+91 22 6612 1336

**Exhibit 1: Actual vs. Estimates (Q2FY21)**

Rs mn	Actual	Estimate (Emkay)	Consensus Estimate (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	169,171	172,624	171,712	-2%	-1%	Due to lower crude sales/production
EBITDA	69,894	76,440	75,973	-9%	-8%	Higher dry-wells write-off
EBITDA Margin (%)	41%	44%	44%	-297bps	-293bps	
Adjusted Net Profit	37,709	33,114	22,593	14%	67%	Exceptional impairment

Source: Company, Emkay Research

**Exhibit 2: Standalone quarterly details**

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY	QoQ	H1FY20	H1FY21	YoY
Revenue	244,926	237,101	214,562	130,113	169,171	-31%	30%	510,474	299,284	-41%
COGS+OPEX	53,420	57,459	80,613	41,227	45,469	-15%	10%	105,489	86,696	-18%
Statutory Levies	58,606	56,671	48,070	29,809	39,349	-33%	32%	120,968	69,157	-43%
Survey+Dry Wells	15,979	17,176	30,384	11,269	14,459	-10%	28%	39,276	25,728	-34%
EBITDA	116,922	105,795	55,495	47,808	69,894	-40%	46%	244,740	117,702	-52%
DD&A	46,574	53,019	49,986	38,223	36,795	-21%	-4%	83,955	75,018	-11%
EBIT	70,347	52,776	5,509	9,585	33,099	-53%	245%	160,786	42,684	-73%
Finance Charges	6,818	6,264	8,695	4,918	3,172	-53%	-36%	13,278	8,091	-39%
Other Income	26,853	14,025	13,256	4,368	22,355	-17%	412%	34,020	26,723	-21%
Exceptional Items	-	-	(48,991)	-	(12,382)			-	(12,382)	
PBT	90,383	60,537	(38,920)	9,035	39,900	-56%	342%	181,528	48,935	-73%
Total Tax	27,752	18,273	(7,938)	4,075	11,122	-60%	173%	59,095	15,197	-74%
PAT	62,631	42,265	(30,983)	4,960	28,778	-54%	480%	122,433	33,738	-72%
Adjusted PAT	62,631	42,265	8,017	4,960	37,709	-40%	660%	122,433	42,669	-65%
Adjusted EPS (Rs)	5.0	3.4	0.6	0.4	3.0	-40%	660%	9.7	3.4	-65%
Crude Production (mmt)	5.8	5.8	5.8	5.7	5.7	-3%	0%	11.7	11.4	-3%
Gas Production (bcm)	6.3	6.2	6.0	5.5	5.9	-6%	6%	12.7	11.4	-10%
VAP Production (mmt)	0.9	0.9	0.9	0.7	0.8	-3%	14%	1.8	1.5	-13%
NB Net Oil Realization (USD/bbl)	60.3	59.7	49.0	28.7	41.4	-31%	44%	63.3	35.1	-45%
NB Gas Realization (Rs/scm)	10.5	9.3	9.1	7.2	7.2	-31%	0%	10.4	7.2	-31%

Source: Company, Emkay Research

\*Note: Adjusted PAT may not match with annual tables fully due to different adjustment method in Emkay detailed annual model

**Exhibit 3: OVL quarterly details (consolidated)**

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY	QoQ	H1FY20	H1FY21	YoY
Revenue	37,310	46,750	37,780	22,910	32,390	-13%	41%	85,030	55,300	-35%
COGS+OPEX	10,670	11,070	9,250	9,500	7,460	-30%	-21%	20,140	16,960	-16%
Statutory Levies	3,400	2,970	3,210	2,060	1,040	-69%	-50%	6,590	3,100	-53%
EBITDA	23,240	32,710	25,320	11,350	23,890	3%	110%	58,300	35,240	-40%
DD&A	9,710	10,100	6,770	8,720	7,800	-20%	-11%	19,020	16,520	-13%
EBIT	13,530	22,610	18,550	2,630	16,090	19%	512%	39,280	18,720	-52%
Finance Charges	4,000	3,530	6,910	4,790	5,020	26%	5%	8,260	9,810	19%
Other Income	1,790	1,150	1,430	1,040	880	-51%	-15%	3,690	1,920	-48%
Exceptional Items	-	-	-	-	-			-	-	
PBT	11,320	20,230	13,070	-1,120	11,950	6%		34,710	10,830	-69%
Total Tax	8,320	10,440	2,700	2,140	5,370	-35%	151%	19,260	7,510	-61%
Core PAT (excl. impairment)	3,000	9,790	10,370	-3,260	6,580	119%		15,450	3,320	-79%
ONGC EPS Contri. (Rs.)	0.2	0.8	0.8	-0.3	0.5	123%		1.2	0.3	-78%
Crude Production (mmt)	2.5	2.4	2.4	2.2	2.1	-16%	-6%	5.0	4.3	-13%
Gas Production (bcm)	1.3	1.3	1.3	1.2	1.1	-16%	-10%	2.6	2.3	-13%
Crude Realization (USD/bbl)	23.8	31.8	24.4	12.9	23.8	0%	84%	27.9	18.2	-35%
Gas Realization (USD/mmbtu)	2.1	2.1	2.0	2.1	1.8	-14%	-12%	2.1	2.0	-7%

Source: Company, Emkay Research

**Exhibit 4: Changes in assumptions**

	FY21E			FY22E			FY23E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Net Oil Realization (USD/bbl)	44.9	37.8	-16%	49.9	47.7	-4%	52.3	48.7	-7%
Gas Realization (Rs/scm)	7.0	6.3	-9%	7.2	5.7	-20%	7.2	7.1	-3%
Crude Oil Production (mmt)	22.7	22.6	0%	22.9	22.8	0%	23.2	23.1	0%
Natural Gas Production (bcm)	24.3	22.9	-6%	25.0	23.7	-5%	25.5	24.1	-5%
Total Production Growth	-3%	-6%	-303bps	2%	2%	12bps	2%	2%	6bps

Source: Company, Emkay Research

**Exhibit 5: Changes in estimates**

Rs bn	FY21E			FY22E			FY23E		
	Previous	Revised	Variance	Previous	Revised	Variance	Previous	Revised	Variance
Revenue	718	635	-11%	802	766	-4%	846	812	-4%
EBITDA	268	241	-10%	313	311	-1%	334	327	-2%
EBITDA Margins	37%	38%	51bps	39%	41%	153bps	39%	40%	84bps
PAT	77	76	-2%	108	129	19%	117	135	16%
EPS (Rs)	6.2	6.0	-2%	8.6	10.3	19%	9.3	10.8	16%

Source: Company, Emkay Research

## Concall Highlights

### Q2FY21 results

- ONGC's reduction in opex yoy in Q2FY21 was due to lower material costs at the Dahej plant (lower spot LNG costs/down 30% yoy) besides a reduction in repair & maintenance (down 25%), water injection (down 15%) and personnel costs.
- Hiring charges were up 10%, while CSR expenses went up for payments made at the start of year. Profit petroleum was lower due to CB OS-2.
- Finance cost was down due to a decrease in loans, lower interest rate (3.2%) and CP borrowing (done first time by ONGC). Trying to convert short-term debt to medium-term debt.
- DD&A was lower due to a fall in the depletion from Mumbai offshore reserve upgrade though partially offset by a downgrade in Assam, other onshore, etc. The reversal of impairment was on earlier write-off of few wells in frontier basins.
- Impairment loss taken in Q2 was entirely due to lower gas prices. It can reverse going ahead if gas prices recover.
- Dry-wells write-off is down due to a reduction in exploration costs and activity levels (due to Covid-19). It is trying to catch up on activities now.
- H1FY21 Vankor profit was Rs1.5bn (Q2 being more than H1).
- Opal has operated well with H1 income (revenue) of Rs46bn and EBITDA for Q1/Q2FY21 being Rs1.21/6.32bn and net loss at Rs6.41bn/550mn. Hence, earnings improved qoq. OPaL continued to operate during Covid and is at 100%+ currently. In Dec'19 itself, it hit 102-103%. July onward it is at 105%, and 9MFY21 should be 100%. Cracks have been good too. It is just the lopsided capital structure that needs to be sorted out.

### Consolidation

- Benefits of the integration have shown in consolidated results as HPCL's earnings supported it. HPCL did better than peers in H1FY21.
- HPCL-MRPL integration-related interaction is currently on. They are already working together in some segments (mix, co-ordination, etc.) and the aim is to reach 1:1. The change in legal structure should entail further benefits plus input-related gains.
- MRPL is currently outside SEZ, while OMPL is in, so those issues have to be seen. Further efficiency should come. MRPL-OMPL will be a merger. There are no legal issues in the merger but some formalities are left to be completed.
- Lots of restructuring have been anyways going on across subsidiaries. ONGC believes its stock price is very low.

- ONGC believes it makes sense to align HPCL with MRPL-OMPL, etc. However, OPaL is like ONGC's Dahej, Uran and Hazira plants, hence it should not be linked to HPCL.
- The company will formulate policy going ahead and the direction is clear. MRPL-OMPL merger will be done first, then take a pause and it will continue. It will happen in stages. Currently, there are no plans on HPCL delisting.

### Gas pricing

- ONGC is aware that a committee formed by MOPNG is looking at APM gas pricing and report would come soon. It expects remunerative pricing though cannot give timeline or quantum as of now which is open to discussion.
- India is LNG dependent, so gas pricing should reflect that. Spot LNG pricing currently is USD6/7.5 as landed/delivered, yet it was USD2-3 a while ago; hence, it is being very volatile. Qatar term LNG price may be a relevant reference point.
- The price of incremental gas is already freed. It is nomination field that needs better pricing so that past investments are recovered and the ability to invest in future is enhanced.
- ONGC is not looking at a floor or cap pricing but is seeking free pricing. Cost plus some return is always required. ONGC's gas opex is USD3.7/mmbtu.
- It has received good support from MOPNG both in review of prices and in the inclusion of gas under GST. The commitment is from the top level and the company expects arguments to cut ice as prices are extremely low now.

### Projects

- Covid-19 had affected KG-DWN-98/2 with a disruption in global tenders. The company is currently in discussions with vendors and now international supply chains are being restored. One well is under test production.
- There is no change in capacity and production potential of the block though it cannot give a timeline on plateau production as of now.
- There is not much change in in KG 98/2 opex estimates, while capex should be below earlier-sanctioned levels and estimates. ONGC had done bidding tender last year for small quantity and got good pricing for this gas. There is pricing and marketing freedom in KG.
- ONGC expects standalone FY21 total capex to be closer to Rs290-300bn vs. Rs260bn as earlier guided due to the resumption of activities. FY22E capex target was Rs320-330bn but the company will take a review of this shortly.

### Others

- The dividend will be decided after Q3FY21 results after stakeholder consultation. It would depend on profitability.
- ONGC has performed well under the pandemic and expects an improvement going ahead with H2 profitability expected to be better. The worst seems to be over now unless there is a second wave of Covid-19.
- The process of finalization of marginal fields contracts (PEC) is going on. The response was there although lower oil prices have brought in some apprehensions.
- The Senegal acquisition by OVL is expected to be completed by Jan'21. It's an attractive buyout. OVL's profitability is overall affected by lower oil prices.

**Exhibit 6: Value of investments**

Rs/sh/mn	Shares (mn)	Price	Value
MRPL - CMP	1,255	28	34,522
PLNG - CMP	188	260	48,750
IOCL - CMP	1,337	85	113,662
GAIL - CMP	217	95	20,634
HPCL - CMP	779	220	171,362
<b>Total</b>			<b>388,930</b>

Source: Company, Emkay Research

**Exhibit 7: SOTP valuation**

Sep'22 Estimates (Rs bn)	Earnings/Value	Multiple (x)	EV/FV	Value/sh
<b>Standalone</b>				
EV/EBITDA Valuation	319	3.5	1,116	89
Less: Net Debt (Sep'21E End)			54	4
<b>FV</b>			<b>1,063</b>	<b>84</b>
Listed Investments - 50% HairCut	389	50%	194	15
<b>Target Price</b>			<b>1,257</b>	<b>100</b>

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,096,546</b>	<b>962,136</b>	<b>635,355</b>	<b>766,389</b>	<b>812,338</b>
<b>Expenditure</b>	<b>582,063</b>	<b>547,627</b>	<b>394,620</b>	<b>455,844</b>	<b>485,025</b>
<b>EBITDA</b>	<b>514,482</b>	<b>414,509</b>	<b>240,736</b>	<b>310,545</b>	<b>327,312</b>
Depreciation	154,561	186,169	163,189	179,520	196,955
<b>EBIT</b>	<b>359,921</b>	<b>228,340</b>	<b>77,547</b>	<b>131,024</b>	<b>130,357</b>
Other Income	72,653	61,050	52,532	55,736	64,197
Interest expenses	24,921	28,237	16,611	14,237	13,659
<b>PBT</b>	<b>407,653</b>	<b>261,154</b>	<b>113,468</b>	<b>172,523</b>	<b>180,896</b>
Tax	132,645	69,241	33,662	43,476	45,586
Extraordinary Items	(7,362)	(57,467)	(12,380)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>267,646</b>	<b>134,445</b>	<b>67,425</b>	<b>129,047</b>	<b>135,310</b>
<b>Adjusted PAT</b>	<b>272,569</b>	<b>172,377</b>	<b>75,683</b>	<b>129,047</b>	<b>135,310</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	62,902	62,902	62,902	62,902	62,902
Reserves & surplus	1,954,994	1,880,479	1,927,677	2,005,106	2,079,526
<b>Net worth</b>	<b>2,017,896</b>	<b>1,943,381</b>	<b>1,990,579</b>	<b>2,068,007</b>	<b>2,142,428</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>215,936</b>	<b>237,757</b>	<b>80,000</b>	<b>40,000</b>	<b>0</b>
Net deferred tax liability	274,261	263,441	268,441	273,541	278,743
<b>Total Liabilities</b>	<b>2,508,093</b>	<b>2,444,579</b>	<b>2,339,020</b>	<b>2,381,548</b>	<b>2,421,170</b>
<b>Net block</b>	<b>1,219,357</b>	<b>1,276,991</b>	<b>1,300,179</b>	<b>1,377,000</b>	<b>1,406,350</b>
<b>Investment</b>	<b>1,143,770</b>	<b>1,057,702</b>	<b>1,025,662</b>	<b>996,840</b>	<b>999,565</b>
<b>Current Assets</b>	<b>283,451</b>	<b>269,860</b>	<b>174,910</b>	<b>216,120</b>	<b>248,808</b>
Cash & bank balance	5,041	9,682	3,099	8,875	29,138
Other Current Assets	110,632	121,620	80,313	96,877	102,685
<b>Current liabilities &amp; Provision</b>	<b>488,988</b>	<b>522,229</b>	<b>527,609</b>	<b>577,948</b>	<b>606,785</b>
<b>Net current assets</b>	<b>(205,537)</b>	<b>(252,369)</b>	<b>(352,700)</b>	<b>(361,829)</b>	<b>(357,977)</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>2,508,093</b>	<b>2,444,579</b>	<b>2,339,020</b>	<b>2,381,548</b>	<b>2,421,170</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>335,000</b>	<b>200,104</b>	<b>60,936</b>	<b>116,787</b>	<b>116,698</b>
Other Non-Cash items	84,242	103,334	(12,380)	0	0
Chg in working cap	(32,636)	40,654	98,748	20,005	21,613
<b>Operating Cashflow</b>	<b>423,038</b>	<b>577,853</b>	<b>293,323</b>	<b>286,955</b>	<b>303,219</b>
Capital expenditure	(174,301)	(255,555)	(190,000)	(260,000)	(230,000)
<b>Free Cash Flow</b>	<b>248,737</b>	<b>322,298</b>	<b>103,323</b>	<b>26,955</b>	<b>73,219</b>
Investments	3,227	86,068	32,039	28,822	(2,725)
Other Investing Cash Flow	(127,406)	(237,303)	118	119	121
<b>Investing Cashflow</b>	<b>(225,827)</b>	<b>(345,740)</b>	<b>(105,310)</b>	<b>(175,322)</b>	<b>(168,407)</b>
Equity Capital Raised	(1,265)	0	0	0	0
Loans Taken / (Repaid)	(39,986)	21,821	(157,757)	(40,000)	(40,000)
Dividend paid (incl tax)	(40,220)	0	0	0	0
Other Financing Cash Flow	(95,905)	(221,055)	(20,228)	(51,619)	(60,889)
<b>Financing Cashflow</b>	<b>(202,297)</b>	<b>(227,471)</b>	<b>(194,596)</b>	<b>(105,856)</b>	<b>(114,548)</b>
<b>Net chg in cash</b>	<b>(5,086)</b>	<b>4,642</b>	<b>(6,583)</b>	<b>5,777</b>	<b>20,263</b>
Opening cash position	10,127	5,041	9,682	3,099	8,875
<b>Closing cash position</b>	<b>5,041</b>	<b>9,682</b>	<b>3,099</b>	<b>8,875</b>	<b>29,138</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	46.9	43.1	37.9	40.5	40.3
EBIT Margin	32.8	23.7	12.2	17.1	16.0
Effective Tax Rate	32.5	26.5	29.7	25.2	25.2
Net Margin	25.1	19.9	12.6	16.8	16.7
ROCE	17.4	11.7	5.4	7.9	8.1
ROE	13.9	9.7	4.1	6.4	6.4
RoIC	36.9	22.6	7.9	13.4	12.9

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	21.7	13.7	6.0	10.3	10.8
CEPS	34.1	30.1	19.3	24.5	26.4
BVPS	160.4	154.5	158.2	164.4	170.3
DPS	7.0	5.0	1.6	4.1	4.8

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	3.3	5.2	11.8	6.9	6.6
P/CEPS	2.1	2.4	3.7	2.9	2.7
P/BV	0.4	0.5	0.5	0.4	0.4
EV / Sales	1.0	1.2	1.5	1.2	1.1
EV / EBITDA	2.2	2.7	4.0	3.0	2.6
Dividend Yield (%)	9.8	7.0	2.3	5.8	6.8

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.1	0.1	0.0	0.0	0.0
Net Debt/EBIDTA	0.4	0.6	0.3	0.1	(0.1)
Working Cap Cycle (days)	(1.6)	3.2	(2.3)	1.3	1.9

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	29.0	(12.3)	(34.0)	20.6	6.0
EBITDA	38.0	(19.4)	(41.9)	29.0	5.4
EBIT	57.8	(36.6)	(66.0)	69.0	(0.5)
PAT	34.2	(49.8)	(49.8)	91.4	4.9

<b>Quarterly (Rs mn)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>
Revenue	244,926	237,101	214,562	130,113	169,171
EBITDA	116,922	105,795	55,495	47,808	69,894
<b>EBITDA Margin (%)</b>	<b>47.7</b>	<b>44.6</b>	<b>25.9</b>	<b>36.7</b>	<b>41.3</b>
PAT	62,631	42,265	(30,983)	4,960	28,778
<b>EPS (Rs)</b>	<b>5.0</b>	<b>3.4</b>	<b>(2.5)</b>	<b>0.4</b>	<b>2.3</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>
Promoters	63.0	62.8	60.4	60.4	60.4
FII's	8.2	8.7	7.6	8.1	7.7
DIIs	16.0	15.7	17.9	17.4	17.5
Public and Others	12.8	12.8	14.1	14.1	14.4

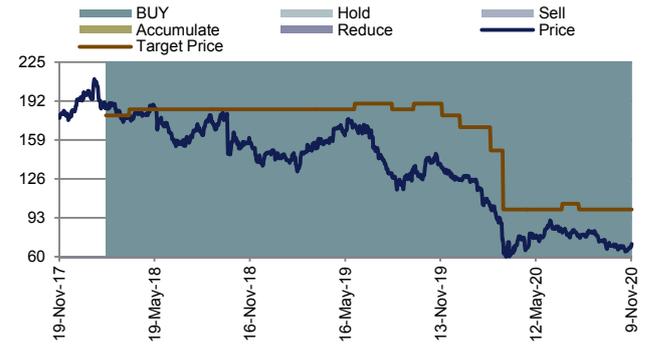
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Oct-20	67	100	12m	Buy	Sabri Hazarika
28-Sep-20	72	100	12m	Buy	Sabri Hazarika
2-Aug-20	78	100	12m	Buy	Sabri Hazarika
1-Jul-20	80	105	12m	Buy	Sabri Hazarika
6-May-20	79	100	12m	Buy	Sabri Hazarika
11-Mar-20	72	100	12m	Buy	Sabri Hazarika
16-Feb-20	103	150	12m	Buy	Sabri Hazarika
24-Jan-20	118	170	12m	Buy	Sabri Hazarika
20-Dec-19	125	170	12m	Buy	Sabri Hazarika
4-Dec-19	130	180	12m	Buy	Sabri Hazarika
16-Nov-19	136	180	12m	Buy	Sabri Hazarika
25-Oct-19	140	190	12m	Buy	Sabri Hazarika
23-Sep-19	136	190	12m	Buy	Sabri Hazarika
13-Aug-19	128	185	12m	Buy	Sabri Hazarika
10-Jun-19	165	190	12m	Buy	Sabri Hazarika
3-Jun-19	172	190	12m	Buy	Sabri Hazarika
1-Apr-18	178	185	12m	Buy	Sabri Hazarika
15-Feb-18	188	180	12m	Buy	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Oil & Gas



### Analyst: Sabri Hazarika

#### Contact Details

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

#### Sector

Oil & Gas

#### Analyst bio

Sabri Hazarika holds an MBA and comes with 11 years of research experience. His team currently covers 12 stocks in the Indian Oil & Gas space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Oil &amp; Gas</b>	<b>11.52</b>	<b>11.52</b>	<b>0%</b>	<b>-1</b>	<b>100.00</b>
BPCL	0.47	0.53	12%	6	4.57
GAIL	0.24	0.23	-4%	-1	2.01
Gujarat Gas	0.08	0.08	0%	0	0.66
Gujarat State Petronet	0.08	0.08	6%	0	0.71
Gulf Oil Lubricants	0.00	0.00	NA	0	0.00
HPCL	0.23	0.26	10%	2	2.22
Indian Oil	0.31	0.30	-4%	-1	2.61
Indraprastha Gas	0.22	0.21	-3%	-1	1.82
Petronet LNG	0.27	0.30	11%	3	2.63
Oil India	0.05	0.00	-93%	-4	0.03
ONGC	0.38	0.36	-4%	-2	3.13
Reliance Industries	9.20	9.17	0%	-3	79.56
<b>Cash</b>	<b>0.00</b>	<b>0.03</b>	<b>NA</b>	<b>1</b>	<b>0.0</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

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

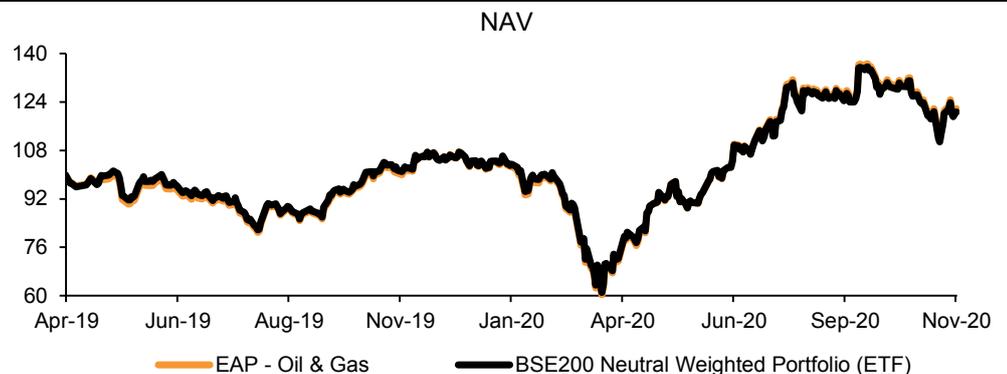
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	17-Feb-20	15-May-20	14-Aug-20	15-Oct-20	14-Nov-20
EAP - Oil & Gas	100.0	98.4	92.2	127.0	127.9	121.8
BSE200 Neutral Weighted Portfolio (ETF)	100.0	99.0	92.2	126.2	127.0	120.8

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

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

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

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 18 Nov 2020 00:28:27 (SGT)

Dissemination Date: 18 Nov 2020 00:29:27 (SGT)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of November 17, 2020
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
- Disclosure of previous investment recommendation produced:**
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of November 17, 2020.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the November 17, 2020
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the November 17, 2020

**RESTRICTIONS ON DISTRIBUTION**

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

**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

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

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com