

# BHARAT PETROLEUM CORPORATION

## Marketing boost drives earnings beat

India Equity Research | Oil, Gas and Services



Bharat Petroleum Corporation (BPCL) beat earnings significantly in Q4FY19 with EBITDA surging 6.5x QoQ due to all-time high marketing margin. Key highlights: 1) GRM fell slightly (down 1% QoQ) to USD2.7/bbl as inventory gains were lower than IOCL & HPCL; 2) marketing margin (excluding inventory gains) surged to all-time high of INR6.2/ltr driven by gains from RTP revision lag; 3) refining throughput jumped 10% QoQ as BPCL did not undertake any shutdowns for BS-6 upgradation; 4) marketing volume grew 5.8% YoY, surpassing industry's 4.5%. We expect GRM to rebound in FY20 due to IMO and normalisation of gasoline cracks. Given the stock's inexpensive valuation of 6.6x FY21E EV/EBITDA, we maintain 'BUY' with target price of INR375/share.

### All-time high marketing margin offsets weak refining

Core GRM (excluding inventory gains) at USD2.5/bbl (down 58% QoQ) is misleading as it includes losses from RTP revision lag, which tend to occur during periods of rising oil prices. We believe, actual margin will be higher given the 26% QoQ contraction in benchmark Singapore GRM. Marketing margin, on the other hand, at NR6.2/ltr (up 46% QoQ) benefited from RTP revision lag and more than offset decline in GRM. Inventory gains at INR3.5bn (inventory loss of INR33bn in Q3FY19) also contributed to the 6.5x QoQ surge in reported EBITDA. Refining throughput has also outperformed with shutdowns for BS-6 likely in Q3FY20.

### Petchem diversification at Kochi to lift margin

With the propylene plant slated to start operations in Q1FY20, we expect EBITDA margin to improve given the more profitable nature of the business. Both refineries are currently running at over 100% utilisation. Mozambique FID should come in by mid-2019. BPCL declared a full year dividend of INR19/share, translating in to a yield of 4.9%.

### Outlook and valuation: Attractive; retain 'BUY'

Although GRM contracted 30% YoY in FY19, we envisage recovery in FY20 led by higher diesel cracks due to IMO and normalising gasoline cracks. We believe, FY20 marketing margin will sustain at INR3.5/ltr given lower oil prices and abatement of regulatory pressure post elections. At our SOTP-based target price of INR375/share, BPCL's valuation is an inexpensive 6.6x FY21E EV/EBITDA. We maintain 'BUY/SO'.

### Financials

(INR mn)

Year to March	Q4FY19	Q4FY18	% Chg	Q3FY19	% Chg	FY19	FY20E	FY21E
Net revenues	739,904	652,393	13.4	791,688	(6.5)	2,982,256	3,451,304	4,247,887
EBITDA	48,050	37,216	29.1	7,374	551.6	151,122	141,271	170,026
Adjusted Profit	31,249	26,736	16.9	4,951	531.1	78,023	61,483	71,370
Adjusted Diluted EPS	15.9	13.6	16.9	2.5	531.1	39.7	31.3	36.3
Diluted P/E (x)						9.5	12.0	10.3
EV/EBITDA (x)						7.4	7.9	6.6
ROAE (%)						21.5	16.2	17.2

### EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

### MARKET DATA (R: BPCL.BO, B: BPCL IN)

CMP	: INR 392
Target Price	: INR 375
52-week range (INR)	: 429 / 239
Share in issue (mn)	: 2,169.2
M cap (INR bn/USD mn)	: 850 / 12,188
Avg. Daily Vol.BSE/NSE('000)	: 6,008.7

### SHARE HOLDING PATTERN (%)

	Current	Q3FY19	Q2FY19
Promoters *	53.9	53.9	53.9
MF's, FI's & BK's	16.8	16.8	14.6
FII's	14.6	14.6	16.9
Others	14.7	14.7	14.6
* Promoters pledged shares (% of share in issue)	:		NIL

### PRICE PERFORMANCE (%)

	Stock	Nifty	EW O & G Index
1 month	1.3	(2.6)	(0.7)
3 months	7.4	3.1	6.7
12 months	(7.1)	5.2	(0.3)

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**Table 1: Core EBITDA (ex. inventory and forex gains/losses) beat due to all-time high marketing margin**

BPCL core EBITDA (INR mn)	Q4FY19	Q4FY18	Q3FY19	YoY (%)	QoQ (%)
Reported EBITDA	48,050	37,216	7,374	29.1	551.6
Refining inventory (gains) / losses	(806)	(3,460)	12,920	(77)	(106)
Marketing inventory (gains) / losses	(2,720)	(1,020)	20,410	166.7	(113.3)
Forex (gains) / losses	(2,750)	1,220	(6,588)	(325)	(58)
<b>Core EBITDA</b>	<b>41,774</b>	<b>33,956</b>	<b>34,116</b>	<b>23.0</b>	<b>22.4</b>

Source: Company, Edelweiss research

**Table 2: Segmental EBITDA – Marketing EBITDA (ex inventory losses) beat estimate due to gains from RTP revision**

BPCL core EBITDA (INR mn)	Q4FY19	Q4FY18	Q3FY19	YoY (%)	QoQ (%)
<b>Derived Segmental EBITDA</b>					
Marketing EBITDA	39,122	18,176	(5,233)	115.2	(847.6)
Inventory (gains) / losses	(2,720)	(1,020)	20,410	NM	NM
<b>Core Marketing EBITDA</b>	<b>36,402</b>	<b>17,156</b>	<b>15,177</b>	<b>112.2</b>	<b>139.9</b>
Refining EBITDA	4,836	18,918	4,677	(74.4)	3.4
Inventory (gains) / losses	(806)	(3,460)	12,920	NM	NM
<b>Core refining EBITDA</b>	<b>4,030</b>	<b>15,458</b>	<b>17,597</b>	<b>(73.9)</b>	<b>(77.1)</b>

Source: Company, Edelweiss research

**Table 3: Key operational metrics – Marketing margin offset refining weakness, leading to profit surge**

Key Operational metrics	Q4FY19	Q4FY18	% YoY	Q3FY19	% QoQ
<b>Refining</b>					
EBITDA (INR mn)	4,836	18,918	(74.4)	4,677	3.4
Standalone GRM (USD/bbl)	2.7	6.5	(57.9)	2.8	(1.4)
Inventory (gain) / losses	(0.2)	(0.9)	NM	3.3	NM
<b>Core GRM (USD/bbl)</b>	<b>2.6</b>	<b>5.6</b>	<b>(54.2)</b>	<b>6.0</b>	<b>(57.8)</b>
Mumbai standalone GRM (USD/bbl)	3.6	6.8	(47.2)	2.7	30.7
Inventory (gain) / losses	(0.6)	(0.6)	NM	3.2	NM
<b>Mumbai core GRM (USD/bbl)</b>	<b>3.0</b>	<b>6.2</b>	<b>(51.1)</b>	<b>6.0</b>	<b>(49.3)</b>
Kochi GRM (USD/bbl)	2.0	6.3	(67.5)	2.8	(27.8)
Inventory (gain) / losses	0.1	(1.3)	NM	3.2	NM
<b>Kochi core GRM (USD/bbl)</b>	<b>2.1</b>	<b>5.0</b>	<b>(56.9)</b>	<b>6.0</b>	<b>(64.5)</b>
Throughput (TMT)	8,210	7,850	4.6	7,490	9.6
<b>Marketing</b>					
Reported EBITDA (INR mn)	39,122	18,176	115.2	-5,233	(847.6)
Inventory (gains) / losses	(2,720)	(1,020)	NM	20,410	NM
<b>Core Marketing EBITDA</b>	<b>36,402</b>	<b>17,156</b>	<b>112.2</b>	<b>15,177</b>	<b>NM</b>
<b>Sales (TMT)</b>					
MS	1,880	1,740	8.0	1,850	1.6
HSD	5,190	5,120	1.4	5,160	0.6
LPG	1,790	1,560	14.7	1,600	11.9
SKO	150	140	7.1	140	7.1
Others	2,340	2,170	7.8	1,920	21.9
Domestic Sales Volume	11,350	10,730	5.8	10,670	6.4
Exports Sales Volume	300	340	(11.8)	790	(62.0)
<b>Total Sales Volume</b>	<b>11,650</b>	<b>11,070</b>	<b>5.2</b>	<b>11,460</b>	<b>1.7</b>

Source: Company, Edelweiss research

Chart 1: Reported GRM at USD2.74/bbl, down 1% QoQ

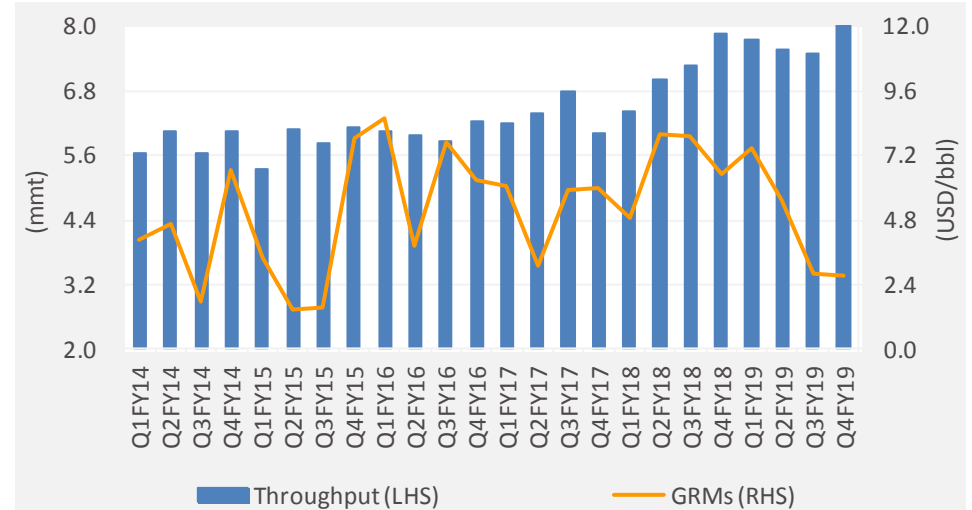


Chart 2: The entire OMC universe has witnessed GRM recovery in Q4FY19

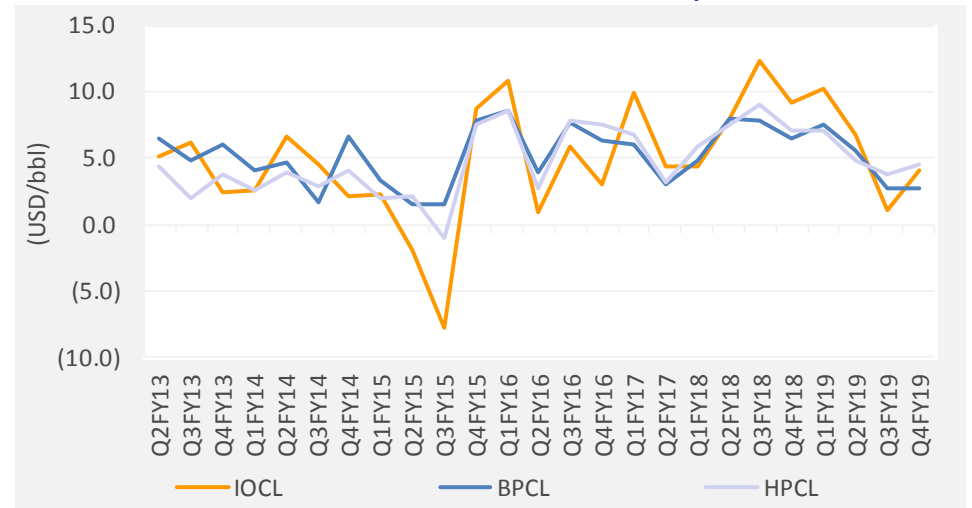
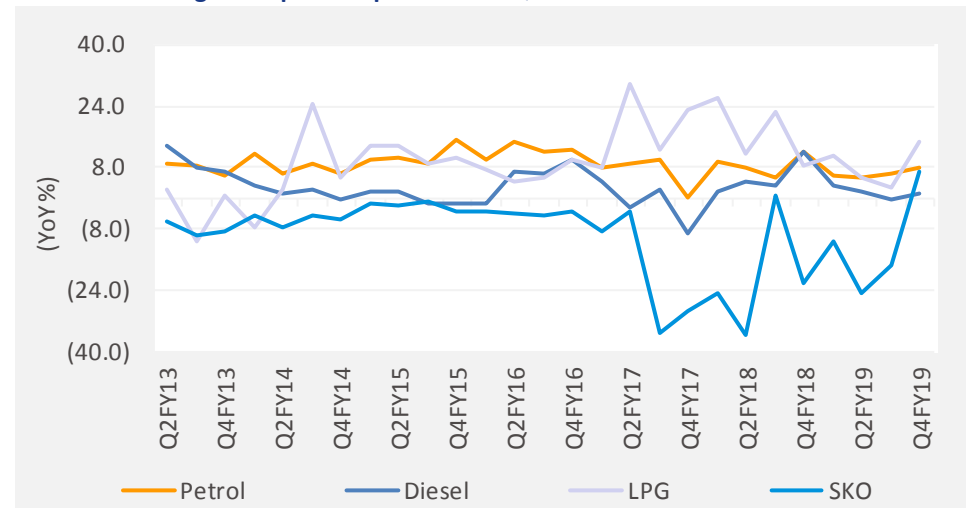


Chart 3: Volume growth picked up to 5.8% in Q4FY19



Source: Company, Edelweiss research

Table 5: SOTP valuation

Particulars	Base value (USD bn)	Base value (INR bn)	Base value (INR/share)
BPCL standalone refining (@ EV/EBITDA 5.5x)	6.6	440	224
Equity value of Bina refinery (@ EV/EBITDA 6x)	1.3	84	43
BPCL marketing (@ EV/EBITDA 4x)	0.5	33	17
BPCL pipelines (@ EV/EBITDA 6.5x)	0.6	40	21
Equity value of NRL	2.6	173	88
Equity value of Mozambique (@ 70tcf gas)	1.0	68.0	35
Equity value of Brazil (225mn bbls @ \$2/boe)	0.2	15.1	8
<b>EV of operating assets</b>	<b>12.7</b>	<b>853</b>	<b>434</b>
Non-current investments at 30% discount	2.0	136	69
Cash & cash equivalents	0.6	42	21
Debt net of advances	4.5	301	153
<b>Net non operating assets</b>	<b>1.8</b>	<b>123</b>	<b>63</b>
<b>Equity value</b>	<b>10.9</b>	<b>730</b>	<b>375</b>
CMP (INR)			320
Return on CMP (%)			17.2

Source: Edelweiss research

**Financial snapshot**

(INR mn)

Year to March	Q4FY19	Q4FY18	% change	Q3FY19	% change	FY19	FY20E	FY21E
Net revenues	739,904	652,393	13.4	791,688	(6.5)	2,982,256	3,451,304	4,247,887
Raw material costs	640,003	568,326	12.6	742,737	(13.8)	2,611,425	3,085,347	3,831,876
Gross profit	99,901	84,067	18.8	48,952	104.1	370,831	365,957	416,011
Employee expenses	10,369	9,571	8.3	8,020	29.3	39,848	44,158	47,766
Other expenses	41,483	37,280	11.3	33,559	23.6	179,861	180,529	198,219
EBITDA	48,050	37,216	29.1	7,374	551.6	151,122	141,271	170,026
Depreciation	9,149	7,413	23.4	7,781	17.6	34,178	47,840	60,451
EBIT	38,901	29,803	30.5	(408)	NA	116,945	93,430	109,575
Interest	3,526	2,194	60.7	3,369	4.7	17,640	21,567	25,793
Other income	10,576	8,329	27.0	9,672	9.3	20,375	26,738	27,404
Add: Prior period items								
Add: Exceptional items								
Profit before tax	45,951	35,939	27.9	5,895	679.5	119,681	98,601	111,186
Provision for taxes	14,702	9,202	59.8	944	1,457.9	43,775	36,022	40,556
Reported net profit	31,249	26,736	16.9	4,951	531.1	78,023	61,483	71,370
Adjusted Profit	31,249	26,736	16.9	4,951	531.1	78,023	61,483	71,370
Diluted shares (mn)	1,967	1,967		1,967		1,967	1,967	1,967
Adjusted Diluted EPS	15.9	13.6	16.9	2.5	531.1	39.7	31.3	36.3
Diluted P/E (x)	-	-		-		9.5	12.0	10.3
EV/EBITDA (x)	-	-		-		7.4	7.9	6.6
ROAE (%)	-	-		-		21.5	16.2	17.2
<b>As % of net revenues</b>								
Gross profit	13.5	12.9		6.2		12.4	10.6	9.8
EBITDA	6.5	5.7		0.9		5.1	4.1	4.0
Adjusted net profit	4.2	4.1		0.6		2.6	1.8	1.7

### Company Description

BPCL is a leading player in the Indian petroleum industry with operations in both refining and marketing segments. The company is venturing into E&P business through exploration assets in Mozambique and Brazil partnering Anadarko and Petrobras. BPCL has stakes in 22 E&P blocks worldwide and equity stakes in 2 Russian entities having interest in 4 blocks. BPCL, along with its subsidiaries, owns three refineries with a combined refining capacity of 36.5 mmtpa. It has recently commissioned its 6MMT expansion of its Kochi complex

### Investment Theme

Normally BPCL's refining margins have exhibited less volatility compared to the other oil marketing companies. We expect global refining margins to improve led by capacity closures offsetting capacity additions.

BPCL's Bina refinery is of higher complexity and will have higher refining margins. The refinery has stabilized and is positively contribution to BPCL's bottomline. Stabilization of Kochi by H1CY19 will also boost profitability.

Discoveries in Mozambique and Brazil provide good opportunity for company to enhance its footprint in the E&P space and lower the impact of under-recoveries in the long run.

It is also investing in a chemicals project in Kochi to produce specialty chemicals which are being imported into the country.

### Key Risks

Roll-back of deregulation due to sharp rally in crude prices

Regulatory change in the form of reduction in duty protection will lower refining margins.

Country risk in areas of its E&P operations, especially in Mozambique, where the industry ecosystem and regulations are still in a nascent stage.

## Financial Statements

## Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
<b>Macro</b>				
GDP(Y-o-Y %)	6.5	7.1	7.6	7.6
Inflation (Avg)	3.8	4.0	4.5	4.5
Repo rate (exit rate)	6.0	6.5	6.8	6.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
<b>Sector</b>				
Brent Crude (USD/bbl)	57.6	70.2	65.0	75.0
Under-recovery (INR bn)	282	640	611	835
% sharing by Govt	100.0	89.9	90.9	78.4
% sharing by upstream	-	10.1	9.1	21.6
<b>Company</b>				
<b>Refining</b>				
Refining thrput (mmt)	29	30	30	30
GRM (USD/bbl)	6.8	4.8	7.2	7.8
Opex (USD/bbl)	1.6	1.6	1.8	1.8
<b>Marketing</b>				
Export sales (mmt)	2.0	2.2	2.4	2.6
Tot dom. sales (mmt)	41.2	43.7	46.0	49.4
Gasoline sales (mmt)	7.0	8.0	8.7	9.4
Diesel sales (mmt)	20.1	22.3	23.3	25.2
Nor. gross mgn (INR/mt)	4,346	4,172	4,300	4,350
<b>Pipelines</b>				
Ppl thrput (BTKM)	6.0	6.0	6.0	6.0
Ppl EBITDA INR/mmt/km	1.0	1.0	1.0	1.1
<b>Financial assumptions</b>				
Avg. Interest rate (%)	3.6	5.0	8.0	8.0
Gross debt (INR bn)	234	272	322	382
Capex (INR bn)	70	97	120	163
Cash conversion cycle	22	16	17	20

## Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	2,357,698	2,982,256	3,451,304	4,247,887
Materials costs	2,021,117	2,611,425	3,085,347	3,831,876
Gross profit	336,581	370,831	365,957	416,011
Employee costs	37,485	39,848	44,158	47,766
Other Expenses	147,369	179,861	180,529	198,219
EBITDA	151,727	151,122	141,271	170,026
Depreciation	28,850	34,178	47,840	60,451
EBIT	122,877	116,945	93,430	109,575
Less: Interest Expense	11,857	17,640	21,567	25,793
Add: Other income	17,827.2	20,375.4	26,737.73	27,404.3
Profit Before Tax	128,846	119,681	98,601	111,186
Less: Provision for Tax	43,816	43,775	36,022	40,556
Less: Minority Interest	7,833	7,256	7,880	7,611
Associate profit share	12,889	9,373	6,783	8,352
Reported Profit	90,086	78,023	61,483	71,370
Adjusted Profit	90,086	78,023	61,483	71,370
Shares o/s (mn)	1,967	1,967	1,967	1,967
Adjusted Basic EPS	45.8	39.7	31.3	36.3
Diluted shares o/s (mn)	1,967	1,967	1,967	1,967
Adjusted Diluted EPS	45.8	39.7	31.3	36.3
Adjusted Cash EPS	67.9	64.0	55.6	67.0
Dividend per share (DPS)	21.0	19.0	13.3	16.0
Dividend Payout Ratio(%)	53.5	55.9	49.8	51.6

## Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Materials costs	85.7	87.6	89.4	90.2
Staff costs	1.6	1.3	1.3	1.1
S G & A expenses	6.3	6.0	5.2	4.7
Operating expenses	93.6	94.9	95.9	96.0
Depreciation	1.2	1.1	1.4	1.4
Interest Expense	0.5	0.6	0.6	0.6
EBITDA margins	6.4	5.1	4.1	4.0
Net Profit margins	4.2	2.9	2.0	1.9

## Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	17.2	26.5	15.7	23.1
EBITDA	10.4	(0.4)	(6.5)	20.4
PBT	1.0	(7.1)	(17.6)	12.8
Adjusted Profit	3.3	(13.4)	(21.2)	16.1
EPS	3.3	(13.4)	(21.2)	16.1

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	19,669	19,669	19,669	19,669	
Reserves & Surplus	346,517	367,978	393,361	409,217	
Shareholders' funds	366,186	387,647	413,029	428,886	
Minority Interest	19,051	20,700	34,219	41,830	
Long term borrowings	289,043	343,156	480,408	540,408	
Short term borrowings	80,930	85,990	120,462	120,546	
Total Borrowings	369,973	429,145	600,870	660,954	
Long Term Liabilities	17,684	18,783	18,783	18,783	
Def. Tax Liability (net)	55,224	67,920	69,406	81,500	
<b>Sources of funds</b>	<b>828,117</b>	<b>905,413</b>	<b>1,117,525</b>	<b>1,213,171</b>	
Gross Block	519,125	590,407	551,931	582,841	
Net Block	452,607	489,710	404,224	374,683	
Capital work in progress	98,756	136,547	256,197	406,157	
Intangible Assets	2,784	3,436	129,378	129,378	
Total Fixed Assets	554,147	629,693	789,798	910,217	
Non current investments	182,753	191,078	219,862	228,214	
Cash and Equivalents	68,031	64,616	151,830	130,453	
Inventories	225,295	229,349	324,894	400,731	
Sundry Debtors	52,048	69,063	84,461	101,965	
Loans & Advances	43,436	55,139	37,279	41,101	
Other Current Assets	78,496	129,130	52,389	59,047	
Current Assets (ex cash)	399,275	482,680	499,023	602,844	
Trade payable	132,319	173,847	200,304	244,975	
Other Current Liab	243,769	288,807	342,685	413,583	
Total Current Liab	376,088	462,655	542,988	658,558	
Net Curr Assets-ex cash	23,187	20,025	(43,965)	(55,714)	
<b>Uses of funds</b>	<b>828,117</b>	<b>905,413</b>	<b>1,117,525</b>	<b>1,213,171</b>	
BVPS (INR)	186.2	197.1	210.0	218.1	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	90,086	78,023	61,483	71,370	
Add: Depreciation	28,850	34,178	47,840	60,451	
Interest (Net of Tax)	7,825	11,188	13,688	16,385	
Others	(3,336)	(2,986)	(10,979)	(10,385)	
Less: Changes in WC	12,742	73,196	(86,575)	(15,491)	
Operating cash flow	110,684	47,206	198,607	153,312	
Less: Capex	78,355	175,856	140,987	180,870	
<b>Free Cash Flow</b>	<b>32,328</b>	<b>(128,650)</b>	<b>57,620</b>	<b>(27,558)</b>	

### Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Bharat Petroleum Corporation	12,188	12.5	10.8	8.9	7.9	16.2	17.2
Hindustan Petroleum Corporation	6,414	8.0	7.0	6.9	6.1	17.2	17.6
Indian Oil Corporation	21,283	8.7	8.1	5.2	4.5	13.4	12.9
Median	-	8.7	8.1	6.9	6.1	16.2	17.2
AVERAGE	-	9.8	8.7	7.0	6.2	15.6	15.9

Source: Edelweiss research

Cash flow metrics					
Year to March	FY18	FY19	FY20E	FY21E	
Operating cash flow	110,684	47,206	198,607	153,312	
Financing cash flow	(40,172)	52,505	44,453	(21,223)	
Investing cash flow	(70,655)	(90,232)	(114,249)	(153,466)	
Net cash Flow	(143)	9,480	128,811	(21,376)	
Capex	(78,355)	(175,856)	(140,987)	(180,870)	
Dividend paid	(43,676)	(48,294)	(50,010)	(55,513)	

### Profitability and efficiency ratios

Year to March	FY18	FY19	FY20E	FY21E
ROAE (%)	27.5	21.5	16.2	17.2
ROACE (%)	14.7	12.3	9.0	8.9
Inventory Days	39	32	33	35
Debtors Days	8	7	8	8
Payable Days	22	21	22	21
Cash Conversion Cycle	25	18	19	21
Current Ratio	1.2	1.2	1.2	1.1
Gross Debt/EBITDA	2.4	2.8	4.3	3.9
Gross Debt/Equity	1.0	1.1	1.3	1.4
Adjusted Debt/Equity	1.0	1.1	1.3	1.4
Net Debt/Equity	0.8	0.9	1.0	1.1
Interest Coverage Ratio	10.4	6.6	4.3	4.2

### Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Total Asset Turnover	3.1	3.4	3.4	3.6
Fixed Asset Turnover	4.5	5.0	4.9	5.0
Equity Turnover	6.6	7.5	8.1	9.3

### Valuation parameters

Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	45.8	39.7	31.3	36.3
Y-o-Y growth (%)	3.3	(13.4)	(21.2)	16.1
Adjusted Cash EPS (INR)	67.9	64.0	55.6	67.0
Diluted P/E (x)	8.6	9.9	12.5	10.8
P/B (x)	2.1	2.0	1.9	1.8
EV / Sales (x)	0.4	0.4	0.3	0.3
EV / EBITDA (x)	7.2	7.6	8.9	7.9
Dividend Yield (%)	5.4	4.8	3.4	4.1
EV	1,058,573	1,122,810	1,122,810	1,122,810



## Additional Data

### Directors Data

D. Rajkumar	Chairman & Managing Director	S Ramesh	Director - Marketing
R Ramachandran	Director - Refineries	S P Gathoo	Director - HR
P H Kurian	Government Director	Anant Kumar Singh	Government Director
K Sivakumar	Director - Finance	Rajesh Mangal	Independent Director
Deepak Bhojwani	Independent Director	Gopal Nanda	Independent Director

Auditors - M/s. CNK & Associates LLP, M/s. Haribhakti & Co. LLP

*\*as per last annual report*

### Holding – Top10

	Perc. Holding		Perc. Holding
Government of india	53.3	Bpcl trust for inves	9.33
Life insurance corp	5.46	Hdfc asset managemen	2.57
Blackrock	1.87	Vanguard group	1.62
Sbi funds management	1.52	Reliance capital tru	1.21
Ubs	0.92	Franklin resources	0.91

*\*in last one year*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
11 Mar 2019	President Of India	Sell	13849907.00

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Bharat Petroleum Corporation	BUY	SO	M	GAIL (INDIA)	HOLD	SP	L
Gujarat Gas	BUY	SO	M	Gujarat State Petronet	BUY	SO	M
Hindustan Petroleum Corporation	HOLD	SP	L	Indian Oil Corporation	BUY	SO	M
Indraprastha Gas	BUY	SO	M	Mahanagar Gas Ltd	BUY	SO	H
ONGC	BUY	SO	L	Petronet LNG	HOLD	SP	L
Reliance Industries	BUY	SO	M				

## ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

## RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

## RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

## SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Aditya Narain

Head of Research

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## Coverage group(s) of stocks by primary analyst(s): Oil, Gas and Services

Bharat Petroleum Corporation, GAIL (INDIA), Gujarat Gas, Gujarat State Petronet, Hindustan Petroleum Corporation, Indraprastha Gas, Indian Oil Corporation, Mahanagar Gas Ltd, ONGC, Petronet LNG, Reliance Industries

### Recent Research

Date	Company	Title	Price (INR)	Recos
20-May-19	<b>Hindustan Petroleum Corporation</b>	All-time high marketing margin fuels earnings beat; <i>Result Update</i>	294	Hold
20-May-19	<b>Indian Oil Corporation</b>	Robust marketing margin fuels core earnings beat; <i>Result Update</i>	148	Buy
16-May-19	<b>Petronet LNG</b>	Earnings miss on inventory write down; <i>Result Update</i>	233	Hold

### 1 Distribution of Ratings / Market Cap

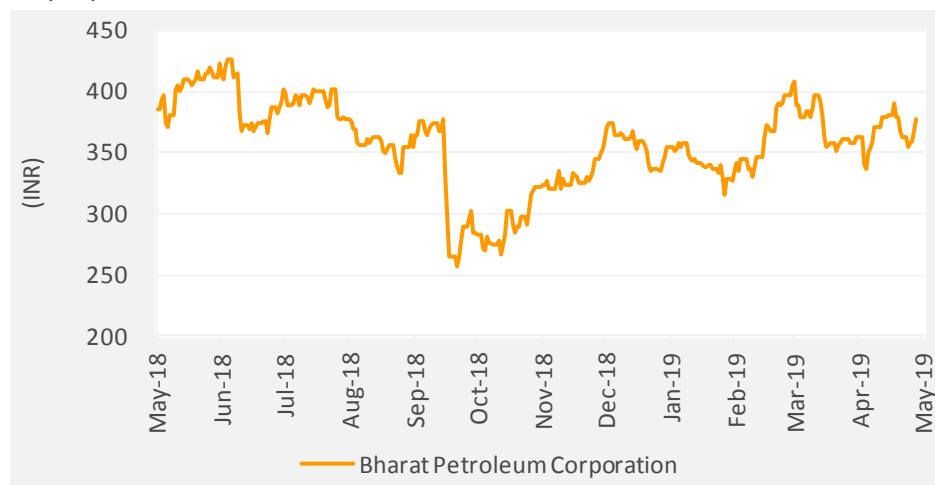
#### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	229
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

### Rating Interpretation

Rating	Expected to
<b>Buy</b>	appreciate more than 15% over a 12-month period
<b>Hold</b>	appreciate up to 15% over a 12-month period
<b>Reduce</b>	depreciate more than 5% over a 12-month period

### One year price chart



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