

HINDUSTAN PETROLEUM CORPORATION

All-time high marketing margin fuels earnings beat

India Equity Research | Oil, Gas and Services



Hindustan Petroleum Corporation (HPCL) reported significant earnings beat led by higher-than-expected marketing margin. Key takeaways: 1) GRM rose 21% QoQ to USD4.5/bbl on inventory gains; 2) marketing margin (adjusted for inventory gains) catapulted 59% QoQ due to gains from RTP revision lag; 3) refining throughput was flat QoQ due to BS-6 shutdowns at Mumbai; and 4) marketing volume (up 6.8% YoY) surpassed estimate and was higher than industry growth of 4.5%. We estimate the company's earnings to moderate in Q1FY20 as lower gains from inventory and RTP revision lag will offset higher GRM. Maintain 'HOLD' with SOTP-based TP of INR225/share (4.9x FY21E EV/EBITDA).

All time high marketing margin nowhere says so boosts profitability

Adjusted for inventory gains, GRM came at USD2.1/bbl, down 79% QoQ. However, this number is misleading as it is impacted by RTP price lag. But this lag has boosted marketing margin—at INR7.6/ltr, up 59% QoQ in Q4FY19. Higher marketing margin is the primary reason for overall EBITDA beat. Inventory gain at INR9.2bn also led to QoQ rise in EBITDA (INR151.8bn inventory loss in Q3).

Highest increase in medium-term capex amongst OMCs

HPCL's annual capex will double from INR80bn in FY19 to INR150bn over the next five years. Refining capacity will double with INR400bn Barmer refinery starting in 2022. The company will also enter new verticals—petchem with 1MT plant at Bhatinda and gas with a LNG terminal at Chhara/ramp up of CGD ventures. It has earmarked INR40bn for investment in the Chhara LNG project. HPCL declared full year dividend of INR15.9/share, translating in to 5.5% dividend yield.

Outlook and valuation: Tread with caution; maintain 'HOLD'

Marketing margin have declined in Q1FY20 due to election compulsions, which will cap earnings in Q1FY20. HPCL has the highest share of marketing in overall earnings and will bear the brunt of any weakness in marketing margin. Additionally, high capex intensity amongst OMCs and dividend compulsion will lead to leverage rising to 1x by FY21. We believe, inexpensive valuations at 5.7x FY21E EV/EBITDA adequately reflect these risks. We maintain 'HOLD/SP' with TP of INR225/share.

Financials

(INR mn)

Year to March	Q4FY19	Q4FY18	% Chg	Q3FY19	% Chg	FY19	FY20E	FY21E
Net revenues	679,381	608,101	11.7	721,118	(5.8)	2,742,552	2,912,662	3,608,046
EBITDA	51,662	29,226	76.8	9,632	436.4	103,490	96,156	122,190
Adjusted Profit	29,699	17,479	69.9	2,476	1,099.7	66,906	55,623	63,539
Adjusted Diluted EPS	19.5	11.5	69.9	1.6	1,099.7	43.9	36.5	41.6
Diluted P/E (x)						6.6	8.0	7.0
EV/EBITDA (x)						6.8	7.3	5.7
ROAE (%)						23.9	17.2	17.6

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	Equalweight

MARKET DATA (R: HPCL.BO, B: HPCL IN)

CMP	: INR 294
Target Price	: INR 225
52-week range (INR)	: 325 / 163
Share in issue (mn)	: 1,523.8
M cap (INR bn/USD mn)	: 447 / 6,414
Avg. Daily Vol.BSE/NSE('000)	: 7,823.3

SHARE HOLDING PATTERN (%)

	Current	Q3FY19	Q2FY19
Promoters *	-	-	-
MF's, FI's & BK's	17.6	17.6	16.5
FII's	19.2	19.2	20.2
Others	63.2	63.2	63.3
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW O & G Index
1 month	6.2	(2.6)	(0.7)
3 months	18.0	3.1	6.7
12 months	(11.7)	5.2	(0.3)

Jal Irani

+91 22 6620 3087
jal.irani@edelweissfin.com

Vijayant Gupta

+91 22 4040 7402
vijayant.gupta@edelweissfin.com

May 20, 2019

Table 1: Core EBITDA (ex-inventory/forex gains and RTP revision lag) was a significant beat on better marketing margins

HPCL core EBITDA (INR mn)	Q4FY19	Q4FY18	Q3FY19	YoY (%)	QoQ (%)
Reported EBITDA	51,662	29,226	9,632	76.8	436.4
Refining inventory (gains) / losses	(5,720)	(1,026)	15,177		
Marketing inventory (gains) / losses	(3,440)	(530)	19,300		
Exchange rate (gains)/losses	(2,480)	4,550	(5,970)		
Core EBITDA	40,022	32,220	38,139	24.2	4.9

Source: Company, Edelweiss research

Table 2: Segmental EBITDA breakdown – Marketing EBITDA was boosted by RTP revision lag

HPCL core EBITDA (INR mn)	Q4FY19	Q4FY18	Q3FY19	YoY (%)	QoQ (%)
Reported refining EBITDA	6,500	11,530	6,450	(43.6)	0.8
Inventory (gains) / losses	(5,720)	(1,026)	15,177	NM	NM
Core Refining EBITDA	780	10,504	21,627	(92.6)	NM
Estimated marketing EBITDA	52,270	25,680	1,050	103.5	4,878.1
Inventory (gains) / losses	(3,440)	(530)	19,300	NM	NM
Core Marketing EBITDA	48,830	25,150	20,350	94.2	140.0

Source: Company, Edelweiss research

Table 3: Key operational metrics – Inventory gains and higher marketing margins boosted overall EBITDA

Key Operational metrics	Q4FY19	Q4FY18	Q3FY19	% YoY	% QoQ
Refining					
Reported GRM (USD/bbl)	4.5	9.0	4.8	(50.1)	(6.2)
Inventory gains (USD/bbl)	2.4	2.9	2.1	(18.1)	13.5
Core GRM (USD/bbl)	2.1	6.1	2.7	(65.5)	(21.8)
Reported EBITDA (INR mn)	6,500	11,530	6,450	(43.6)	0.8
Inventory gains (INR mn)	5,720	1,026	(15,177)	457.4	(137.7)
Core EBITDA (INR mn)	780	10,504	21,627	(92.6)	(96.4)
Throughput (TMT)	4,600	4,630	4,760	(0.6)	(3.4)
Marketing					
Reported EBITDA (INR mn)	52,270	25,680	1,050	103.5	4,878.1
Inventory gains (INR mn)	3,440	530	7,510	549.1	(54.2)
Core EBITDA (INR mn)	48,830	25,150	-6,460	94.2	(855.9)
Sales volume (TMT)					
MS	1,780	1,640	1,700	8.5	4.7
HSD	4,620	4,490	4,090	2.9	13.0
LPG	1,800	1,600	1,650	12.5	9.1
SKO	140	140	130	0.0	7.7
Others	1,690	1,520	1,260	11.2	34.1
Domestic Sales Volume	10,030	9,390	8,830	6.8	13.6
Exports Sales Volume	80	60	310	33.3	(74.2)
Total Sales Volume	10,110	9,450	9,140	7.0	10.6
Industry volumes	54,620	52,276	53,750	4.5	1.6
Pipeline					
Total throughput	5,610	5,270	5,250	6.5	6.9

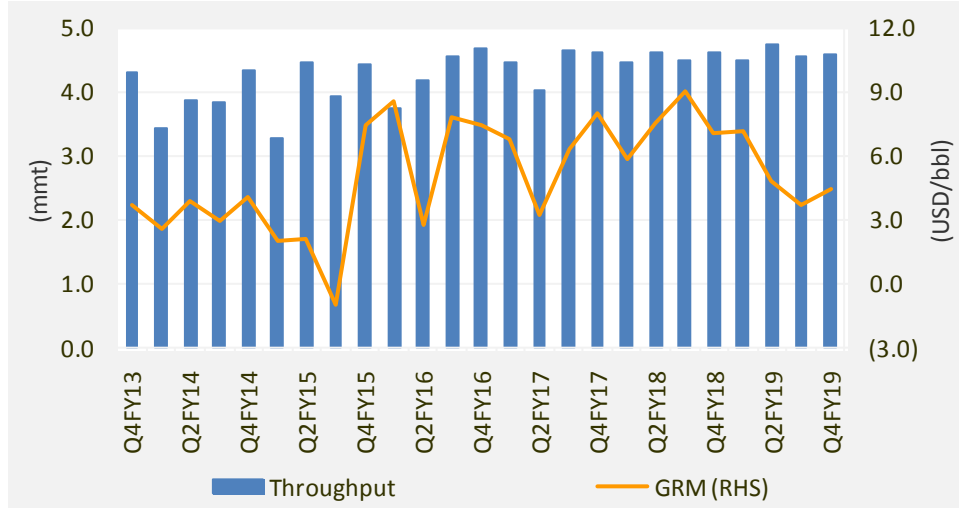
Source: Company, Edelweiss research

Table 4: Quarterly Comparison

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY (%)
Refining Throughput (MMT)									
IOCL	17.5	16.1	18.2	17.2	17.7	17.8	19.0	17.4	1.2
BPCL	6.4	7.0	7.3	7.9	7.7	7.6	7.5	8.2	4.6
HPCL	4.5	4.6	4.5	4.6	4.5	4.8	4.6	4.6	(0.6)
Throughput Growth (YoY %)									
IOCL	8.8	2.9	11.4	0.4	0.8	10.7	4.1	1.2	
BPCL	3.5	9.5	7.2	30.4	20.6	8.1	3.0	4.6	
HPCL	0.2	14.9	(3.0)	(0.2)	0.7	2.6	0.9	(0.6)	
GRM (\$/bbl)									
IOCL	4.3	8.0	12.3	9.1	10.2	6.8	1.2	4.1	(55.2)
BPCL	4.9	8.0	7.9	6.5	7.5	5.6	2.8	2.7	(57.9)
HPCL	5.9	7.6	9.0	7.1	7.2	4.8	3.7	4.5	(68.1)
Inventory Gains (\$/bbl)									
IOCL	(3.4)	1.0	6.2	3.0	6.8	3.3	(8.0)	2.7	(0.4)
BPCL	(2.0)	1.5	3.0	0.9	3.3	2.3	(3.3)	0.2	(0.8)
HPCL	(3.0)	2.1	2.9	0.5	3.4	2.1	(6.3)	2.4	1.9
Core GRM (\$/bbl)									
IOCL	7.7	6.9	6.1	6.1	3.4	3.5	9.1	1.4	(76.6)
BPCL	6.9	6.5	4.9	5.6	4.2	3.3	6.0	2.6	(54.2)
HPCL	8.8	5.6	6.1	6.6	3.7	2.7	10.0	2.1	(68.1)
Marketing sales volume (MMT)									
IOCL	21.5	19.9	21.5	21.4	21.7	20.4	21.6	21.5	0.3
BPCL	10.5	10.4	11.2	11.1	11.3	10.6	11.5	11.7	5.2
HPCL	9.3	8.8	9.4	9.5	9.7	9.1	9.7	10.1	7.0
Volume Growth (%)									
IOCL	6.2	7.4	7.1	7.2	0.8	2.7	0.1	0.3	
BPCL	4.8	8.7	6.9	9.9	7.1	2.1	2.0	5.2	
HPCL	3.8	7.3	1.7	6.8	5.0	4.2	3.2	7.0	
Normalised Gross Marketing margin (INR/ltr)									
IOCL	3.2	2.9	3.0	3.7	3.7	4.0	3.7	5.8	57.0
BPCL	3.6	3.9	3.1	4.4	3.7	4.3	4.2	6.2	39.4
HPCL	4.9	4.4	3.9	5.3	4.1	3.7	4.7	7.5	42.9
Inventory Gains (INR/ltr)									
IOCL	(0.5)	0.1	0.4	0.4	0.8	0.6	(1.1)	0.1	(74.7)
BPCL	(0.5)	0.1	0.4	0.1	1.1	0.4	(1.5)	0.2	166.7
HPCL	(0.9)	0.3	0.8	0.0	1.0	0.7	(1.7)	0.3	506.7

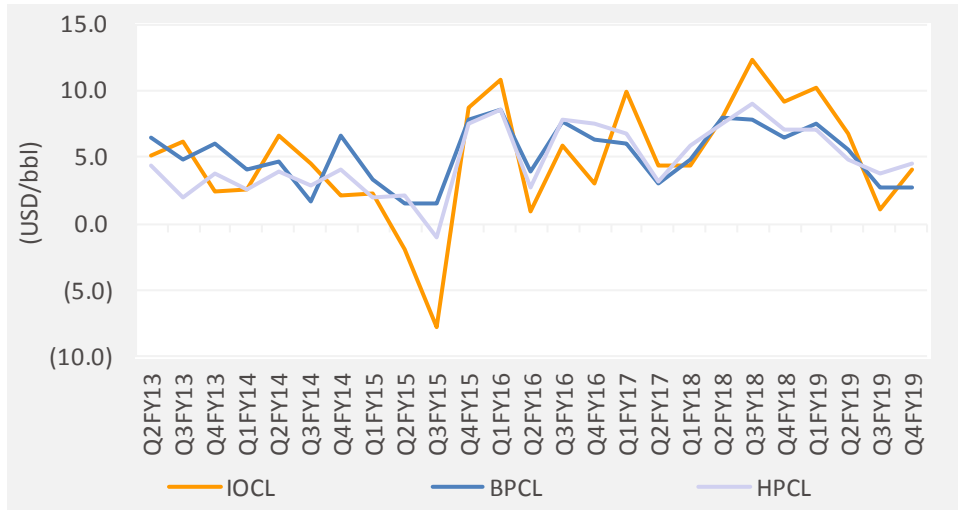
Source: Edelweiss research

Chart 1: Reported GRM, at USD4.5/bbl, down 36.2% YoY



Source: PPAC, Company, Edelweiss research

Chart 2: GRM trend—HPCL’s reported GRM came in higher than IOCL



Source: PPAC, Company, Edelweiss research

Table 5: Valuation summary

Particulars	Base value (USD bn)	Base value (INR bn)	Base value (INR/share)
HPCL refining (@ EV/EBITDA 5x)	4.0	261	171
HPCL marketing (@ EV/EBITDA 4x)	0.4	28	18
HPCL pipelines (@ EV/EBITDA 6x)	0.9	61	40
Equity value of HMEL refinery 49% stake (@ 50% of investment)	2.1	138	90
Enterprise value of operating assets	7.5	488	320
Investment value after 30% discount	1.0	62	41
Cash & cash equivalents	0.7	44	29
Gross debt, net of GoI receivables	3.9	251	165
Net debt	2.2	145	95
Equity value	5.3	343	225
CMP			230
Upside (%)			(2.3)

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY19	Q4FY18	% change	Q3FY19	% change	FY19	FY20E	FY21E
Net revenues	679,381	608,101	11.7	721,118	(5.8)	2,742,552	2,912,662	3,608,046
Raw material costs	586,214	537,541	9.1	682,638	(14.1)	2,480,370	2,647,175	3,297,807
Gross profit	93,168	70,560	32.0	38,480	142.1	262,182	265,487	310,239
Employee expenses	7,310	7,821	(6.5)	7,830	(6.6)	29,728	29,740	30,335
Other expenses	34,195	33,512	2.0	21,018	62.7	128,965	139,590	157,714
EBITDA	51,662	29,226	76.8	9,632	436.4	103,490	96,156	122,190
Depreciation	8,285	7,254	14.2	7,393	12.1	30,853	41,711	54,486
EBIT	43,378	21,973	97.4	2,239	1,837.5	72,637	54,445	67,704
Interest	1,872	1,776	5.4	1,472	27.2	7,856	8,241	9,851
Other income	5,225	3,427	52.5	3,937	32.7	26,315	12,041	10,799
Add: Prior period items								
Add: Exceptional items								
Profit before tax	46,731	23,624	97.8	4,704	893.5	91,095	58,245	68,652
Provision for taxes	17,032	6,145	177.2	2,228	664.3	33,486	18,929	22,311
Minority interest								
Associate profit share								
Reported net profit	29,699	17,479	69.9	2,476	1,099.7	66,906	55,623	63,539
Adjusted Profit	29,699	17,479	69.9	2,476	1,099.7	66,906	55,623	63,539
Diluted shares (mn)	1,526	1,526		1,526		1,526	1,526	1,526
Adjusted Diluted EPS	19.5	11.5	69.9	1.6	1,099.7	43.9	36.5	41.6
Diluted P/E (x)	-	-		-		6.6	8.0	7.0
EV/EBITDA (x)	-	-		-		6.8	7.3	5.7
ROAE (%)	-	-		-		23.9	17.2	17.6
As % of net revenues								
Gross profit	13.7	11.6		5.3		9.6	9.1	8.6
EBITDA	7.6	4.8		1.3		3.8	3.3	3.4
PBT	6.9	3.9		0.7		3.3	2.0	1.9
Reported net profit	4.4	2.9		0.3		2.4	1.9	1.8

Company Description

HPCL is the third-largest refining company in India with ~19% market share in the total sales of petroleum products in the country. The company owns and operates two refineries—Mumbai refinery of 7.9 mtpa capacity and Vizag refinery of 8.3 mtpa capacity. It has a 16.95% equity stake in Mangalore Refineries (a subsidiary of ONGC) with an operable capacity of ~15 mtpa. It has a ~13,500-strong nation-wide retail outlet network, the second-largest in India after IOCL.

Investment Theme

HPCL is an integrated refining and marketing player with a high share in metros, giving it the advantage of higher margins, higher growth rate, and lower competition. The 9-mtpa Bhatinda refinery in North India will remove the company's marketing skew.

Improving complexity of upcoming refining capacities and modernisation of existing capacities will enable it to earn higher refining margins

Key Risks

Roll-back of deregulation on account of sharp rally in crude prices

Regulatory or policy change in the form of reduction in duty protection, pricing of refinery products on export parity, or lower government sharing due to high fiscal deficit.

Investment in capital-intensive projects that could result in lower returns.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
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
Sector				
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
Company				
Refining				
Refining thrput (mmt)	18	19	22	26
GRM (USD/bbl)	7.4	4.8	7.2	7.8
Opex (USD/bbl)	1.7	1.9	2.1	2.1
Marketing				
Export sales (mmt)	0.7	0.8	0.8	0.9
Tot dom. sales (mmt)	36.2	37.9	39.9	43.0
Gasoline sales (mmt)	6.5	5.4	5.9	6.5
Diesel sales (mmt)	17.8	19.5	20.4	22.0
Nor. gross mgn (INR/mt)	4,168	3,960	4,200	4,300
Pipelines				
Ppl thrput (BTKM)	11.1	11.4	11.4	11.4
Ppl EBITDA INR/mmt/km	1.0	0.9	1.0	1.0
Financial assumptions				
Avg. Interest rate (%)	2.4	3.0	3.5	3.5
Gross debt (INR bn)	210	251	284	391
Capex (INR bn)	67	90	156	178
Cash conversion cycle	16	10	9	8

Income statement

(INR mn)

Year to March	FY18	FY19	FY20E	FY21E
Net revenue	2,186,469	2,742,552	2,912,662	3,608,046
Materials costs	1,944,872	2,480,370	2,647,175	3,297,807
Gross profit	241,597	262,182	265,487	310,239
Employee costs	28,926	29,728	29,740	30,335
Other Expenses	114,169	128,965	139,590	157,714
EBITDA	98,502	103,490	96,156	122,190
Depreciation	28,344	30,853	41,711	54,486
EBIT	70,158	72,637	54,445	67,704
Less: Interest Expense	6,179	7,856	8,241	9,851
Add: Other income	23,905.9	26,314.6	12,040.77	10,798.89
Profit Before Tax	87,886	91,095	58,245	68,652
Less: Provision for Tax	28,919	33,486	18,929	22,311
Associate profit share	13,216	9,297	16,308	17,198
Reported Profit	72,183	66,906	55,623	63,539
Adjusted Profit	72,183	66,906	55,623	63,539
Shares o /s (mn)	1,526	1,526	1,526	1,526
Adjusted Basic EPS	47.3	43.9	36.5	41.6
Diluted shares o/s (mn)	1,526	1,526	1,526	1,526
Adjusted Diluted EPS	47.3	43.9	36.5	41.6
Adjusted Cash EPS	69.0	68.0	63.8	77.4
Dividend per share (DPS)	17.0	15.9	12.9	15.2
Dividend Payout Ratio(%)	41.9	42.3	41.2	42.5

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Materials costs	89.0	90.4	90.9	91.4
Staff costs	1.3	1.1	1.0	0.8
S G & A expenses	5.2	4.7	4.8	4.4
Operating expenses	95.5	96.2	96.7	96.6
Depreciation	1.3	1.1	1.4	1.5
Interest Expense	0.3	0.3	0.3	0.3
EBITDA margins	4.5	3.8	3.3	3.4
Net Profit margins	3.3	2.4	1.9	1.8

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	16.9	25.4	6.2	23.9
EBITDA	(6.1)	5.1	(7.1)	27.1
PBT	(1.0)	3.7	(36.1)	17.9
Adjusted Profit	(12.4)	(7.3)	(16.9)	14.2
EPS	(12.4)	(7.3)	(16.9)	14.2

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19	FY20E	FY21E	
Share capital	15,242	15,242	15,242	15,242	
Reserves & Surplus	240,082	288,765	327,603	365,940	
Shareholders' funds	255,324	304,007	342,845	381,182	
Long term borrowings	96,559	121,278	172,770	279,663	
Short term borrowings	108,794	139,087	119,521	119,531	
Total Borrowings	205,354	260,365	292,291	399,194	
Long Term Liabilities	1,141	2,119	2,119	2,119	
Def. Tax Liability (net)	68,048	73,963	68,049	68,050	
Sources of funds	529,867	640,453	705,304	850,544	
Gross Block	463,592	523,875	558,391	613,013	
Net Block	382,257	411,686	405,218	405,355	
Capital work in progress	40,105	94,959	191,609	315,141	
Intangible Assets	4,695	4,957	4,695	4,695	
Total Fixed Assets	427,057	511,602	601,523	725,191	
Non current investments	78,826	87,157	122,911	141,715	
Cash and Equivalents	63,046	2,185	77,516	99,703	
Inventories	186,121	204,436	249,872	311,287	
Sundry Debtors	55,870	56,674	47,627	55,729	
Loans & Advances	5,087	19,923	(11,209)	(11,209)	
Other Current Assets	80,709	134,706	114,529	135,529	
Total current assets	327,788	471,639	400,818	491,335	
Trade payable	158,459	190,534	232,914	287,929	
Other Current Liab	208,391	241,597	264,549	319,471	
Total Current Liab	366,850	432,131	497,463	607,400	
Net Curr Assets-ex cash	(39,062)	39,508	(96,645)	(116,065)	
Uses of funds	529,867	640,453	705,304	850,544	
BVPS (INR)	167.4	199.3	224.7	249.9	

Free cash flow		(INR mn)			
Year to March	FY18	FY19	FY20E	FY21E	
Reported Profit	72,183	66,906	55,623	63,539	
Add: Depreciation	28,344	30,853	41,711	54,486	
Interest (Net of Tax)	4,146	4,968	5,562	6,650	
Others	(3,724)	(27,653)	(25,370)	(24,496)	
Less: Changes in WC	(9,423)	6,835	(55,317)	(19,421)	
Operating cash flow	110,372	68,239	132,844	119,599	
Less: Capex	67,154	100,247	146,056	178,154	
Free Cash Flow	43,219	(32,007)	(13,211)	(58,555)	

Cash flow metrics				
Year to March	FY18	FY19	FY20E	FY21E
Operating cash flow	110,372	68,239	132,844	119,599
Financing cash flow	(36,292)	29,275	1,693	69,943
Investing cash flow	(73,980)	(71,730)	(134,015)	(167,355)
Net cash Flow	101	25,784	522	22,187
Capex	(67,154)	(100,247)	(146,056)	(178,154)
Dividend paid	(30,258)	(17,471)	(22,999)	(27,108)

Profitability and efficiency ratios				
Year to March	FY18	FY19	FY20E	FY21E
ROAE (%)	31.0	23.9	17.2	17.6
ROACE (%)	17.9	14.7	10.1	9.9
Inventory Days	35	29	31	31
Debtors Days	8	7	7	5
Payable Days	27	26	29	29
Cash Conversion Cycle	16	11	9	7
Current Ratio	1.1	1.1	1.0	1.0
Gross Debt/EBITDA	2.1	2.5	3.0	3.3
Gross Debt/Equity	0.8	0.9	0.9	1.0
Adjusted Debt/Equity	0.8	0.9	0.9	1.0
Net Debt/Equity	0.6	0.8	0.6	0.8
Interest Coverage Ratio	11.4	9.2	6.6	6.9

Operating ratios				
Year to March	FY18	FY19	FY20E	FY21E
Total Asset Turnover	4.4	4.7	4.3	4.6
Fixed Asset Turnover	5.8	6.8	7.0	8.8
Equity Turnover	9.4	9.8	9.0	10.0

Valuation parameters				
Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	47.3	43.9	36.5	41.6
Y-o-Y growth (%)	(12.4)	(7.3)	(16.9)	14.2
Adjusted Cash EPS (INR)	69.0	68.0	63.8	77.4
Diluted P/E (x)	6.2	6.7	8.0	7.0
P/B (x)	1.8	1.5	1.3	1.2
EV / Sales (x)	0.3	0.3	0.2	0.2
EV / EBITDA (x)	6.0	6.8	6.9	6.1
Dividend Yield (%)	5.8	5.4	4.4	5.2
EV	584,729	700,601	700,601	700,601

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Hindustan Petroleum Corporation	6,414	8.0	7.0	6.9	6.1	17.2	17.6
Bharat Petroleum Corporation	12,188	9.0	6.1	7.4	5.9	23.8	32.1
Indian Oil Corporation	21,283	8.7	8.1	5.2	4.5	13.4	12.9
Reliance Industries	120,544	14.6	11.0	10.6	7.7	12.9	15.1
Median	-	8.9	7.6	7.2	6.0	15.3	16.3
AVERAGE	-	10.1	8.1	7.5	6.1	16.8	19.4

Source: Edelweiss research

Additional Data

Directors Data

M.K.Surana	Chairman & Managing Director	B K Namdeo	Director - Refineries
J. Ramaswamy	Director - Finance	Pushp Kumar Joshi	Director - HR
Y K Gawali	Director - Marketing	Sandeep Poundrik	Non Executive Director
Urvashi Sadhwani	Part time Director	Ram Niwas Jain	Part time Director

Auditors - BK Khare & Co, CVK Associates

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Oil & natural gas co	51.11	Life insurance corp	3.74
Hdfc asset managemen	3.04	Reliance capital tru	2.39
Jupiter inv mgmt gro	1.65	Blackrock	1.58
Vanguard group	1.47	Franklin resources	1.28
Motilal oswal asset	1.01	Sbi funds management	0.91

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
28 Mar 2019	SBI MUTUAL FUND A/C - SBI ETF NIFTY - SCHEME 483	SELL	8191222	272.25

**in last one year*

Insider Trades

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

**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

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.

Board: (91-22) 4009 4400, Email: research@edelweissfin.com

Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

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	Indian Oil Corporation	Robust marketing margin fuels core earnings beat; <i>Result Update</i>	148	Buy
16-May-19	Petronet LNG	Earnings miss on inventory write down; <i>Result Update</i>	233	Hold
10-May-19	Mahanagar Gas	Steady as she goes; <i>Result Update</i>	898	Buy

Distribution of Ratings / Market Cap

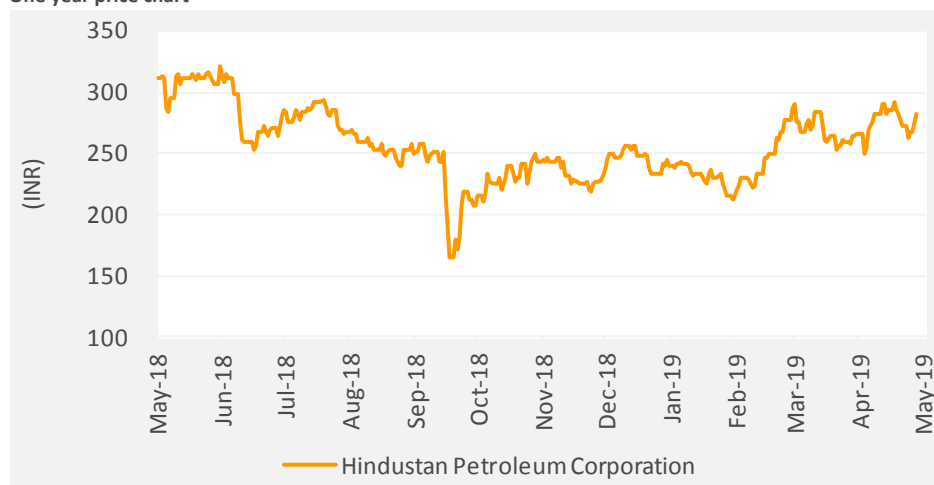
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

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

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed 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, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

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.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, 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 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 by Edelweiss Securities Limited only 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, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved