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# Strong marketing and petchem show, higher oil prices to support

- Q4FY21 standalone EBITDA/PAT of Rs25.6bn/19.1bn were 15%/18% above our estimates. EBITDA was flat yoy/up 34% qoq and a beat due to better-than-expected gas marketing and petchem performance. PAT was driven by Other Income (22% above estimate).
- Gas transmission EBITDA fell 3% qoq to Rs12.0bn but was a 5% beat on lower opex. Volumes were flat qoq/up 1% yoy at 109.8mmscmd. Marketing EBITDA turned positive qoq at Rs3.0bn (a major beat), driven by higher RLNG margins. Volumes fell 4% qoq to 91.4mmscmd.
- Petchem EBITDA came in at Rs7.2bn - a 28% beat on lower gas cost - with Pata utilization at 112%. LPG & LHC EBITDA rose 63% qoq to Rs5.0bn (8% miss). Realization discount to Arab propane-butane expanded while sales volume was down 19% qoq to 257kt.
- We raise FY22/23E EPS by 19%/23%, building in higher gas marketing-petchem margins and Other Income. We increase TP to Rs190 from Rs160 earlier, valuing GAIL at a blended core FY23E EV/EBITDA multiple of 5.8x. Retain Buy with OW stance.

**Q4FY21 highlights:** Gas pipeline tariff was 1% lower qoq at Rs1.4/scm. LPG transmission EBITDA fell 5% qoq, with volumes/tariff down 3%/1%. RLNG portfolio margin came in at USD0.13/mmbtu (from neg. USD0.1 in Q3). Petchem average realization rose 14% qoq. The tax rate was higher at 27%. Consolidated gas marketing EBIT of Rs6.7bn in Q4 was much higher, indicating global trading gains. For FY21, GAIL's EBITDA/APAT fell 24%/11% to Rs64.5bn/48.9bn due to gas marketing loss and lower LPG & LHC earnings yoy, partly offset by ~7x+ jump in petchem EBITDA. Other Income was up 41%. Capex in FY21 was Rs70bn, mainly on pipelines while debt was ~Rs60bn.

**Guidance:** Apr-May saw 10-15% transmission volume hit due to Covid but now back to 110mmscmd. GAIL expects 6-8% volume CAGR in next three years. The Gorakhpur fertilizer plant has started commissioning and by Sep'21 will take full gas. Barauni and Sindri should come up by CY21-end. Matix should start from July. It is on track for Dec'2021 commissioning of most JHBDPL sections. KBPL should take 1.5 years. GAIL is looking at InVTs in two pipelines and has sought approvals from MOPNG-Govt. LNG margin is a factor of international prices. It has 80%/50% of US LNG volumes tied up for FY22/23. It has taken shutdown in Pata in Q1 but should do 810-815kt annually. New Usar plant will run on imported propane, and spreads will be better. FY22/23/24 capex guidance is Rs70bn/120bn/90bn with Rs100bn+ cumulatively on petchem with new plants completion by Sep'23. GAIL is foraying into new businesses like CBG, ethanol 1G refineries and renewable energy to diversify. It targets 1GW of solar+wind in 3-4 years. It has reduced contingent liabilities by Rs20bn.

**Valuation:** We value GAIL on SoTP basis with listed/unlisted investments at a 30/25% holdco discount. **Key risks:** adverse commodity prices-margins, currency, regulations and outages.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Oil & Gas \(page 11\)](#)

## Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	718,802	567,302	747,382	873,385	940,626
EBITDA	84,803	64,451	89,337	99,492	106,187
EBITDA Margin (%)	11.8	11.4	12.0	11.4	11.3
APAT	66,206	48,902	66,857	73,376	77,349
EPS (Rs)	14.7	11.0	15.1	16.5	17.4
EPS (% chg)	6.1	(25.0)	36.7	9.7	5.4
ROE (%)	15.0	10.8	13.8	14.0	13.7
P/E (x)	11.1	14.8	10.9	9.9	9.4
EV/EBITDA (x)	9.3	12.0	8.7	8.0	7.6
P/BV (x)	1.7	1.6	1.4	1.3	1.2

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 163</b> as of (June 10, 2021)	<b>Rs 190 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (■)</b>	<b>16.3 %</b>

### Change in Estimates

EPS Chg FY22E/FY23E (%)	19/23
Target Price change (%)	19.0
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	15.1	16.5
Consensus	13.9	15.1
Mean Consensus TP (12M)	Rs 174	

### Stock Details

Bloomberg Code	GAIL IN
Face Value (Rs)	10
Shares outstanding (mn)	4,440
52 Week H/L	170 / 81
M Cap (Rs bn/USD bn)	726 / 9.93
Daily Avg Volume (nos.)	20,454,200
Daily Avg Turnover (US\$ mn)	40.9

### Shareholding Pattern Mar '21

Promoters	51.5%
FII's	15.5%
DII's	19.2%
Public and Others	13.9%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	6	11	36	67
<b>Rel. to Nifty</b>	-	7	17	7

### 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:

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## Exhibit 1: Actual vs. Estimates (Q4FY21)

Rs bn	Actual	Estimate (Emkay)	Consensus Estimate (Bloomberg)	Variation		Comments
				Emkay	Consensus	
Total Revenue	155.5	192.4	184.2	-19%	-16%	
Adjusted EBITDA	25.6	22.2	26.1	15%	-2%	Due to better gas marketing and petchem
EBITDA Margin (%)	16.5%	11.6%	14.2%	494bps	233bps	
Adjusted Net Profit	19.1	16.1	18.3	18%	4%	Higher Other Income

Source: Company, Emkay Research

## Exhibit 2: Quarterly summary

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	yoy	qoq	FY20	FY21	yoy
<b>Revenue</b>	<b>177,531</b>	<b>120,869</b>	<b>136,427</b>	<b>154,543</b>	<b>155,462</b>	<b>-12%</b>	<b>1%</b>	<b>718,710</b>	<b>567,302</b>	<b>-21%</b>
COGS	138,509	100,032	108,654	119,216	115,585	-17%	-3%	573,605	443,486	-23%
Gross Profit	39,022	20,837	27,774	35,327	39,878	2%	13%	145,104	123,816	-15%
Opex	13,252	14,611	14,393	16,132	14,229	7%	-12%	60,394	59,365	-2%
<b>EBITDA</b>	<b>25,770</b>	<b>6,226</b>	<b>13,381</b>	<b>19,195</b>	<b>25,648</b>	<b>0%</b>	<b>34%</b>	<b>84,710</b>	<b>64,451</b>	<b>-24%</b>
Depreciation	5,016	4,583	4,843	4,895	4,758	-5%	-3%	18,360	19,079	4%
Interest	329	495	274	331	459	39%	38%	1,085	1,559	44%
Other Income	5,132	2,413	7,239	4,708	5,684	11%	21%	14,168	20,045	41%
Exceptional	0	-	-	-	-			0	-	
<b>PBT</b>	<b>25,557</b>	<b>3,562</b>	<b>15,503</b>	<b>18,677</b>	<b>26,116</b>	<b>2%</b>	<b>40%</b>	<b>79,434</b>	<b>63,858</b>	<b>-20%</b>
Tax	-4,625	1,007	3,107	3,804	7,039		85%	13,227	14,956	13%
Rep. PAT	30,182	2,555	12,397	14,873	19,077	-37%	28%	66,206	48,902	-26%
<b>Adj. PAT</b>	<b>19,117</b>	<b>2,555</b>	<b>12,397</b>	<b>14,873</b>	<b>19,077</b>	<b>0%</b>	<b>28%</b>	<b>55,141</b>	<b>48,902</b>	<b>-11%</b>
<b>Adj. EPS</b>	<b>4.2</b>	<b>0.6</b>	<b>2.7</b>	<b>3.3</b>	<b>4.3</b>	<b>1%</b>	<b>30%</b>	<b>12.2</b>	<b>10.9</b>	<b>-11%</b>
<b>Gas Transmission</b>										
Volume (mmscmd)	109.0	90.2	106.4	110.3	109.8	1%	0%	108.4	104.2	-4%
Adj. Tariff (Rs/scm)	1.4	1.4	1.4	1.4	1.4	-1%	-1%	1.4	1.4	-1%
Reported EBITDA	11,640	9,530	12,810	12,470	12,040	3%	-3%	44,720	46,850	5%
<b>LPG Transmission</b>										
Volume (mmt)	1.0	1.0	1.1	1.1	1.1	1%	-3%	3.9	4.2	6%
Tariff (Rs/mt)	1,615	1,578	1,588	1,599	1,584	-2%	-1%	1,612	1,588	-1%
Reported EBITDA	1,100	960	1,030	1,090	1,040	-5%	-5%	3,900	4,120	6%
<b>Gas Marketing</b>										
Volume (mmscmd)	97.8	81.2	88.6	95.6	91.4	-7%	-4%	96.3	89.2	-7%
Reported EBITDA	6,310	-5,170	-3,350	-450	2,990	-53%		22,700	-5,980	
EBITDA Margin (USD/mmbtu)	0.2	-0.2	-0.1	0.0	0.1	-50%		0.2	0.0	
<b>Petchem</b>										
Sales Volume (kt)	174.0	183.0	224.0	231.0	234.0	34%	1%	738.0	872.0	18%
Reported EBITDA	1,850	-430	2,890	5,490	7,240	291%	32%	2,050	15,190	641%
EBITDA/mt (USD)	122	-22	113	259	347	184%	34%	30	186	527%
<b>LPG &amp; LHC</b>										
Sales Volume (kt)	302.0	265.0	297.0	319.0	257.0	-15%	-19%	1,264.0	1,138.0	-10%
Reported EBITDA	5,540	2,860	3,020	3,040	4,960	-10%	63%	16,730	13,880	-17%
EBITDA/mt (USD)	211	103	89	104	217	3%	109%	161	125	-23%

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: Changes in assumptions**

	FY22E			FY23E			FY24E
	Old	New	% Chg.	Old	New	% Chg.	Introduced
<b>Gas Transmission</b>							
Volumes (mmscmd)	120.8	113.6	-6%	132.8	121.5	-9%	128.8
Adj Tariff (Rs/scm)	1.38	1.41	2%	1.41	1.44	2%	1.47
Adj EBITDA (Rs.bn)	37.2	38.8	4%	41.2	42.5	3%	46.3
<b>LPG Transmission</b>							
Volumes (mmt)	4.3	4.2	-1%	4.3	4.2	-1%	4.3
Adj EBITDA (Rs.bn)	3.1	3.1	2%	3.0	3.2	4%	3.2
<b>Gas Marketing</b>							
Volumes (mmscmd)	96.7	95.0	-2%	104.4	102.4	-2%	108.6
Margin (USD/mmbtu)	0.1	0.1	25%	0.1	0.1	5%	0.1
Adj EBITDA (Rs.bn)	7.2	8.8	23%	10.9	11.1	3%	13.6
<b>Petchem</b>							
Capacity Utilization	110%	100%	-1,000bps	110%	101%	-900bps	102%
EBITDA/mt (USD)	160	256	60%	163	309	90%	311
Adj EBITDA (Rs.bn)	10.7	15.6	45%	10.8	18.9	75%	19.0
<b>LPG &amp; LHC</b>							
EBITDA/mt (USD)	186	179	-3%	176	188	7%	192
Adj EBITDA (Rs.bn)	17.1	16.5	-3%	16.1	17.2	7%	17.4

Source: Emkay Research

**Exhibit 4: Changes in estimates**

Rs bn	FY22E			FY23E			FY24E
	Old	New	% Chg.	Old	New	% Chg.	Introduced
Revenue	726	747	3%	838	873	4%	941
EBITDA	83	89	8%	89	99	11%	106
EBITDA Margins	11%	12%	58bps	11%	11%	71bps	11%
PAT	57	67	18%	61	73	21%	77
EPS (Rs)	12.7	15.1	19%	13.5	16.5	23%	17.4

Source: Emkay Research

## Con-call highlights

### Gas Transmission

- Pipeline capacity utilization fell from 53% to 51% in FY21 yoy. It has not lost market share despite Covid. Apr-May'2021 saw 10-15% volume hit due to Covid but is now back to 110mmscmd. It hopes to see 8-9mmscmd increase this fiscal and average at 114-115mmscmd. Expects 6-8% volume CAGR in next three years and it should increase further beyond that.
- 11-12mmscmd of contracts are in place from fertilizer and expects three plants each to take gas this and next fiscal. 5-6mmscmd would come from entering new areas. Refineries-petchem and CGDs are also there and should pick up in three years. Expects utilization to reach 75% in 4-5 years.
- The Gorakhpur fertilizer plant has started commissioning, and by July-September will take full gas load. Barauni and Sindri have seen some delays but would come up by CY21-end for commissioning. Q4FY22 should see all these impacts.
- Matix is under pre-commissioning and from July should start drawing gas and ramp up. Ramagundam had some shutdowns but will come back soon. MCFL has started drawing gas while MRPL-OMPL are taking some but should ramp up.
- Kochi-Mangalore pipeline was inaugurated in Jan'2021, while Dobhi-Durgapur section of JHBDPL on 7 Feb. 170kms of Vijaiapur Auraiya and ONGC's Madnam gas connectivity in Tamil Nadu were also commissioned. Overall 1,000kms have been commissioned and 937kms lowered in FY21.
- GAIL is on track for Dec'21 commissioning of all JHBDPL sections, except Durgapur-Haldia stretch where there has been RoW-related issues in Bengal. However, no significant consumers are there, so would not affect the company at least for this year.
- Work on Kochi-Mangalore final hook-up is in progress (earlier a temporary connect was done), and if monsoon is not severe, may finish it in one month, else it would take till Oct'21.
- Tamil Nadu section is moving ahead though slowly. Coimbatore should connect very soon. Pipes have been ordered and are on site. It is in discussions with state govt on RoWs. Full Bangalore connectivity could be done in next 12-18 months.
- GAIL has signed MoUs and contracts with steel producers but not in big numbers and is for auxiliary plants and not main process supplies. It can go for increase later though.
- JHBDPL remaining sections once commissioned will charge provisional tariffs (USD1.25-1.50/mmbtu estimated) based on capex, etc. When PNGRB quorum is formed, it will come for final order.
- Date of commencement of unified tariff is yet to be notified. No retrospective impact on pipeline tariff is there. New lower tax rate will be included though in new tariffs.
- The company is looking for Invits in two pipelines and has sought approvals from MOPNG-Govt. It believes no change in regulations is required though customary approvals from PNGRB, SEBI, etc. would be needed.

### Gas Marketing

- 119 cargoes were booked with 83 from the US, and 35 were sold outside India. Cargoes sold outside India would gradually taper down ahead as domestic demand from new fertilizer plants etc. rise. Some strategic sale outside will still be there as portfolio would expand.
- LNG marketing margin is a factor of international prices. GAIL has fixed marketing margins in contracts as well. It has tied up some volumes at lower prices earlier, so those would be affected but tie-ups in last 2-3 months will fetch good prices.
- It has 80% of US LNG volumes tied up for FY22 (20% open for trading purpose) and 50% for FY23 (fixed pricing likely). Domestic sale of LNG would see good margins.

- LNG portfolio is blended in terms of US and Russian gas (for fertilizer). The pricing is based on indices. It cannot say if past earnings peak of Rs6bn per quarter can be achieved, but expects better earnings yoy as crude prices are higher.
- Fertilizer plants are running at 100%+ capacity currently, and all contracts are going on well.

### Petchem

- BCPL saw 106% utilization in FY21, with revenue of Rs29.03bn and gross profit of Rs14.27bn. Net worth was Rs20.73bn, hence it has stabilized. Pata is at optimal capacity, hence not much volume upside is there.
- Petchem pricing is stable now. It has taken shutdown in Pata from mid-April till May-end, hence Q1 production will be lower. By June 15, both 1&2 plants will be back to full load though. Annually, 810-815kt volume is feasible.
- The new Usar plant will run on imported propane which is available and long-term tie-up may not be required. PDH PP cracks are higher than conventional PP-Propylene. Pata expansion will use in-house propylene.
- GAIL wants to go for PP as PE extraction is already at optimum and looking for a balanced portfolio now. New gas is also not rich.

### Projects & Capex

- Capex guidance for FY22/23/24 is Rs70bn/120bn/90bn. FY21 capex was Rs70bn, mostly on pipelines. Spent Rs113bn so far in JHBDPL- PMUG out of Rs147bn, while capital grant of Rs44.87bn was received.
- GAIL has 70+ projects worth Rs475bn ongoing. They include 8 pipelines (7,500kms and Rs364bn capex) and Usar PDH PPU (0.5mmtpa capacity) plus Pata expansion (60kt/a) worth Rs100bn+.
- Major pipeline projects being executed include 744kms Srikakulam-Angul worth Rs27bn and completion by Jul'22, 253kms Dhamra-Haldia (Rs12bn/Nov'22) and 1755kms Mumbai-Nagpur-Jharsuguda (Rs78bn/May'23). It has received RoW for 700kms from Maharashtra for the latter.
- Other pipelines include Kochi-Bangalore (Rs10bn), Sultanpur-Jhajjar-Hissar and Haridwar-Dehradun, etc. The new petchem projects should complete by Sep'23 with 2-3 months for commissioning and will be ready by Jan'24. Design engineering is at final stages and some parts are already awarded.
- It may need to take Rs40-50bn debt annually for next 2-3 years and may rise to Rs100bn then.

### New Businesses

- GAIL is foraying into new businesses like CBG, ethanol 1G refineries and renewable energy to diversify. In CBG, GAIL has signed an agreement with Ranchi Municipal Corp for solid waste to gas (22-year license) and is looking at more cities. It has sought EoIs from ethanol refinery partners which is a new lucrative area. Renewables include both organic (will bid) and inorganic. It has an MoU with BHEL for partnership.
- The first CBG plant costing Rs300mn will have 5t/d capacity. Will award another (Rs500-600mn) this year. It is also executing plans for marketing arrangements, like syncing, sourcing and mixing the gas and supplying to CGD companies for further sale (no capex is required for this).
- In hydrogen, GAIL is looking at CGD-CNG injection. Technical pilots are being done but will take some time. IGL-IOCL is doing an HCNG pilot in Delhi. The company is looking at green hydrogen from renewables and in medium term something will come. It will need several regulatory approvals though.

- It is not into CCUS as of now though it did some studies on Pata CO2 before. New businesses have required hurdle rate of return. Targeting 1GW of solar+wind in 3-4 years for Rs40-50bn capex.

### GAIL Gas & CGDs

- GAIL Gas' revenue/PBT/PAT were Rs40.15bn/2.13bn/1.57bn in FY21. GAIL Gas has 87 CNG stations operational and 0.187mn PNG connections. No plans are finalized to list GAIL Gas though.
- Bangalore GA has not come up in the way expected in last 4-5 years but once it picks up, it would become significant. Bangalore was break even this year (FY21) and should be profitable next year. State buses and vehicles are converting to CNG.
- Bangalore has a DODO model based on unit commission (Confidence Petro is retailer). 20 CNG stations will come soon with 0.1mmcmd volume. GAIL is open to induct other players as well.
- GAIL Gas has 9 CGD GAs and will expand with doubling of CNG stations in next two years (75 added in FY21). Significant growth is targeted.
- GAIL's group-owned CGDs added 1.01mn PNG connections (80% of total added in India) and 341 new CNG stations (33%) in FY21. CGD capex (equity contribution likely) was Rs7.5bn.

### Others

- LPG production was lower in Q4FY21 as propane-butane content and gas richness fluctuate, so 10-15% volume variance may have happened. It had minor Rs100mn of gas marketing inventory gains in Q4.
- Konkan LNG had a cash profit of Rs1.22bn in FY21. Breakwater work in Dabhol is underway.
- China Gas investment has given good returns though has a small 2% share (Rs40bn).
- There were zero accidents in last four years. HSE remains in focus. Nil comments were there from CAG for FY21. Got cost management, investor relations CY20, ESG disclosure and Golden Peacock awards. It is going for digital invoicing.
- The company did 69.8mn share buyback at Rs150/sh (Rs10.46bn), which was 2.5% of net worth. Interim dividends were Rs22.38bn, or Rs5/sh, in FY21. GAIL reduced contingent liabilities by Rs20bn (VsV scheme with Tax Dept for 21 years) and finance cost from 7.94% to 5.2% on long-term debt.

**Exhibit 5: Value of investments**

Rs mn	Shares (mn)	CMP (Rs)	Value
China Gas Holding	150	300	45,000
PLNG	188	230	43,125
MGL	32	1,190	38,199
IGL	158	530	83,475
GIPCL	1	85	49
ONGC	308	125	38,550
Total			248,398
At 30% HoldCo. Discount			173,878
<b>Per Share Value</b>			<b>39</b>
Unlisted CGDs+BCPL			145,267
At 0.75x BV			108,950
<b>Per Share Value</b>			<b>25</b>
<b>Total Investment Value</b>			<b>64</b>

Source: Company, Emkay Research

**Exhibit 6: Core business valuation**

Mar'23E (Rs.mn)	EBITDA	Multiple (x)	EV
Gas Transmission	42,508	6.5	276,304
LPG Transmission	3,162	6.0	18,974
Gas Marketing	11,150	5.0	55,750
Petrochemicals	18,853	6.5	122,545
LPG & LHC	17,188	5.0	85,941
Others	6,630	3.0	19,891
<b>Total</b>	<b>99,492</b>	<b>5.8</b>	<b>579,404</b>
Less Net Debt (Y/E)			18,480
<b>Equity Value</b>			<b>560,924</b>
No. Of Shares O/S (mn)			4,440
<b>Core Standalone FV</b>			<b>126</b>

Source: Company, Emkay Research

**Exhibit 7: SOTP valuation**

Rs/sh	Value
Core Business	126
Investments	64
<b>Target Price</b>	<b>190</b>

Source: Company, Emkay Research

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

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>718,802</b>	<b>567,302</b>	<b>747,382</b>	<b>873,385</b>	<b>940,626</b>
<b>Expenditure</b>	<b>634,000</b>	<b>502,850</b>	<b>658,045</b>	<b>773,893</b>	<b>834,439</b>
<b>EBITDA</b>	<b>84,803</b>	<b>64,451</b>	<b>89,337</b>	<b>99,492</b>	<b>106,187</b>
Depreciation	18,360	19,079	21,899	25,775	29,946
<b>EBIT</b>	<b>66,443</b>	<b>45,372</b>	<b>67,437</b>	<b>73,717</b>	<b>76,240</b>
Other Income	14,076	20,045	23,711	26,379	29,717
Interest expenses	1,085	1,559	1,767	2,000	2,550
<b>PBT</b>	<b>79,434</b>	<b>63,858</b>	<b>89,381</b>	<b>98,096</b>	<b>103,407</b>
Tax	13,227	14,956	22,524	24,720	26,059
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>66,206</b>	<b>48,902</b>	<b>66,857</b>	<b>73,376</b>	<b>77,349</b>
<b>Adjusted PAT</b>	<b>66,206</b>	<b>48,902</b>	<b>66,857</b>	<b>73,376</b>	<b>77,349</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	45,101	44,404	44,404	44,404	44,404
Reserves & surplus	394,610	421,708	458,479	498,836	541,377
<b>Net worth</b>	<b>439,711</b>	<b>466,112</b>	<b>502,883</b>	<b>543,240</b>	<b>585,781</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>57,624</b>	<b>65,974</b>	<b>80,000</b>	<b>90,000</b>	<b>90,000</b>
Net deferred tax liability	44,972	45,022	44,414	43,795	43,162
<b>Total Liabilities</b>	<b>542,307</b>	<b>577,108</b>	<b>627,297</b>	<b>677,034</b>	<b>718,943</b>
<b>Net block</b>	<b>336,450</b>	<b>364,979</b>	<b>439,771</b>	<b>526,108</b>	<b>582,694</b>
<b>Investment</b>	<b>74,985</b>	<b>97,238</b>	<b>98,257</b>	<b>99,288</b>	<b>100,329</b>
<b>Current Assets</b>	<b>168,083</b>	<b>151,853</b>	<b>193,684</b>	<b>205,111</b>	<b>202,064</b>
Cash & bank balance	8,039	13,618	26,656	17,784	3,668
Other Current Assets	17,404	11,420	15,045	17,582	18,935
<b>Current liabilities &amp; Provision</b>	<b>143,029</b>	<b>155,997</b>	<b>187,739</b>	<b>211,800</b>	<b>225,054</b>
<b>Net current assets</b>	<b>25,054</b>	<b>(4,144)</b>	<b>5,945</b>	<b>(6,689)</b>	<b>(22,990)</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>542,307</b>	<b>577,108</b>	<b>627,297</b>	<b>677,034</b>	<b>718,943</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>65,358</b>	<b>43,813</b>	<b>65,670</b>	<b>71,717</b>	<b>73,690</b>
Other Non-Cash items	561	6,732	0	0	0
Chg in working cap	(32,375)	34,827	2,340	3,142	1,553
<b>Operating Cashflow</b>	<b>68,881</b>	<b>80,639</b>	<b>69,153</b>	<b>77,914</b>	<b>81,681</b>
Capital expenditure	(57,743)	(60,824)	(60,981)	(87,115)	(87,115)
<b>Free Cash Flow</b>	<b>11,138</b>	<b>19,815</b>	<b>8,172</b>	<b>(9,201)</b>	<b>(5,434)</b>
Investments	21,255	(22,254)	(1,019)	(1,030)	(1,042)
Other Investing Cash Flow	(45,877)	24,424	0	0	0
<b>Investing Cashflow</b>	<b>(68,289)</b>	<b>(38,609)</b>	<b>(38,289)</b>	<b>(61,767)</b>	<b>(58,440)</b>
Equity Capital Raised	22,551	(698)	0	0	0
Loans Taken / (Repaid)	47,614	8,350	14,026	10,000	0
Dividend paid (incl tax)	(1,132)	(3,199)	(30,086)	(33,019)	(34,807)
Other Financing Cash Flow	(72,646)	(39,345)	0	0	0
<b>Financing Cashflow</b>	<b>(4,699)</b>	<b>(36,451)</b>	<b>(17,827)</b>	<b>(25,019)</b>	<b>(37,357)</b>
<b>Net chg in cash</b>	<b>(4,107)</b>	<b>5,579</b>	<b>13,037</b>	<b>(8,872)</b>	<b>(14,116)</b>
Opening cash position	12,147	8,039	13,618	26,656	17,784
<b>Closing cash position</b>	<b>8,039</b>	<b>13,618</b>	<b>26,656</b>	<b>17,784</b>	<b>3,668</b>

Source: Company, Emkay Research



**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	11.8	11.4	12.0	11.4	11.3
EBIT Margin	9.2	8.0	9.0	8.4	8.1
Effective Tax Rate	16.7	23.4	25.2	25.2	25.2
Net Margin	9.2	8.6	8.9	8.4	8.2
ROCE	15.3	11.7	15.1	15.3	15.2
ROE	15.0	10.8	13.8	14.0	13.7
RoIC	20.0	13.0	17.6	16.0	14.4

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	14.7	11.0	15.1	16.5	17.4
CEPS	18.8	15.3	20.0	22.3	24.2
BVPS	97.5	105.0	113.3	122.3	131.9
DPS	6.4	5.0	6.8	7.4	7.8

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	11.1	14.8	10.9	9.9	9.4
P/CEPS	8.7	10.7	8.2	7.3	6.8
P/BV	1.7	1.6	1.4	1.3	1.2
EV / Sales	1.1	1.4	1.0	0.9	0.9
EV / EBITDA	9.3	12.0	8.7	8.0	7.6
Dividend Yield (%)	3.9	3.1	4.1	4.5	4.8

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	0.1	0.1	0.1	0.1	0.1
Net Debt/EBIDTA	0.6	0.7	0.5	0.7	0.8
Working Cap Cycle (days)	19.6	14.2	14.2	14.2	14.2

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	(4.3)	(21.1)	31.7	16.9	7.7
EBITDA	(11.2)	(24.0)	38.6	11.4	6.7
EBIT	(17.0)	(31.7)	48.6	9.3	3.4
PAT	9.9	(26.1)	36.7	9.7	5.4

<b>Quarterly (Rs mn)</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>
Revenue	177,531	120,869	136,427	154,543	155,462
EBITDA	25,770	6,226	13,381	19,195	25,648
<b>EBITDA Margin (%)</b>	<b>14.5</b>	<b>5.2</b>	<b>9.8</b>	<b>12.4</b>	<b>16.5</b>
PAT	19,117	2,555	12,397	14,873	19,077
<b>EPS (Rs)</b>	<b>4.2</b>	<b>0.6</b>	<b>2.7</b>	<b>3.3</b>	<b>4.2</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>
Promoters	51.5	51.4	51.8	51.8	51.5
FIIIs	16.1	15.4	15.0	15.5	15.5
DIIIs	18.1	18.9	19.9	19.8	19.2
Public and Others	14.3	14.3	13.3	13.0	13.9

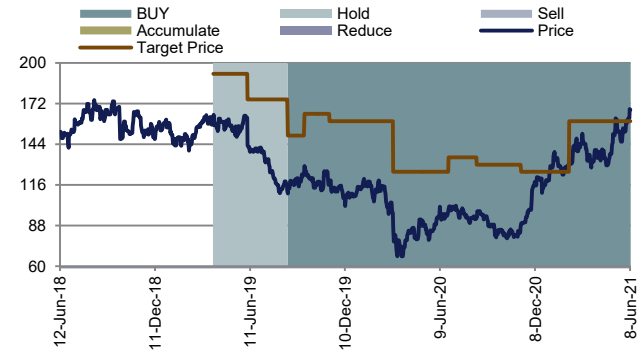
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-May-21	153	160	12m	Buy	Sabri Hazarika
23-Apr-21	129	160	12m	Buy	Sabri Hazarika
22-Mar-21	137	160	12m	Buy	Sabri Hazarika
18-Feb-21	141	160	12m	Buy	Sabri Hazarika
11-Feb-21	134	160	12m	Buy	Sabri Hazarika
6-Jan-21	129	125	12m	Buy	Sabri Hazarika
27-Nov-20	99	125	12m	Buy	Sabri Hazarika
26-Nov-20	99	125	12m	Buy	Sabri Hazarika
11-Nov-20	90	125	12m	Buy	Sabri Hazarika
28-Sep-20	85	130	12m	Buy	Sabri Hazarika
18-Aug-20	93	130	12m	Buy	Sabri Hazarika
25-Jun-20	99	135	12m	Buy	Sabri Hazarika
6-May-20	91	125	12m	Buy	Sabri Hazarika
11-Mar-20	87	125	12m	Buy	Sabri Hazarika
2-Mar-20	96	160	12m	Buy	Sabri Hazarika
11-Feb-20	118	160	12m	Buy	Sabri Hazarika
24-Jan-20	118	160	12m	Buy	Sabri Hazarika
10-Dec-19	101	160	12m	Buy	Sabri Hazarika
4-Dec-19	113	160	12m	Buy	Sabri Hazarika
10-Nov-19	116	160	12m	Buy	Sabri Hazarika
25-Oct-19	112	165	12m	Buy	Sabri Hazarika
23-Sep-19	129	165	12m	Buy	Sabri Hazarika
22-Aug-19	110	150	12m	Buy	Sabri Hazarika
10-Jun-19	139	175	12m	Hold	Sabri Hazarika
6-Jun-19	143	175	12m	Hold	Sabri Hazarika
28-May-19	158	193	12m	Hold	Sabri Hazarika
1-Apr-19	161	193	12m	Hold	Sabri Hazarika

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Oil & Gas



### Analyst: Sabri Hazarika

#### Contact Details

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#### Sector

Oil & Gas

#### Analyst bio

Sabri Hazarika holds an MBA and comes with 12 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>10.37</b>	<b>10.37</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
BPCL	0.44	0.45	4%	2	4.35
GAIL	0.33	0.37	12%	4	3.54
Gujarat Gas	0.11	0.00	-100%	-11	0.00
Gujarat State Petronet	0.10	0.09	-9%	-1	0.85
Gulf Oil Lubricants	0.00	0.00	NA	0	0.00
HPCL	0.24	0.23	-5%	-1	2.23
Indian Oil	0.33	0.36	10%	3	3.45
Indraprastha Gas	0.21	0.23	8%	2	2.18
Petronet LNG	0.19	0.20	5%	1	1.94
Oil India	0.06	0.06	-1%	0	0.54
ONGC	0.51	0.55	9%	4	5.30
Reliance Industries	7.86	7.84	0%	-2	75.60
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.02</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	10-Jun-20	9-Dec-20	10-Mar-21	10-May-21	9-Jun-21
EAP - Oil & Gas	100.0	100.7	125.4	136.6	124.5	139.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	100.8	124.5	135.7	123.8	138.4

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

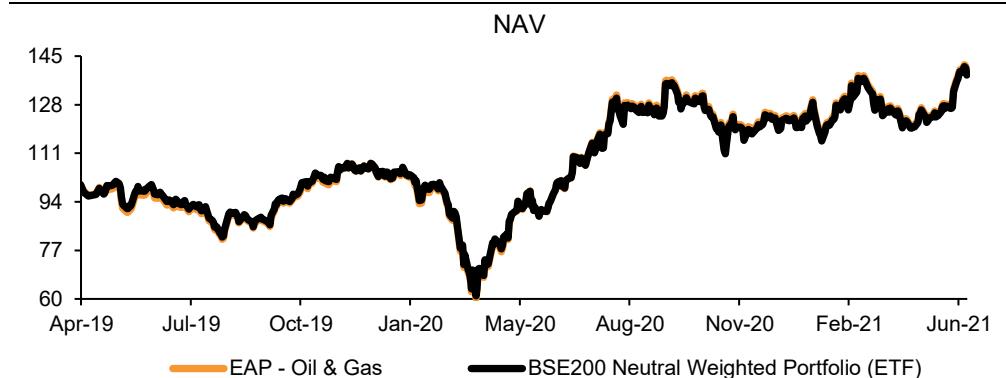
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Oil & Gas	11.7%	1.7%	10.8%	38.1%
BSE200 Neutral Weighted Portfolio (ETF)	11.8%	1.9%	11.2%	37.3%

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”

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

Completed Date: 11 Jun 2021 02:57:48 (SGT)

Dissemination Date: 11 Jun 2021 02:58:48 (SGT)

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