

Jan-Mar'23 Earnings Preview

April 6, 2023

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
BPCL	BUY	328	420
GAIL (India)	BUY	105	118
Gujarat Gas	HOLD	462	450
HPCL	BUY	226	310
Indraprastha Gas	BUY	444	564
Indian Oil Corporation	BUY	77	125
Mahanagar Gas	BUY	958	1,103
Oil India	BUY	262	325
ONGC	BUY	153	210
Petronet LNG	BUY	236	326
Reliance Industries	BUY	2,326	2,827

Source: PL

Result Picks:

Positive: Indraprastha Gas & GAIL (India)

Negative: Gujarat Gas

Avishek Datta

avishek.datta@plindia.com | 91-22-66322254

Operationally strong results likely

In Q4FY23, Indian Oil sector's operating profit is expected to increase by 19% QoQ to Rs625bn, despite factoring no subsidy benefits. OMC's Q4 EBIDTA will likely be at Rs203bn led by improving marketing margins (blended margin of Rs3.3/ltr vs loss of Rs3 in Q3) even though diesel margins will be lower (lower USD14/bbl QoQ). Upstream segment profitability will be muted, given steady oil (~USD75/bbl) post windfall tax and gas price of USD8.6/mmbtu. IGL/MGL will see earnings QoQ earnings growth due to retail price changes and lower spot LNG prices. We expect RIL to report operationally weak results due to lower diesel margins partly compensated by higher petchem margins. We build in steady telecom performance (+3.3%QoQ revenue growth) as we build in 2.1%QoQ ARPU growth. We also build in healthy retail revenue growth.

For results, OMCs will benefit from sharp recovery in marketing margins while IGL will gain from drop in spot LNG prices.

Exhibit 2: Q4FY23E sector earnings to be resilient despite challenges

Total (Rs m)	Q4FY23E	Q4FY22	YoY gr.	Q3FY23	QoQ gr.
Sales	64,07,560	65,50,065	-2.2%	71,24,091	-10.1%
EBITDA	6,25,758	5,94,021	5.3%	5,10,029	22.7%
PAT	3,57,073	3,59,533	-0.7%	2,61,579	36.5%
Brent (USD/bbl)	81.4	99.0	-17.8%	88.5	-8.0%
USD/Rs	82.2	75.2	9.3%	82.1	0.1%

Source: Company, PL

- **RIL results will be lower due to QoQ decline in diesel, ATF spreads despite** factoring in lower windfall tax impact. We estimate refining throughput of 16.5MTPA, (16.2MT in Q3). Petchem profitability will improve QoQ due to demand recovery post China reopening. We expect steady Jio performance (3.3%QoQ revenue growth and 2.1% QoQ ARPU hike), while retail segment profitability should be resilient.
- **GAIL:** We expect a sharp improvement in Q4 earnings at Rs10.5bn (Q3: Rs2.5bn) as drop in spot LNG prices by USD14/mmbtu QoQ improve gas transmission and petchem volumes. Q4 petchem plant utilization has improved to 100% recently from 30% in Q3 due to availability of lower priced gas. We also factor gas trading EBIDTA of Rs3bn vs Rs30mn in Q3 in the absence of any gas trading loss.
- **Marketing margin recovery to drive OMCs Q4 PAT to Rs115.7bn:** We expect OMCs results to be operationally better owing to recovery in marketing gains of (blended margins Rs3.3/ltr vs loss of Rs3 in Q3 despite lower GRMs. Benchmark Singapore margins were higher at USD8.2/bbl vs USD6.1/bbl in Q3 due to improvement in petrol refining spreads to USD19/bbl (+USD10/bbl QoQ). However, for the domestic refiners, diesel accounts for ~45% of refining volumes where spreads are down USD14/bbl QoQ. So while refining profits will be lower, sharp recovery in marketing margins will drive Q4 PAT to Rs115.7bn from Rs27.4bn in Q3.

Exhibit 3: Q4FY23 OMCs earnings don't factor any subsidy benefits

Total (Rs m)	Q4FY23E	Q4FY22	YoY gr.	Q3FY23	QoQ gr.
Sales	44,47,385	43,53,003	2.2%	47,76,264	-6.9%
EBITDA	2,02,602	1,79,755	12.7%	94,989	113.3%
PAT	1,15,718	99,989	15.7%	27,463	321.4%
Singapore GRM (US/bbl)	8.2	7.9	3.8%	6.1	34.4%

Source: Company, PL

- **Upstream companies will muted Q4 PAT of Rs130bn vs Rs128bn in Q3**, due to steady net crude price realization post windfall taxes and flat gas prices (\$8.57/mmbtu). Net crude oil realization will likely be at ~USD75 (Q3: \$75/bbl). Production and sales volumes are likely to be flat QoQ.

Exhibit 4: Upstream earnings benefit from higher gas prices

Total (Rs m)	Q4FY23E	Q4FY22	YoY gr.	Q3FY23	QoQ gr.
Sales	4,20,996	3,89,759	8.0%	4,44,627	-5.3%
EBITDA	2,41,154	2,05,486	17.4%	2,32,664	3.6%
PAT	1,30,724	1,04,895	24.6%	1,27,908	2.2%

Source: Company, PL

- **CGDs to benefit from lower spot gas prices:** Lower spot LNG prices (- \$15/mmbtu QoQ accounting for ~10% of priority sector demand) along with full benefit of retail price hike by IGL of Rs0.95/kg in Dec22. For GGAS we expect gas sales volumes of 7.9mmscmd (Q3: 7.3), but margins will be under pressure due to cut in industrial gas prices by Rs7/scm. Going forward, CGDs will benefit from likely lower gas prices post notification of Kirit Parekh committee recommendation.

Exhibit 5: Q4FY23 CGD hit by higher gas prices

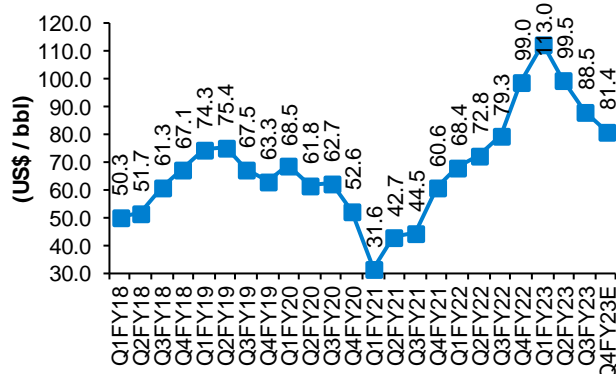
Total (Rs m)	Q3FY23E	Q3FY22	YoY gr.	Q2FY23	QoQ gr.
Sales	99,485	88,025	13%	97,474	2%
EBITDA	10,585	8,102	31%	14,231	-26%
PAT	6,687	4,882	37%	9,845	-32%
CGD Volumes	1,814	2,056	-12%	1,763	3%

Source: Company, PL

RIL: We lower our SOTP based PT to Rs2825 (Rs 2870) earlier as we lower Jio's ARPU to Rs178/196/236 for FY23/24/25E (Rs183/218/252 earlier). RIL remains well placed to benefit from strength in refining margins due to geopolitical disruptions along with higher gas profitability; volumes to rise to 30mmscmd from ~19mmscmd in Q1FY24. Also dominant position in retail and telecom businesses will continue to drive RIL's profitability.

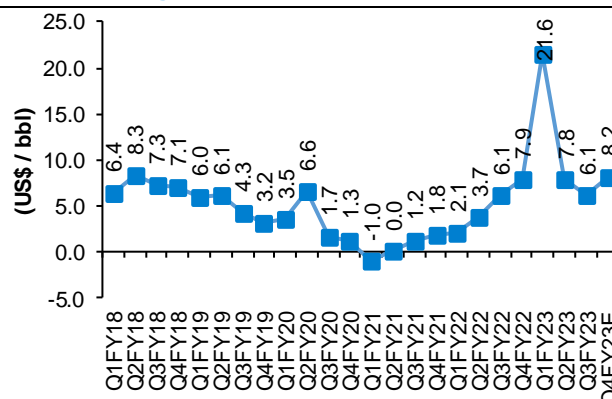
GGAS- Competitive intensity heats up: we cut our FY23-25E for GGAS by 6.5%/12.6%/16.4% as we lower volumes and margins. GGAS has seen competitive intensity heat up with attractively priced propane. While seasonal effect will mean that propane prices can be higher than gas prices in winters, GGAS has to settle for lower volumes or margins in medium term. We maintain HOLD will revised PT of Rs450 (Rs530 earlier).

Exhibit 6: Brent prices has corrected 10%QoQ



Source: Company, PL

Exhibit 7: Singapore GRMs remain resilient at \$8/bbl



Source: Company, PL

Exhibit 8: Q4FY23 Result Preview

Company Name		Q4FY23E	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	Remark
Bharat Petroleum Corporation	Sales	10,93,219	10,87,736	0.5	11,91,581	(8.3)	BPCL is likely to report operationally strong results due to sharp recovery in marketing margins (blended margins Rs3.3/ltr vs loss of Rs3 in Q3).
	EBITDA	69,355	42,493	63.2	42,339	63.8	
	Margin (%)	6.3	3.9		3.6		
	PBT	49,155	30,395	61.7	21,258	131.2	
	Adj. PAT	49,155	21,305	130.7	19,596	150.8	
GAIL (India)	Sales	55,980	2,69,682	(79.2)	3,53,804	(84.2)	We expect sharp recovery in earnings due to improvement in petchem and transmission volumes post USD14/mmbtu QoQ drop in spot LNG prices.
	EBITDA	16,412	37,145	(55.8)	2,613	528.0	
	Margin (%)	29.3	13.8		0.7		
	PBT	16,880	35,459	(52.4)	2,227	658.1	
	Adj. PAT	10,467	26,831	(61.0)	2,457	326.0	
Gujarat Gas	Sales	38,024	46,694	(18.6)	36,843	3.2	We expect GGL profits to be lower QoQ due to weak margins partly compensated by higher volumes.
	EBITDA	3,639	6,974	(47.8)	5,823	(37.5)	
	Margin (%)	9.6	14.9		15.8		
	PBT	2,654	5,986	(55.7)	4,974	(46.7)	
	Adj. PAT	1,977	4,443	(55.5)	3,713	(46.8)	
Hindustan Petroleum Corporation	Sales	10,12,792	9,75,727	3.8	10,96,032	(7.6)	HPCL is likely to report operationally strong results due to sharp recovery in marketing margins (blended margins Rs3.3/ltr vs loss of Rs3 in Q3).
	EBITDA	40,726	20,986	94.1	16,717	143.6	
	Margin (%)	4.0	2.2		1.5		
	PBT	24,726	22,850	8.2	1,684	1,367.9	
	Adj. PAT	24,726	17,953	37.7	1,724	1,334.1	
Indraprastha Gas	Sales	37,745	24,059	56.9	37,108	1.7	IGL's earnings will be strong due to lower gas prices and retail price hike.
	EBITDA	5,648	5,005	12.9	4,285	31.8	
	Margin (%)	15.0	20.8		11.5		
	PBT	5,268	4,977	5.9	3,891	35.4	
	Adj. PAT	3,941	3,616	9.0	2,783	41.6	
Indian Oil Corporation	Sales	19,40,427	17,72,873	9.5	20,47,402	(5.2)	IOCL is likely to report operationally strong results due to sharp recovery in marketing margins (blended margins Rs3.3/ltr vs loss of Rs3 in Q3).
	EBITDA	92,520	1,16,275	(20.4)	35,934	157.5	
	Margin (%)	4.8	6.6		1.8		
	PBT	51,020	80,847	(36.9)	2,567	1,887.9	
	Adj. PAT	41,837	60,219	(30.5)	4,480	833.8	

Company Name		Q4FY23E	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	Remark
Mahanagar Gas	Sales	16,915	10,868	55.6	16,714	1.2	MGL's earnings will be strong due to lower gas prices despite retail price cut.
	EBITDA	3,303	2,155	53.3	2,561	29.0	
	Margin (%)	19.5	19.8		15.3		
	PBT	2,958	1,804	64.0	2,274	30.1	
	Adj. PAT	2,213	1,318	67.9	1,721	28.6	
Oil India	Sales	55,324	44,786	23.5	58,794	(5.9)	Stable crude oil and gas realization to keep earnings healthy. Volume growth to be muted.
	EBITDA	26,591	19,585	35.8	28,552	(6.9)	
	Margin (%)	48.1	43.7		48.6		
	PBT	22,291	20,421	9.2	23,029	(3.2)	
	Adj. PAT	16,607	16,300	1.9	17,461	(4.9)	
Oil & Natural Gas Corporation	Sales	3,65,671	3,44,972	6.0	3,85,833	(5.2)	Stable crude oil and gas realization to keep earnings healthy. Volume growth to be muted.
	EBITDA	2,14,563	1,85,902	15.4	2,04,112	5.1	
	Margin (%)	58.7	53.9		52.9		
	PBT	1,52,563	1,17,143	30.2	1,46,720	4.0	
	Adj. PAT	1,14,117	88,595	28.8	1,10,447	3.3	
Petronet LNG	Sales	1,74,374	1,11,604	56.2	1,57,759	10.5	We expect earnings to be weak QoQ as Q3 earnings had one time take or pay benefit of Rs8.2bn.
	EBITDA	10,987	11,691	(6.0)	16,754	(34.4)	
	Margin (%)	6.3	10.5		10.6		
	PBT	9,737	9,844	(1.1)	15,856	(38.6)	
	Adj. PAT	7,283	7,501	(2.9)	11,805	(38.3)	
Reliance Industries	Sales	12,09,190	13,39,910	(9.8)	12,94,150	(6.6)	Earnings to decrease QoQ due to lower GRMs (adj for windfall tax). Jio and retail performance will be steady.
	EBITDA	1,42,014	1,45,810	(2.6)	1,50,340	(5.5)	
	Margin (%)	11.7	10.9		11.6		
	PBT	1,11,514	1,32,040	(15.5)	1,17,320	(4.9)	
	Adj. PAT	84,751	1,10,940	(23.6)	83,730	1.2	

Source: Company, PL



Exhibit 9: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
BPCL	S	BUY	328	420	698.6	3,467.9	4,852.7	4,240.8	4,249.9	191.4	112.3	180.7	179.3	105.5	22.9	72.7	77.9	49.5	10.8	34.1	36.6	20.0	4.3	12.7	12.7	6.6	30.5	9.6	9.0
GAIL (India)	S	BUY	105	118	702.0	916.3	1,170.4	1,051.7	1,143.2	138.3	80.3	107.7	106.6	103.5	57.4	77.4	77.4	23.0	8.6	11.6	11.6	20.3	9.7	12.1	11.6	4.6	12.2	9.1	9.1
Gujarat Gas	S	HOLD	462	450	318.2	164.6	160.7	147.0	146.9	20.8	21.9	22.7	24.5	12.9	14.0	15.0	17.0	18.7	20.3	21.8	24.6	24.5	20.5	17.7	16.5	24.8	22.8	21.2	18.8
HPCL	S	BUY	226	310	320.2	3,509.7	4,374.7	3,848.6	3,574.5	114.6	-81.4	142.2	148.0	76.7	-97.4	58.3	73.6	54.0	-68.7	41.1	51.9	20.5	-30.6	21.5	23.0	4.2	-3.3	5.5	4.4
Indraprastha Gas	S	BUY	444	564	310.5	77.1	140.3	161.2	190.2	18.8	20.9	26.3	30.4	13.1	14.8	19.4	23.1	18.8	21.2	27.7	32.9	20.5	19.8	22.2	22.6	23.6	20.9	16.0	13.5
Indian Oil Corporation	S	BUY	77	125	1,062.5	5,893.4	8,257.2	7,318.4	6,991.9	477.4	210.5	416.9	417.7	232.6	37.3	191.4	182.7	25.3	2.7	13.9	13.3	19.0	2.8	13.5	11.9	3.0	28.5	5.6	5.8
Mahanagar Gas	S	BUY	958	1,103	94.6	35.6	45.7	50.5	55.2	9.2	11.1	12.7	13.8	5.9	7.3	8.4	9.2	60.2	73.8	85.1	93.2	17.4	18.9	19.1	18.3	15.9	13.0	11.3	10.3
Oil India	C	BUY	262	325	284.0	300.1	412.5	390.5	777.5	105.0	148.9	121.6	205.6	67.2	90.3	79.5	116.8	62.0	83.3	73.3	107.7	24.8	26.8	20.1	25.1	4.2	3.1	3.6	2.4
ONGC	S	BUY	153	210	1,923.5	5,317.6	6,910.7	6,515.6	6,690.1	857.7	1,091.5	997.8	1,026.4	492.9	656.0	500.1	545.6	39.2	52.1	39.8	43.4	20.5	21.1	13.1	13.2	3.9	2.9	3.8	3.5
Petronet LNG	S	BUY	236	326	353.6	442.6	450.9	517.2	613.0	52.5	50.0	56.3	68.1	33.5	32.7	36.9	45.3	22.3	21.8	24.6	30.2	27.4	23.9	24.4	27.1	10.5	10.8	9.6	7.8
Reliance Industries	S	BUY	2,326	2,827	15,734.4	4,237.0	4,594.1	4,817.5	5,015.0	523.1	632.4	782.7	719.4	390.8	383.5	539.5	522.9	57.8	56.7	79.8	77.3	8.3	7.8	10.1	9.0	40.3	41.0	29.2	30.1

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 10: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY23E			FY24E			FY23E			FY24E			FY23E			FY24E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
BPCL	BUY	BUY	420	420	0.0%	48,52,747	47,28,542	2.6%	42,40,778	41,98,157	1.0%	22,923	27,665	-17.1%	72,700	85,454	-14.9%	10.8	13.0	-17.1%	34.1	40.1	-14.9%
GAIL (India)	BUY	BUY	118	118	0.0%	11,70,414	11,70,414	0.0%	10,51,661	10,51,661	0.0%	57,447	57,447	0.0%	77,428	77,428	0.0%	8.6	8.6	0.0%	11.6	11.6	0.0%
Gujarat Gas	HOLD	HOLD	450	530	-15.1%	1,60,728	1,61,834	-0.7%	1,47,003	1,53,448	-4.2%	13,963	14,934	-6.5%	15,007	17,172	-12.6%	20.3	21.7	-6.5%	21.8	24.9	-12.6%
HPCL	BUY	BUY	310	310	0.0%	43,74,701	43,74,701	0.0%	38,48,592	38,48,592	0.0%	-97,444	-87,748	11.0%	58,295	66,689	-12.6%	-68.7	-61.8	11.0%	41.1	47.0	-12.6%
Indraprastha Gas	BUY	BUY	564	564	0.0%	1,40,279	1,40,279	0.0%	1,61,161	1,61,161	0.0%	14,843	14,337	3.5%	19,367	19,228	0.7%	21.2	20.5	3.5%	27.7	27.5	0.7%
Indian Oil Corporation	BUY	BUY	125	125	0.0%	82,57,216	82,12,216	0.5%	73,18,417	73,18,417	0.0%	37,266	17,881	108.4%	1,91,383	1,91,383	0.0%	2.7	1.3	108.4%	13.9	13.9	0.0%
Mahanagar Gas	BUY	BUY	1,103	1,103	0.0%	45,671	45,671	0.0%	50,476	50,476	0.0%	7,290	7,290	0.0%	8,406	8,406	0.0%	73.8	73.8	0.0%	85.1	85.1	0.0%
Oil India	BUY	BUY	325	305	6.6%	4,12,473	4,12,473	0.0%	3,90,487	3,78,447	3.2%	90,303	91,907	-1.7%	79,495	72,412	9.8%	83.3	84.8	-1.7%	73.3	66.8	9.8%
ONGC	BUY	BUY	210	190	10.5%	69,10,703	69,10,686	0.0%	65,15,594	61,26,542	6.4%	6,56,002	4,10,729	59.7%	5,00,136	4,50,772	11.0%	52.1	32.6	59.7%	39.8	35.8	11.0%
Petronet LNG	BUY	BUY	326	326	0.0%	4,50,895	4,50,895	0.0%	5,17,168	5,17,168	0.0%	32,726	32,656	0.2%	36,868	37,511	-1.7%	21.8	21.8	0.2%	24.6	25.0	-1.7%
Reliance Industries	BUY	BUY	2,827	2,878	-1.8%	45,94,114	46,41,982	-1.0%	48,17,468	48,17,468	0.0%	3,83,547	4,29,928	-10.8%	5,39,518	5,41,325	-0.3%	56.7	63.6	-10.8%	79.8	80.0	-0.3%

Source: Company, PL

C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bharat Petroleum Corporation	BUY	420	335
2	Bharti Airtel	BUY	1,008	775
3	GAIL (India)	BUY	118	104
4	Gujarat Gas	Hold	530	485
5	Hindustan Petroleum Corporation	BUY	310	232
6	Indian Oil Corporation	BUY	125	82
7	Indraprastha Gas	BUY	564	413
8	Mahanagar Gas	BUY	1,103	850
9	Oil & Natural Gas Corporation	BUY	190	147
10	Oil India	BUY	305	224
11	Petronet LNG	BUY	326	223
12	Reliance Industries	BUY	2,878	2,443

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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