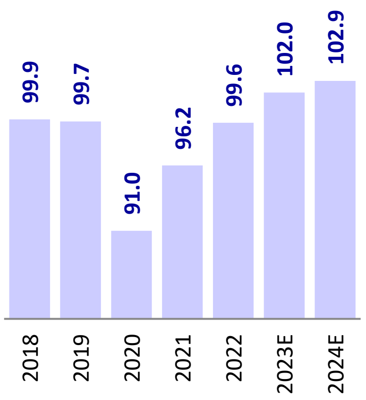
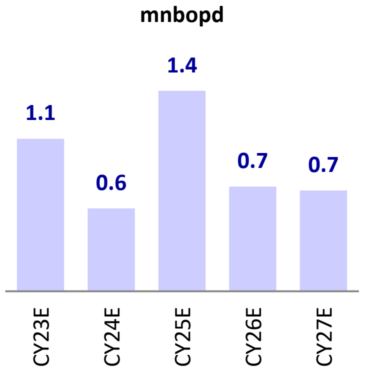
Oil & Gas

Global oil demand (mnbopd)



Source: IEA, BP Stats Review, MOFSL

Global refinery net capacity additions



Source: IEA, MOFSL

EIA's Henry Hub price and LNG export estimates

	CY22	CY23E	CY24E
Henry Hub Spot Price (USD/mmBtu)	6.4	2.6	3.2
US LNG Exports (bcf/d)	10.6	11.6	13.2

Source: EIA, MOFSL

Upstream: A multi-year upcycle underway!

ONCG and OINL are our top picks

- **Key commodity trends in the next 12-18 months:** 1) we expect high oil prices (USD80-100/bbl) to continue for much of CY24 due to resilient demand growth (CY24: 0.9mnbopd; IEA) amid sufficient new supply (CY24: 1.6mnbopd, IEA) but prone to delays; 2) gas prices are projected to remain moderate globally, as inventories in the US and Europe are higher than expected; 3) refining margins are anticipated to sustain at or slightly above mid-cycle level (SG GRM LT avg: USD6/bbl) as net capacity additions (CY24: 0.6mnbopd) lag oil demand growth; and 4) petchem spreads would improve from here on as CY23 marked the peak year of new olefin capacity addition during 2020-24.
- **RIL, ONGC, OINL, GAIL and IOCL – our preferred stocks:** We are factoring in strong oil sales realizations (USD 73/bbl after accounting for the impact of windfall tax) for ONGC/OINL. Additionally, moderate spot LNG prices are expected to have a positive effect on Gujarat Gas (which has a 35% spot exposure in its sourcing mix), Petronet LNG, and GAIL's transmission business. OMC's refining margin, we believe, can continue to remain strong, aided by a tight-demand supply situation and Russian crude discounts. However, we see potential for a setback on the marketing margin side due to retail price cuts for MS/HSD. For City Gas Distribution (CGD) companies, we believe that EBITDA/scm margins may have peaked and the benefits of lower gas prices may need to be passed on to the consumers.

Our sector preference

- **Upstream – stage set for a multi-year upcycle:** We believe that the upstream sector is entering a multi-year upcycle after eight years of underinvestment, and it continues to be our preferred sector in the oil & gas space. We recommend ONGC and OINL from this domain. On P/OCF basis, ONGC and OINL are currently trading at their lowest level in the past eight years.
- **Healthy refining; but marketing to remain volatile:** In our view, refining remains in a sweet spot but marketing is expected to remain volatile. As a play on the refining upcycle, we prefer OINL over OMCs. Price cuts for MS/HSD (higher than INR2/liter) remain a key risk to FY25E earnings for OMCs, and IOCL is our only recommended BUY among OMCs.
- **CGD volume growth is slower; even without the EV impact:** Volume growth across companies is settling down at a lower trajectory after the initial surge, driven by the pandemic and the shift towards natural gas (away from polluting fuels). With EBITDA/scm margins peaking and growth slowing down, we believe valuations may continue to face challenges. GAIL and Mahanagar Gas are our preferred picks in the gas utility space.

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Our top picks

- Given the preference for upstream, ONGC and OINL remain our top picks in the sector. This is because their ROE re-rated by 140bp and 630bp, respectively, in FY14-23. Despite this, their valuations are still close to or below historical levels. We also highlight the embedded valuation optionality for ONGC through OVL (which accounts for 9-10% of its TP). Lastly, on the FY25E P/OCF metric, ONGC/ OINL now trade at 2.7/4.1x (the lowest level since FY14, barring FY20).
- We also like Reliance Industries, where valuation has corrected 23% from its peak in Sep'21. RJio's EBITDA and PAT are expected to clock 15% and 17% CAGR, while EBITDA and PAT of Reliance Retail are likely to report 30% and 38% CAGR, respectively, over FY23-25E. We anticipate: 1) a potential for telecom tariff hikes in 2HFY25E, and 2) the possibility of an increase in subscriber market share, should Vodafone Idea experiences a decline.
- In the gas utility space, we are positive on GAIL (due to its rising transmission volumes and the commencement of new projects) and MAHGL (its FY24E P/E of 8.6x is at a substantial discount to IGL). Among OMCs, Indian Oil Corporation is our only BUY-rated stock and offers good exposure to strong refining margins coupled with a 25% growth in refining capacity over the next few years.

Exhibit 1: Valuation snapshot

Oil & Gas	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
B P C L	Neutral	380	9.4	119.7	47.1	45.5	3.6	9.1	1.7	1.3	1.2	9.6	2.3	5.2	3.7	41.7	14.2
GAIL (India)	Buy	140	8.1	11.4	13.4	15.4	10.9	9.3	1.3	1.2	1.1	9.0	6.2	5.3	9.5	12.8	13.7
Gujarat Gas	Buy	485	22.2	15.3	18.6	19.6	28.5	23.3	4.3	3.9	3.5	12.2	16.1	13.6	24.2	14.3	15.7
H P C L	Neutral	315	-49.2	113.4	55.2	-7.0	3.0	6.2	1.5	1.1	1.0	-16.0	4.3	7.2	-19.0	42.3	16.8
I O C L	Buy	115	8.5	31.3	13.5	12.8	3.5	8.1	1.1	0.9	0.9	7.7	3.8	6.8	8.6	28.4	10.9
Indraprastha Gas	Sell	350	20.6	25.7	25.9	18.9	15.2	15.1	3.9	3.3	2.8	12.1	9.7	9.3	20.6	23.3	20.2
M R P L	Neutral	109	15.1	22.5	14.3	8.1	5.4	8.5	2.2	1.7	1.4	7.8	6.9	8.7	31.0	34.7	18.2
Mahanagar Gas	Buy	1,310	80.0	120.6	81.9	12.9	8.6	12.6	2.5	2.1	1.9	8.4	5.6	7.6	20.4	26.5	15.9
O N G C	Buy	235	30.4	44.9	42.1	6.3	4.3	4.6	0.9	0.8	0.7	4.0	3.0	2.7	14.4	19.2	16.2
Oil India	Buy	410	62.8	54.4	58.1	4.9	5.7	5.3	1.0	0.9	0.8	4.5	4.8	4.2	21.2	18.4	15.6
Petronet LNG	Neutral	225	21.6	21.6	18.7	9.2	9.2	10.6	2.0	1.8	1.6	5.0	4.7	5.1	22.8	20.5	16.1
Reliance Industries	Buy	2,760	98.6	103.1	118.8	23.0	22.0	19.1	1.8	1.6	1.5	12.5	11.4	10.0	8.3	8.2	8.7

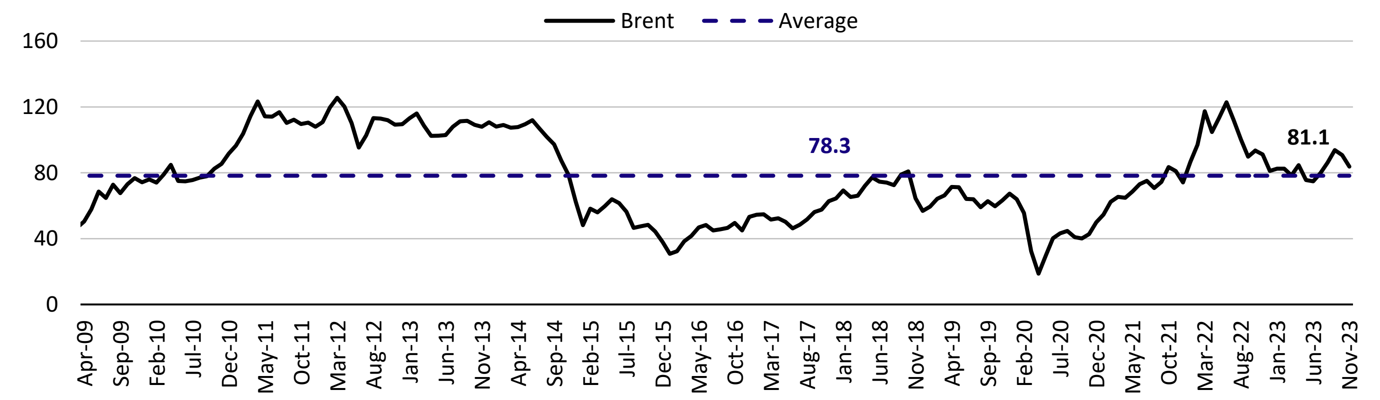
Source: MOFSL

Strong oil price outlook for CY24E

Global energy agencies (such as IEA and EIA) are forecasting a strong trajectory for oil prices in 2024, despite the recent demand-related concerns. The strong oil price outlook is premised upon:

- a widespread belief that OPEC+ will likely continue with ongoing production cuts beyond 31st Dec'23;
- the key oil and oil product inventories in OECD countries, which remain mostly below the five-year average levels
- global oil supply, which is set to grow by 1.6mnbopd (IEA) in CY24. However, a substantial amount of this is likely to come from regions outside of the Middle East and the US. Further, there is a possibility of delays or slower-than-expected ramp-up in production.

Exhibit 2: Brent crude oil prices touched a multi-year high of ~USD123/bbl in Jun'22 before falling to ~USD83.7/bbl in Nov'23YTD



Source: Reuters, MOFSL

Exhibit 3: CY23 Global E&P M&A at a glance

Acquisition Details	Amount (INR b)
Pioneer Natural Resources acquired by Exxon Mobil	66.9
Hess Corporation acquired by Chevron Corporation	53.0
PDC Energy acquired by Chevron Corporation	8.9
Denbury Inc. acquired by Exxon Mobil	5.2
Black Swan acquired by Ovintiv	4.8
Earthstone Energy acquired by Permian Resources	4.5

Source: MOFSL

Israel-Hamas conflict caps the upside export potential from Iran

- According to IEA, Iran's crude oil production has risen ~0.6mnbopd in 2023YTD but this data was recorded before the start of the Israel-Hamas conflict in early Oct'23. Iran is currently producing ~3.2mnbopd vs. its sustainable production capacity of 3.8mnbopd (as per IEA).
- With rising production, Iran's crude oil exports have increased to ~1.5mnbopd (link) and the market was counting on the fact that Iran's crude oil exports could rise by another 0.5-0.7mnbopd, especially if Iran and the US reached an agreement on the nuclear deal.
- After the Israel-Hamas conflict, which started on 8th Oct'23, we believe the possibility of higher crude exports from Iran has diminished if not entirely disappeared.

Immaterial supply upside from Venezuela; optionality in 2HCY24-25

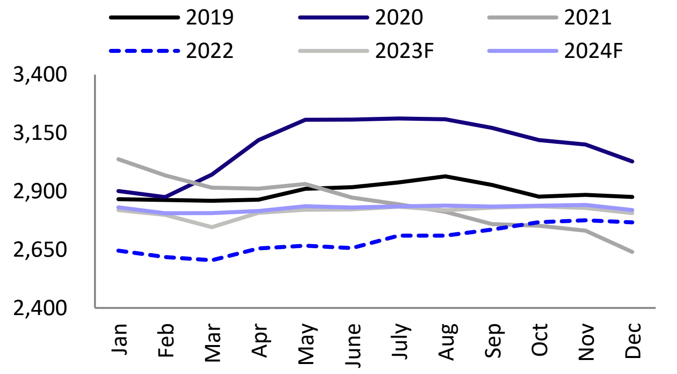
Venezuela's oil production unlikely to increase significantly despite easing sanctions

- In a bid to alleviate the ongoing tightness in oil supply, the US administration has also granted a temporary sanction relief to Venezuela for its oil and mining sectors until 18th Apr'24.
- In Sep'23, Venezuela's oil production was 0.8mnbopd, which was close to its sustainable production capacity. Despite the temporary easing of sanctions, we do not anticipate a significant increase in oil production from Venezuela in the short to medium term. This is because a temporary easing of sanctions alone is unlikely to result in a substantial boost in investment in Venezuela's oil sector.
- However, if the sanctions are permanently lifted and investment increases, we do recognize Venezuela as a potential source of increased supply risk in the second half of 2024 and beyond.

Globally, crude and product inventories remain low

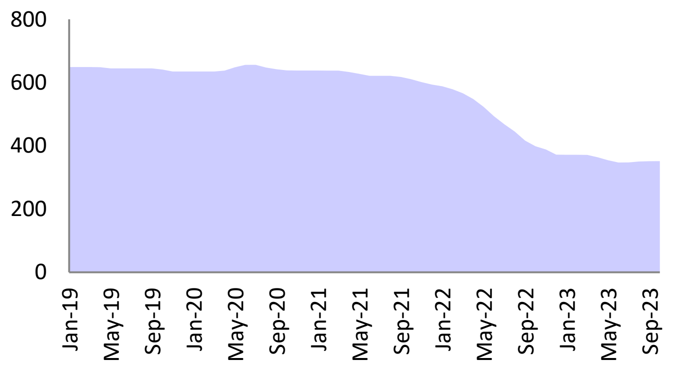
- While oil prices remain volatile, we highlight that global oil and oil product inventories remain at the lower end of the last five-year range.
- The US's strategic petroleum reserves have also depleted ~40% vs. Jan'22 levels in an effort to lower prices.
- Should concerns about demand weigh on prices, we believe that a low inventory level will provide downside support to oil prices.

Exhibit 4: The OECD crude and product stocks



Source: EIA, MOFSL

Exhibit 5: The US SPR crude inventory (mnbopd)

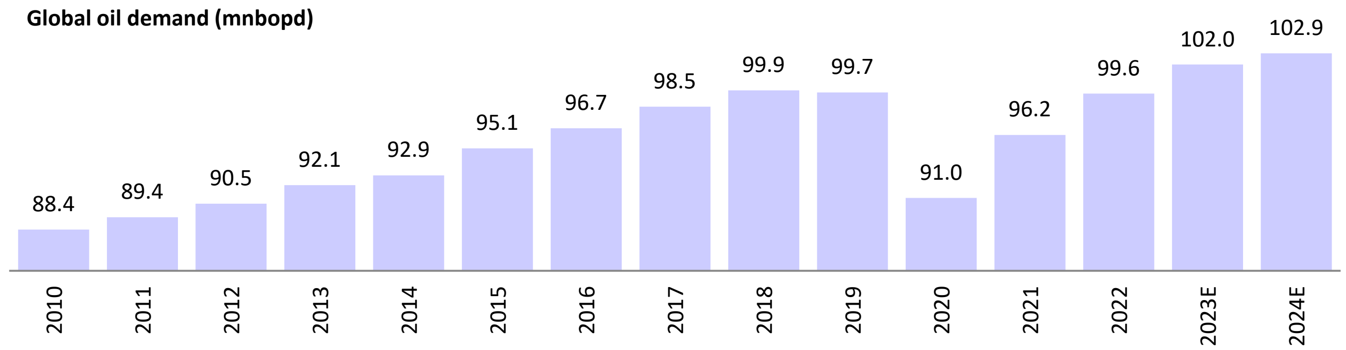


Source: EIA, MOFSL

Key risks to our thesis

The key risk to a bullish oil price outlook stems mainly from declining oil demand to 0.9mnbopd in CY24 (IEA) from a high base of 2.3mnbopd in CY23. Beyond 2024, we believe that aggressive capital allocation, particularly by the US shale players, will continue to be a significant risk worth monitoring closely.

Exhibit 6: Global oil demand



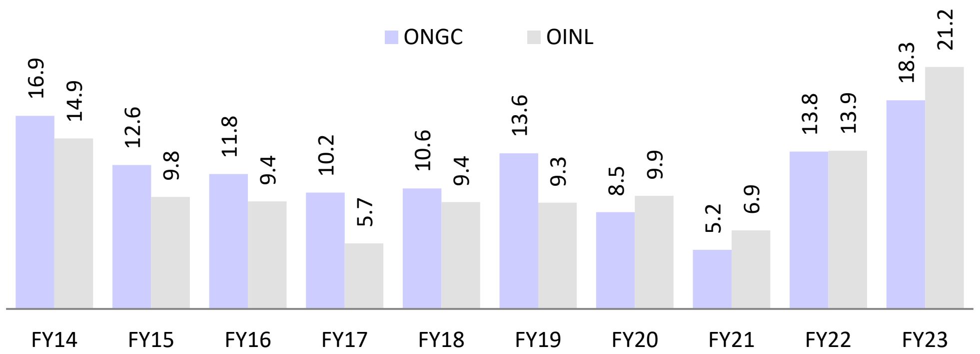
Source: IEA, BP Statistical Review, MOFSL

Indian upstream players trading at relatively lower valuations vs. their APAC peers

Lessons from the last upcycle: mid-teen ROEs command ~1x P/B valuations

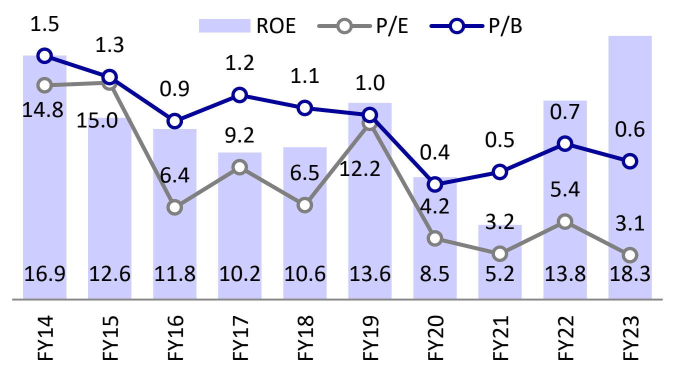
- **Historically, mid-teen ROEs have commanded at least 1x P/B valuations:** In the previous upcycle (CY08-1HCY14), Brent crude prices averaged ~USD94/bbl. For ONGC and OINL, the average standalone ROE over FY09-FY14 averaged 19.6% and 15.9%, respectively. This enabled both the stocks to trade at a 1-year fwd standalone P/B valuation of 1.1x-2.4x during this period.
- In FY25E, we model a standalone ROE of 16.2% and 15.6% for ONGC and OINL, respectively, though both these stocks trade at a FY25E P/B (standalone) valuation of ~0.9x.
- **Indian upstream players inexpensive even in the Asia-Pac context:** ONGC and OINL's current valuations are attractive as compared to other upstream peers listed in the Asia-Pac Universe. Regional peers, such as PTTEP and CNOOC are trading at 1-year fwd P/B valuations of 1.2x although the Bloomberg consensus ROE forecasts for both are 13% and 18%, respectively.

Exhibit 7: Standalone ROE profile for upstream companies



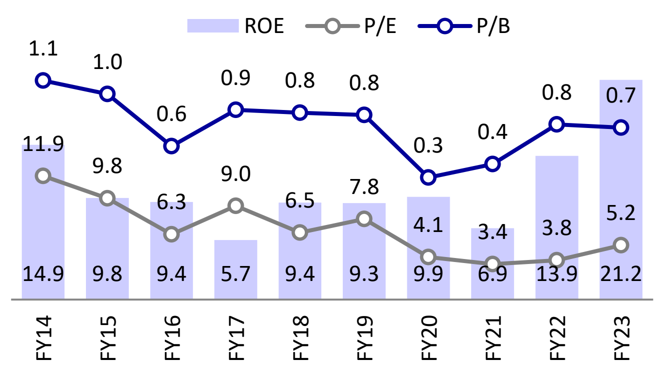
Source: Company, MOFSL

Exhibit 8: ROE vs. P/E and P/B for ONGC (Standalone)



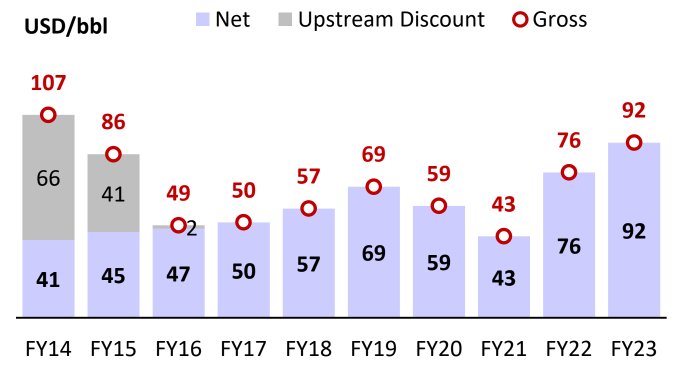
Source: Company, MOFSL

Exhibit 9: ROE vs. P/E and P/B for OINL (Standalone)



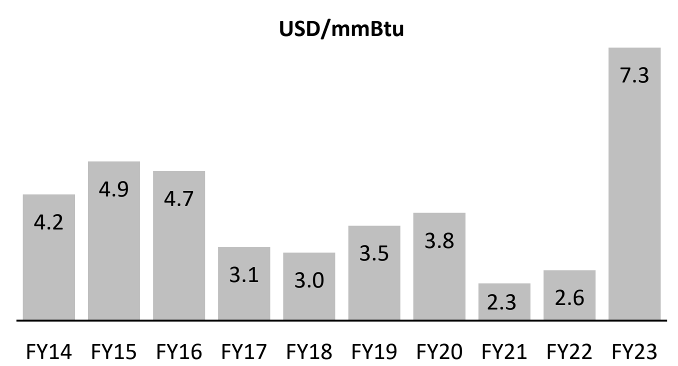
Source: Company, MOFSL

Exhibit 10: Crude realization for ONGC



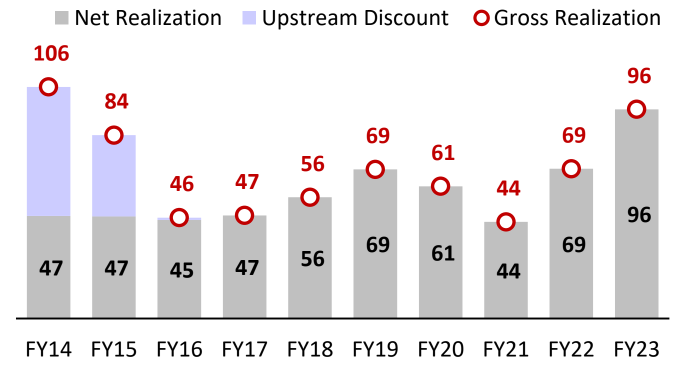
Source: Company, MOFSL

Exhibit 11: Gas realization for ONGC



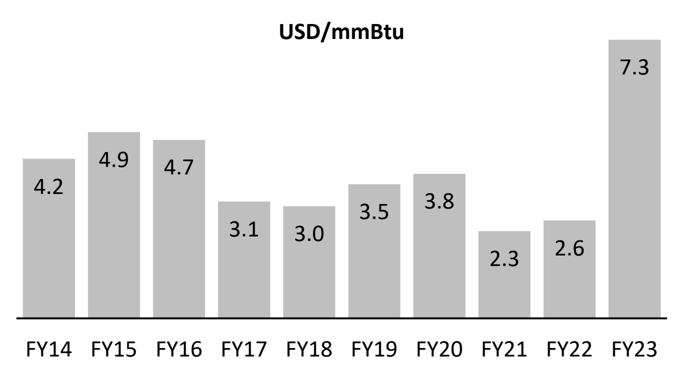
Source: Company, MOFSL

Exhibit 12: Crude realization for OINL



Source: Company, MOFSL

Exhibit 13: Gas realization for OINL



Source: Company, MOFSL

Exhibit 14: Valuation comparison vs. global peers

Oil & Gas	P/E (x)			P/BV (x)			ROE (%)		
	CY22	CY23E	CY24E	CY22	CY23E	CY24E	CY22	CY23E	CY24E
CNOOC Ltd	2.9	6.9	6.7	0.7	1.4	1.3	26.3	19.4	18.0
PTT Exploration & Production	9.9	8.2	8.6	1.5	1.2	1.1	16.2	15.1	13.1
Permian Resources Corp	4.7	10.6	7.2	1.8	0.7	1.0	18.1	10.3	14.1
Murphy Oil Corp	7.5	8.5	7.1	1.3	1.2	1.1	21.1	15.1	16.3

Source: Bloomberg, MOFSL

Risk of impairments minimal in the coming years

- One of the key pushbacks for investing in ONGC/OINL has been the risk of impairments.
- Historically, both ONGC and OINL (like their global peers) have experienced significant impairments, especially in relation to the investments made at the peak of the commodity boom.
- However, we believe that the risk of impairments will remain low going forward given:
  - the elevated oil price outlook for the next few years
  - no major merger & acquisition activity by the Indian oil & gas companies in recent years.

Exhibit 15: Impairment history for ONGC and OINL

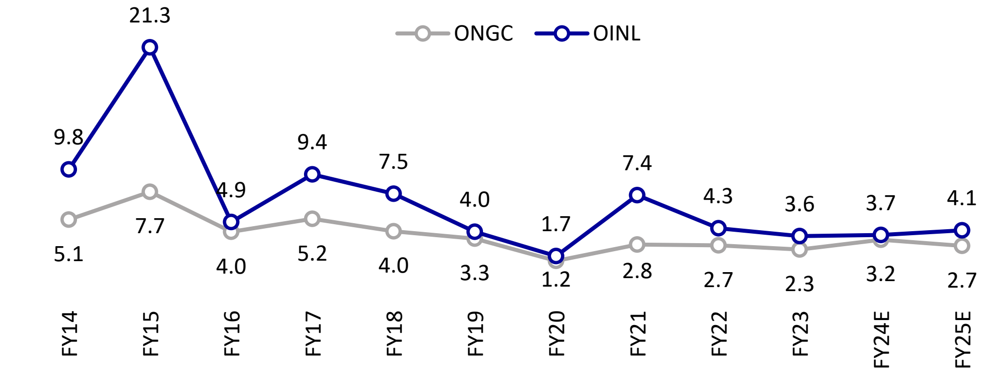
(INR b)	FY18	FY19	FY20	FY21	FY22	FY23
ONGC	1.3	8.8	13.0	3.8	20.8	-20.1
OINL	2.1	0.9	4.0	7.3	6.8	3.7

Source: Company, MOFSL

On P/OCF, upstream companies are trading at multi-year lows

- With higher oil and gas realizations, the operating cash flows for ONGC and OINL are expected to remain robust in FY24-25E.
- Despite aggressive capex plans, both ONGC and OINL will report positive free cash flow over FY24-25E based on our and consensus numbers.
- Based on FY24E P/OCF, ONGC and OINL are trading at 3.2x and 3.7x, respectively, one of the cheapest levels in recent years.

Exhibit 16: P/OCF per share profile for upstream companies



Source: Company, MOFSL

INR22 per share valuation optionality from ONGC Videsh Limited

ONGC has invested INR431.8b equity in ONGC Videsh Limited as on Mar'23, its overseas operations subsidiary. OVL has a history of generating poor returns as:

- bulk of its production comes from the Russian assets, which have higher operating costs, even though the oil is sold at a significant discount to Brent
- ROE over the last 7-8 years has been marked by impairments taken for various acquisitions done in the past

Given its historically poor ROE, the Street values this part of the business at 0.2-0.3x P/B, which we believe is conservative given the improving realizations and therefore returns from this business.

Exhibit 17: OVL upside

Particulars	Comments	INR/share
Current OVL Valuation basis ROE of 3%	0.2x FY23 OVL Book Value	9
Value if OVL ROE improves to 10%	0.7x FY23 OVL Book Value	31
	Net Increase in OVL's valuation	22
	Upside to ONGC's TP	9.4%

Source: Company, MOFSL

Natural Gas

Weak near-term price outlook for Henry Hub

- The US EIA, according to its "Short Term Energy Outlook" dated 7th Nov'23, forecasts the US Henry Hub gas price to average USD2.61/3.23 per mmBtu in CY23/24.
- The weak near-term Henry Hub gas price forecast is also supported by gas inventories, which are at the upper end of the latest five-year average at the beginning of Oct'23.
- By the end of the winter heating season, the EIA forecasts that the US natural gas inventories will be 21% above the last five-year average.

Exhibit 18: EIA's Henry Hub price and LNG export estimates

	CY21	CY22	CY23E	CY24E
Henry Hub Spot Price (USD/mmBtu)	3.91	6.42	2.61	3.23
US LNG exports (bcf/d)	9.76	10.59	11.62	13.15

Source: EIA, MOFSL

The US/Qatar to add 21% to the global gas liquefaction capacity by 2027

- With JKM prices in Asia averaging USD 33.2/mmBtu in CY22, the price outlook for spot LNG is more benign going forward as the US and Qatar together will add 21% to the global liquefaction capacity.
- CY24-25 will witness the start of operations of three new projects in the US, which together will account for 11% of the global capacity.
- Qatar is raising its LNG production capacity to 126mmtpa by 2027 from 77mmtpa currently, as per S&P Global (link)

Exhibit 19: Upcoming LNG capacity of Qatar

Project name	Owners	Nameplate capacity (bcf/year)	In-service date
QatarGas North Field East Expansion Project, Trains 1–4	❖ QatarEnergy 75%; ExxonMobil 6.3%; TotalEnergies 6.3%; Shell 6.3%; Eni 3.1%; ConocoPhillips 3.1%	1,537.0	2025
QatarGas North Field South Expansion Project, Trains 1–2	❖ QatarEnergy 75%; TotalEnergies 9.4%; Shell 9.4%; ConocoPhillips 6.3%	768.0	2027

Source: EIA, MOFSL

Exhibit 20: Upcoming LNG capacity of the US

Project name	Train	Baseload nameplate capacity (mmtpa)	Peak nameplate capacity (mmtpa)	In-service date
Golden Pass	Train 1	5.2	6.0	2QCY24
Golden Pass	Train 2	5.2	6.0	4QCY24
Golden Pass	Train 3	5.2	6.0	1QCY25
Plaquemines LNG Phase 1	Trains 1-18	9.9	12.0	3QCY24
Plaquemines LNG Phase 2	Trains 19-36	9.9	12.0	CY25
Corpus Christi Liquefaction Stage III	Trains 1-14	10.0	11.5	CY25
Total		**45.4**	**53.6**	

Source: EIA, MOFSL

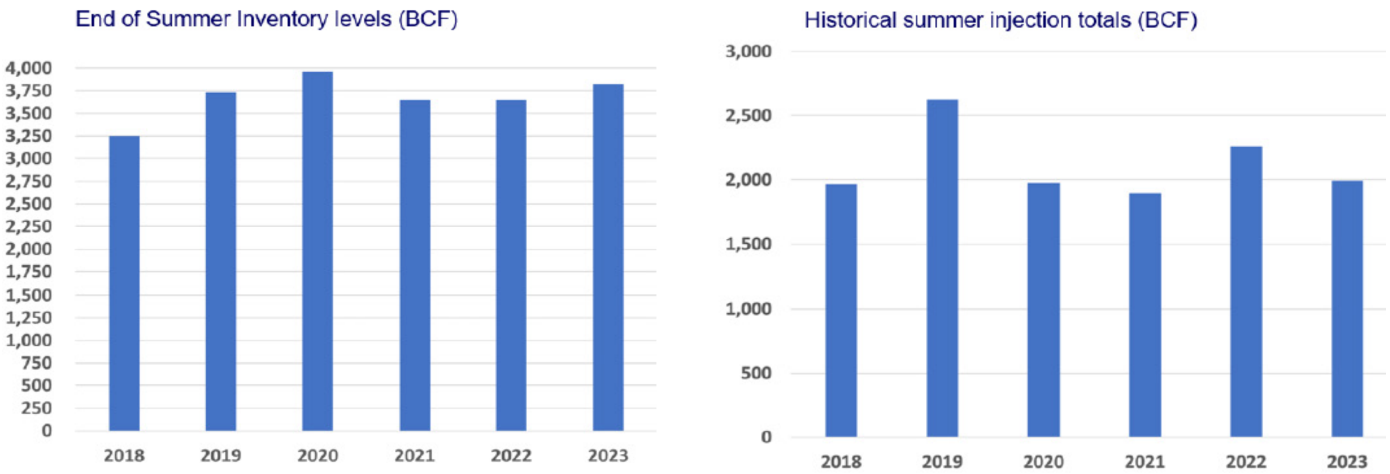
Key risks to our forecast of a benign gas price outlook

- Delayed start or slower-than-expected ramp-up of the new LNG projects
- Colder-than-anticipated winter and maintenance outages, which can lead to upside price risk
- The recent Israel-Palestine conflict, spreading to neighboring countries and disrupting volumes from key exporters such as Qatar.

Benign gas price outlook positive for GUJGA, PLNG, & GAIL's transmission businesses

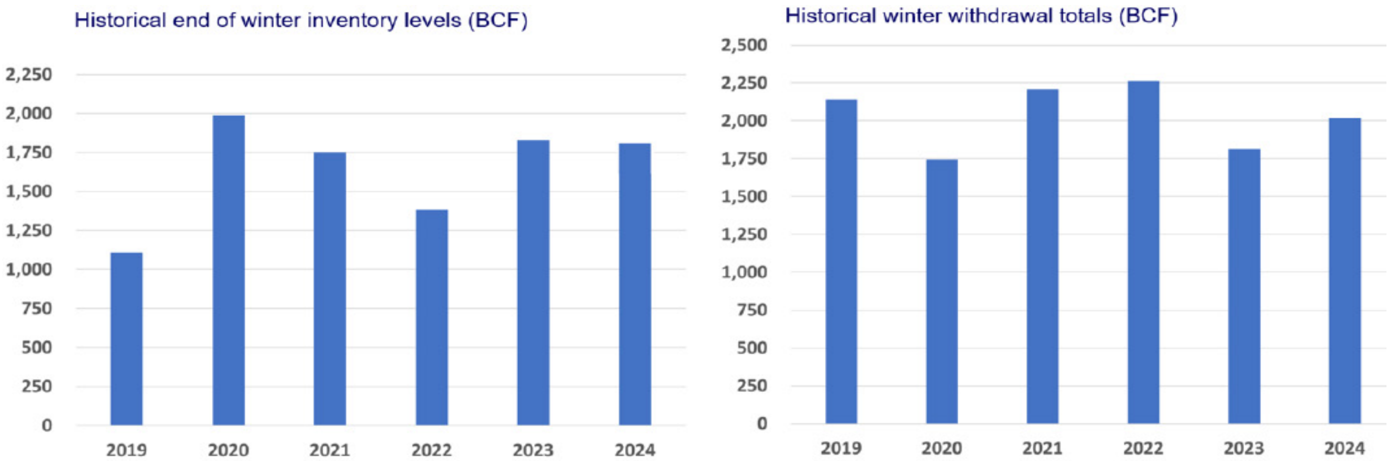
- A benign gas price outlook is positive for consumers – hence, Gujarat Gas will be a key beneficiary with ~35% spot LNG exposure in the current gas sourcing mix.
- Low spot LNG prices will ultimately spur demand and should have a positive impact on PLNG and GAIL's transmission businesses.
- Further, low spot LNG prices ease concerns over the cut in APM gas allocation / shortfall for CGD sector (though we believe bulk of the gains from this may need to be passed on to the consumers – this is discussed in more detail in this note).

Exhibit 21: End-of-summer gas inventory levels in the US



Source: WoodMackenzie, MOFSL

Exhibit 22: WoodMackenzie's inventory projections

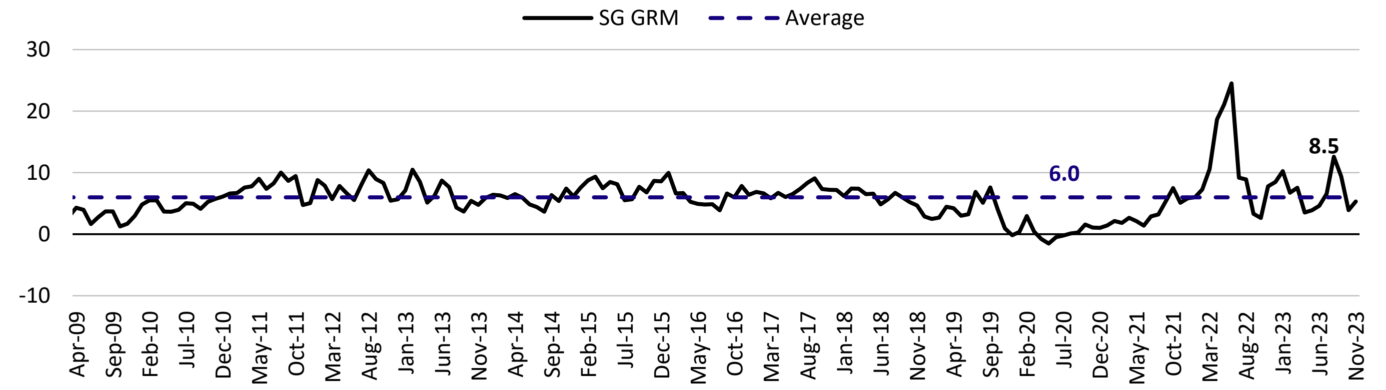


Source: WoodMackenzie, MOFSL

Refining and Marketing

- Singapore refining has recovered to USD5.3/bbl in Nov'23 to date after dipping to USD3.9/bbl in Oct'23. During Nov'23 to date, diesel and gasoline margins have averaged USD15.8/bbl and USD13.9/bbl, respectively. However, despite the recent decline in refining margins, we believe refining margins will likely remain strong over the next two quarters amid strong seasonal demand coupled with heavy refinery maintenance scheduled in 2HFY24E globally (link). The heavy maintenance season is partly due to global refineries deferring planned maintenance work in FY23 in light of the robust refining margins. There is also an upside risk to refining margins from tropical storms, particularly on the US Gulf Coast.

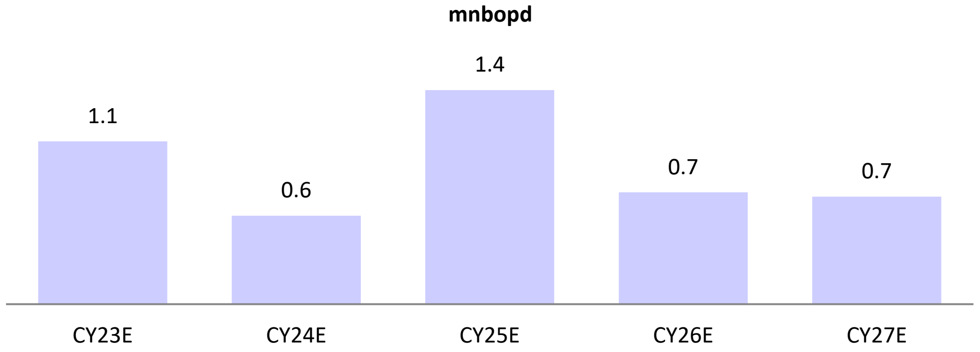
Exhibit 23: Singapore GRM has softened to USD5.3/bbl in Nov'23YTD from the peak of USD24.5/bbl in Jun'22



Source: Reuters, MOFSL

- **Net refining capacity additions to decline to 0.6mnbopd in CY24:** According to IEA, net refining capacity addition in CY24E will be ~0.6mnbopd (additions: 1.2mnbopd; closures: 0.6mnbopd). This will be lower than the IEA's oil demand growth forecast of 0.9mnbopd for 2024 and 46% lower than the net refining capacity addition of 1.1mnbopd in 2023. The key risks to our view of strong refining margins in CY24E stem from: 1) a spike in Chinese oil product export quotas, 2) weaker-than-expected oil demand growth, and 3) lower-than-anticipated refining capacity closures.
- **Refining margins to remain healthy, though the highs of FY23 unlikely to be reached:** In FY23, Singapore refining margin averaged USD10.8/bbl while diesel and gasoline averaged USD32.1/bbl and USD19.1/bbl, respectively. The robust refining margins of FY23 were driven by: 1) strong oil demand growth of 3.4mnbopd (IEA est.), 2) net refining capacity growth of only 0.5mnbopd in CY22, 3) global oil product inventories during this period, which were trending below their five-year averages. During 2HFY24-FY25E, we believe refining margins should still remain healthy overall, though they are unlikely to sustain the highs of FY23.

Exhibit 24: Global refinery net capacity additions



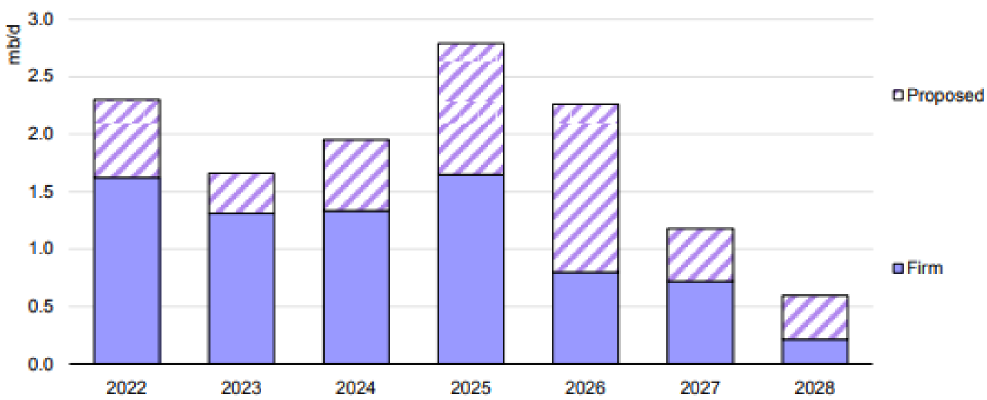
Source: IEA, MOFSL

Exhibit 25: Global refinery net capacity additions

	2022	2028E	Change	2022	2028E	Change	2022	2028E
	Total capacity (mnbopd)			Refinery throughput (mnbopd)			Utilization rates (%)	
US	17.7	17.6	-0.1	15.9	15.2	-0.8	90	86
Other North America	3.4	3.8	0.3	2.6	2.8	0.2	74	73
Europe	14.6	14.3	-0.2	12.2	11.4	-0.8	84	80
FSU	9.1	9.2	0.2	6.5	6.3	-0.2	72	68
China	18.2	19.7	1.5	13.7	16.5	2.9	75	84
India	5.2	6.2	1.0	5.1	6.2	1.1	98	100
Other Asia	14.6	14.5	-0.1	11.0	11.0	0.0	76	76
Middle East	10.5	11.4	0.9	8.5	9.8	1.3	80	86
Latin America	6.1	6.3	0.2	3.6	3.7	0.1	58	58
Africa	3.2	4.0	0.8	1.8	2.4	0.6	55	60
World	102.6	107.1	4.5	80.8	85.2	4.4	79	80
Atlantic Basin	54.2	55.3	1.1	42.4	41.5	-0.9	78	75
East of Suez	48.4	51.7	3.3	38.4	43.7	5.3	79	84

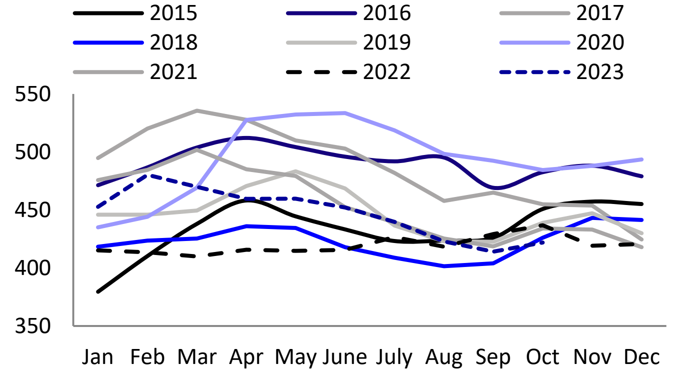
Source: IEA, MOFSL

Exhibit 26: Firm and proposed refinery capacity additions



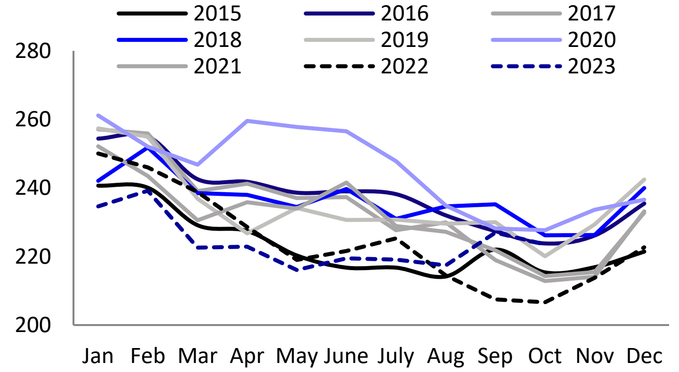
Source: IEA, MOFSL

Exhibit 27: The US crude inventory (mnbopd)



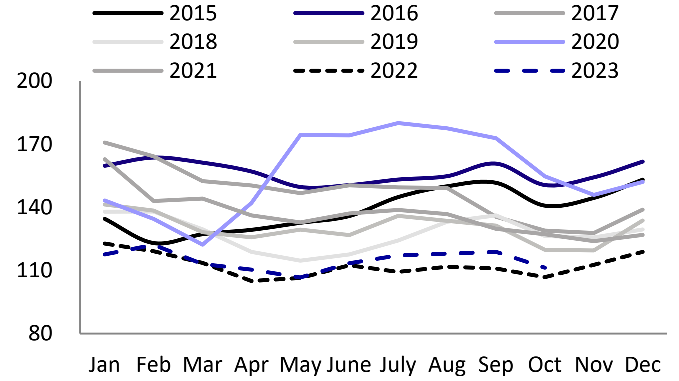
Source: Bloomberg, MOFSL

Exhibit 28: The US gasoline inventory (mnbopd)



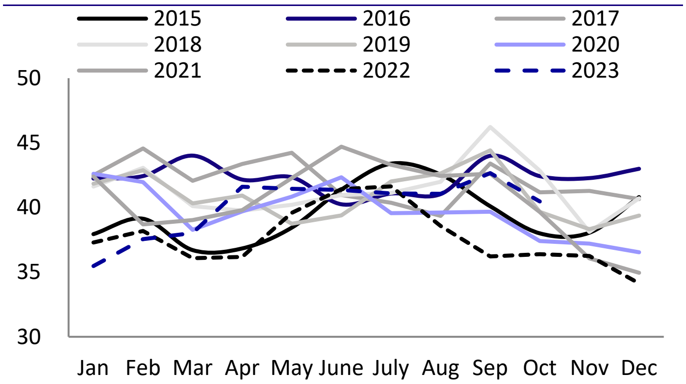
Source: Bloomberg, MOFSL

Exhibit 29: The US gasoil inventory (mnbopd)



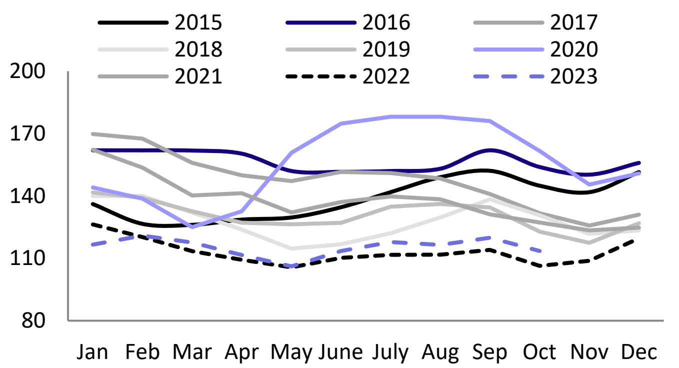
Source: Bloomberg, MOFSL

Exhibit 30: The US jet kerosene inventory (mnbopd)



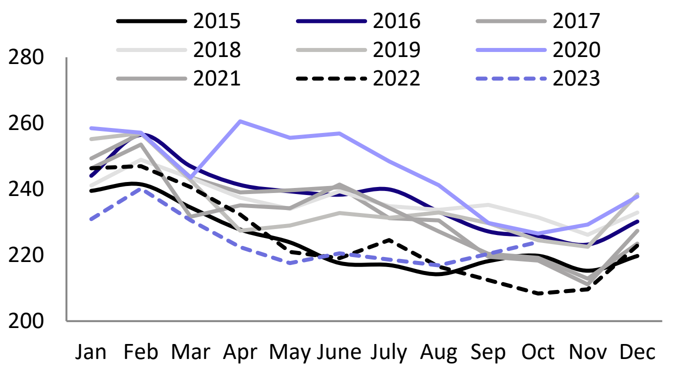
Source: Bloomberg, MOFSL

Exhibit 31: The US distillate fuel oil inventory (mnbopd)



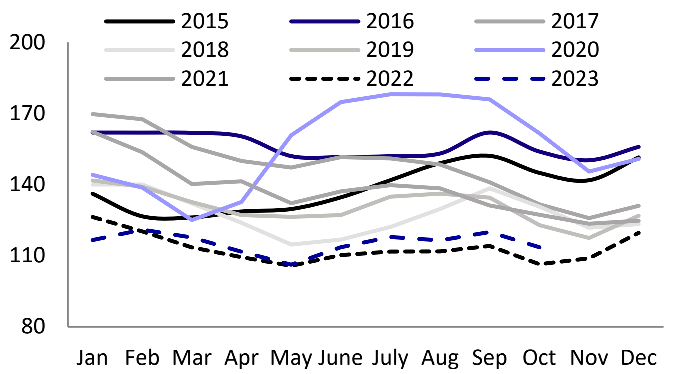
Source: Bloomberg, MOFSL

Exhibit 32: The US motor gasoline inventory (mnbopd)



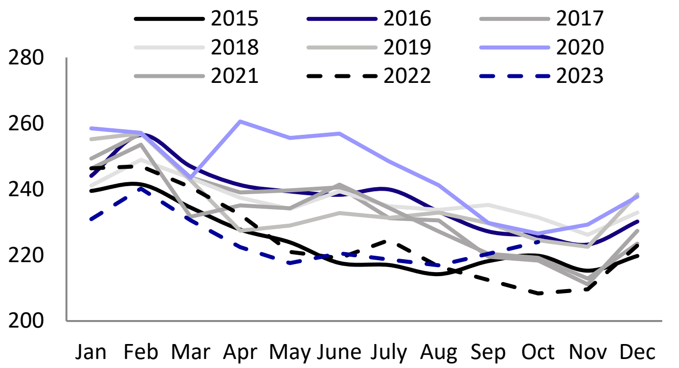
Source: Bloomberg, MOFSL

Exhibit 33: Singapore light distillate inventory (mnbopd)



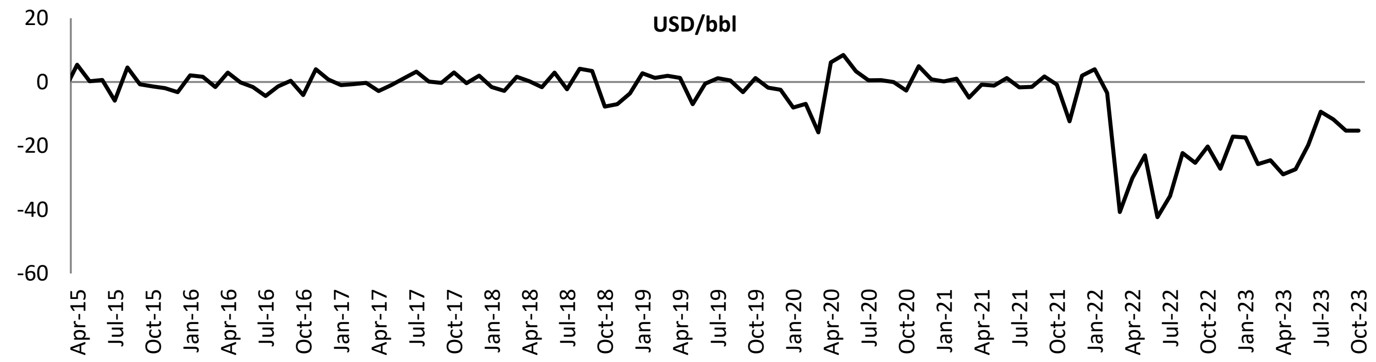
Source: Bloomberg, MOFSL

Exhibit 34: Singapore middle distillate inventory (mnbopd)



Source: Bloomberg, MOFSL

Exhibit 35: Russian Urals discount to Brent



Source: Bloomberg, MOFSL

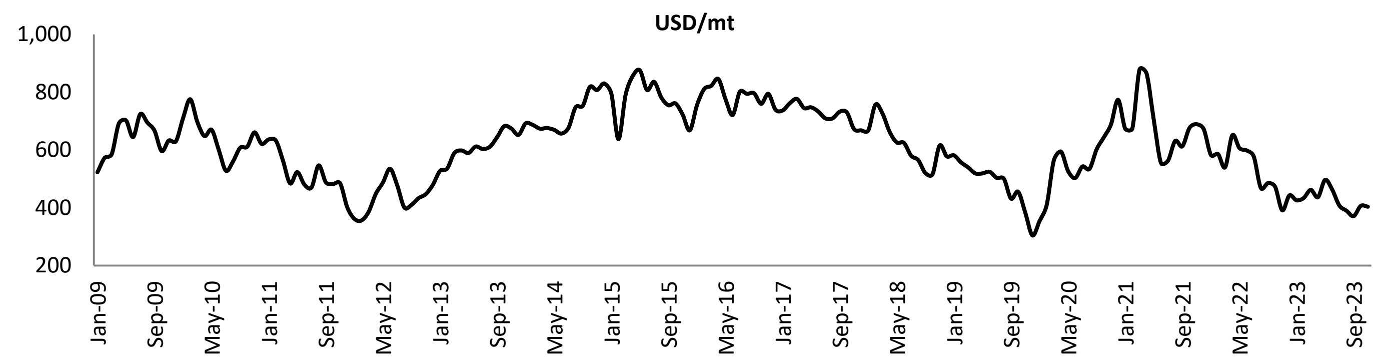
Exhibit 36: Ongoing refining capacity additions/expansions for OMC

IOCL	Estimated Cost (INR b)
Panipat refinery expansion to 25mmtpa from 15mmtpa	346
Barauni refinery expansion to 9mmtpa from 6mmtpa	148
Gujarat refinery expansion from 13.7mmtpa to 18mmtpa	189*
HPCL	**Estimated Cost (INR b)**
Vizag refinery expansion to 15mmtpa from 8.3mmtpa	262
Greenfield 9mmtpa Rajasthan refinery (Barmer)	729*
BPCL	**Estimated Cost (INR b)**
Bina refinery expansion to 11mmtpa from 7.8mmtpa	490*

**Cost includes integrated petrochemicals facility*

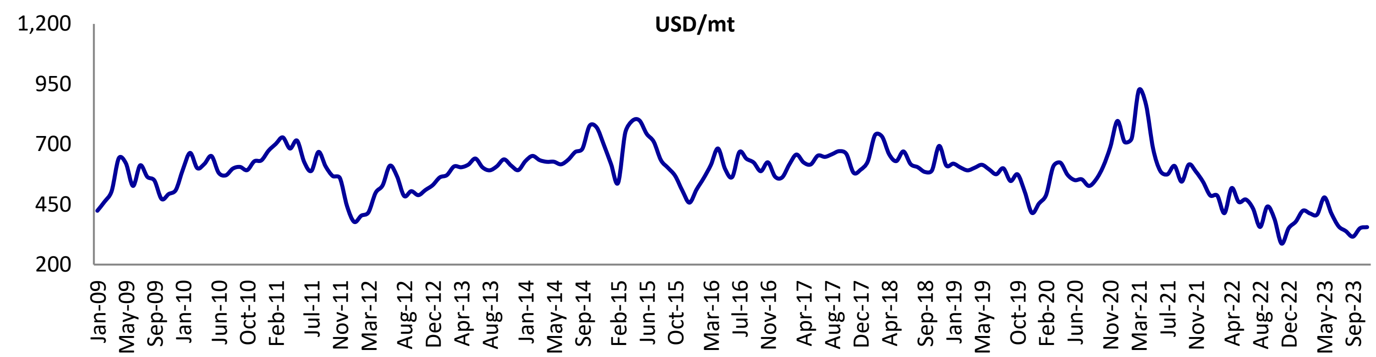
Source: Company, MOFSL

Exhibit 37: P/E spreads over Naphtha



Source: Bloomberg, MOFSL

Exhibit 38: PP spreads over Naphtha



Source: Bloomberg, MOFSL

Scenarios for marketing margin

Even at USD90/bbl, marketing margin can be positive

- During FY16-21, OMC's gross marketing margins have averaged INR3.5/liter. However, this was an environment characterized by market-driven MS/HSD retail prices and relatively low crude oil prices. We currently assume a gross marketing margin of INR3.3/liter for OMCs from 3QFY24 onwards.
- In our view, the negative marketing margins in the last two years were primarily a function of the robust refining margins. With net global refining capacity set to increase by 0.6/1.3mnbopd in CY24/25, we believe it is unlikely that refining margins will rise again to the extreme levels seen in FY23.

Marketing: Volatility has made the investment case uncertain

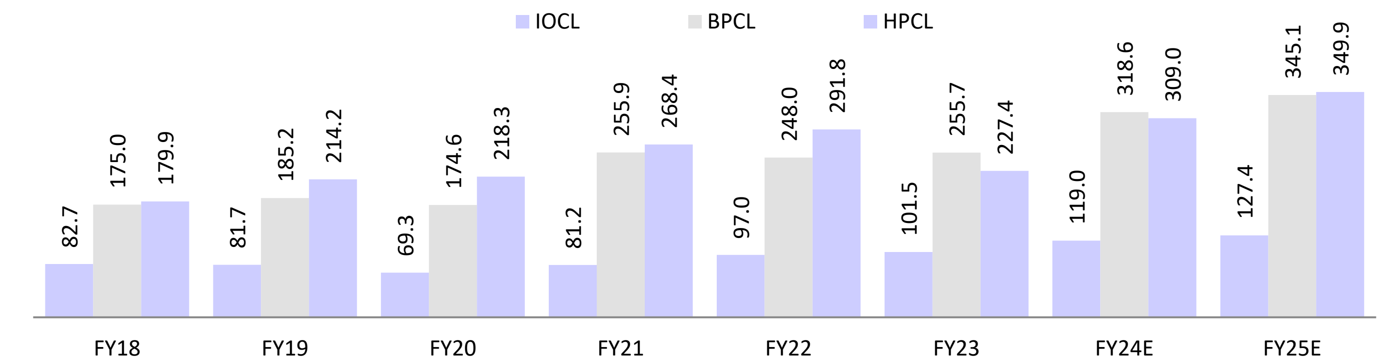
- MS/HSD marketing margins were volatile in FY23, fluctuating between -INR5.4/ INR8.3 per liter in Apr'22 and INR7.2/5.5 per liter in Mar'23, respectively, for petrol/diesel.
- In 4th week of Nov-23, marketing margins on MS/HSD have again rebounded to INR9.6/3.4 per liter as refining margins on gasoline and diesel have collapsed.
- Should crude oil price average USD90/bbl in 2HFY24-25 and refining margins for gasoline/diesel remain close to the long-term average of USD7.47/USD13.36 per bbl, we estimate the average marketing margin for refiners to be INR4.6-INR4.7/liter for the three OMCs

Exhibit 39: Marketing margin if Brent is at USD90/bbl and GRMs at LTAs

Brent (USD/bbl)	90
Long-term average diesel GRM (USD/bbl)	13.36
Long-term average petrol GRM (USD/bbl)	7.47
Marketing Margins (INR/lit)	
IOCL	4.6
BPCL	4.7
HPCL	4.7

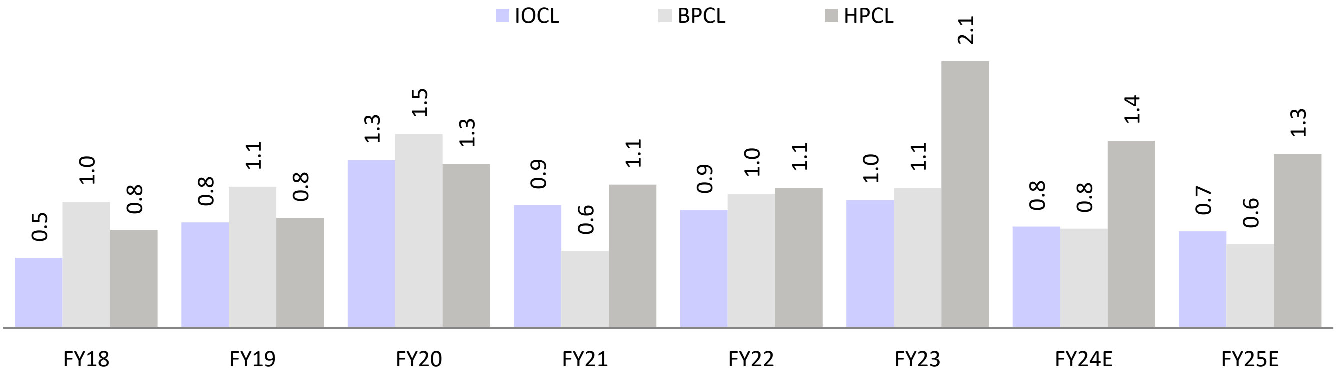
Source: Bloomberg, MOFSL

Exhibit 40: BV/share trend for OMCs



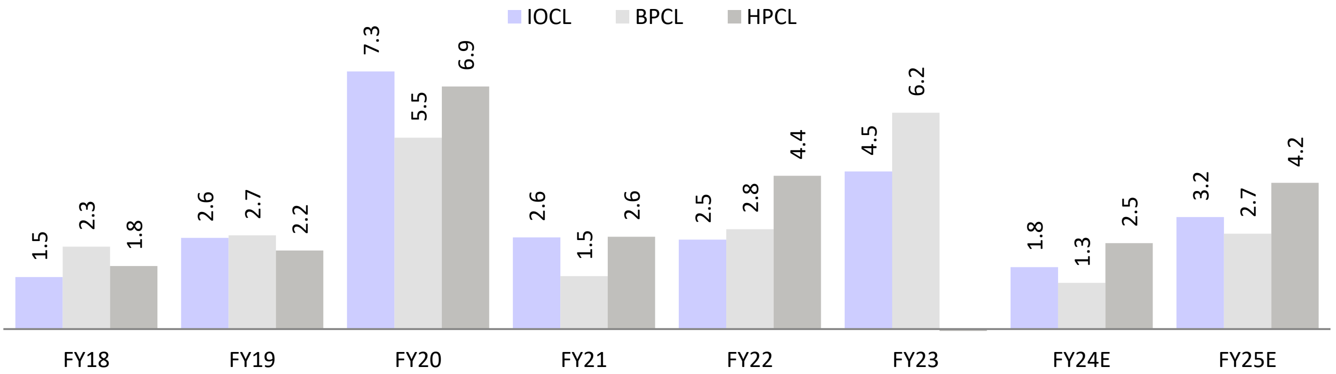
Source: Company, MOFSL

Exhibit 41: Net Debt/Equity trend for OMCs



Source: Company, MOFSL

Exhibit 42: Net Debt/EBITDA trend for OMCs

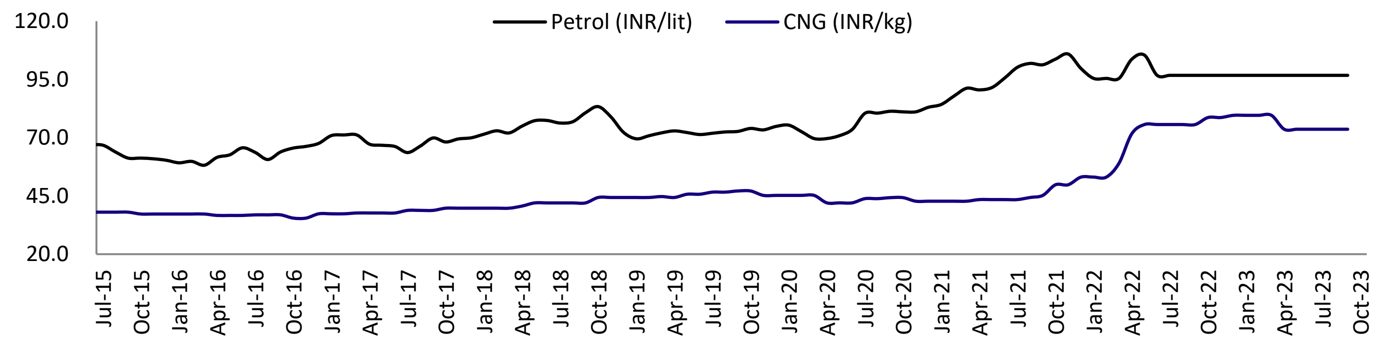


Source: Company, MOFSL

Gas utilities

- **GAIL to be the biggest beneficiary of soft LNG prices:** Benign LNG prices will play a pivotal role in driving the government's aim of increasing the proportion of gas in India's energy mix to 15% by 2030 from 6% currently. We expect GAIL's transmission volumes to report 11% CAGR during FY23-25. This should result in the share of transmission EBITDA increasing to 52% in FY25 from 40% in FY23, which in turn should support earnings stability. Further, the stock trades at a relatively attractive valuation of 11x FY24E EPS of INR11.4.
- Despite an improving spot LNG price outlook, driven by capacity additions globally, we believe the CGD sector will face strong headwinds going forward. The challenges are listed below:
    - **Slower volume growth across companies:** Volume growth, both for CNG and industrial segments, has had a marked slowdown, even without any impact from EVs
    - **Margins are peaking out:** EBITDA/scm margins are close to peak levels as guided by the management teams across IGL, MAHGL and GUJGA
    - **Valuations to face pressure amid slower growth:** While CGD companies have commanded high valuations previously amid stability and strong growth momentum, we now believe their valuations could remain under pressure as the growth trajectory weakens.
- **Capital allocation concerns arise amid policy uncertainty:** While we have a Sell rating on Indraprastha Gas Limited, we believe the Delhi government's recent EV policy will be hard to implement (limited vehicle options in the sub-INR1m space; lack of public chargers) and as such actual volume loss due to EVs might be restricted. However, we note that Delhi accounts for nearly 60% of IGL's CNG volumes, and given the policy uncertainty, IGL may take a pause on additional capex in Delhi and NCR regions. This ultimately will result in a significantly weaker growth trajectory.
- **Lower spot prices may not expand EBITDA/scm margins:** While lower spot gas prices amid a global supply glut will be a positive for CGD companies, we believe at least some of the benefits from lower spot LNG prices may need to be passed on to consumers in a bid to revive volumes. We note that 2QFY24 EBITDA/scm margin of INR8.6 and INR5.8 both for IGL and GUJGA was above the management's guided range of INR7.5-8.0 and INR4.5-5.5, respectively.
- **CNG vs. petrol price difference having an impact on volume growth:** While the range of CNG vehicles as well as the network of CNG stations has expanded, petrol vs. CNG price difference has stabilized in the 20-25% range as against over 45% price advantage for CNG during FY16-22. This lower price advantage for CNG in turn has led to significant slowdown in CNG sales across the CGD industry, in our opinion.

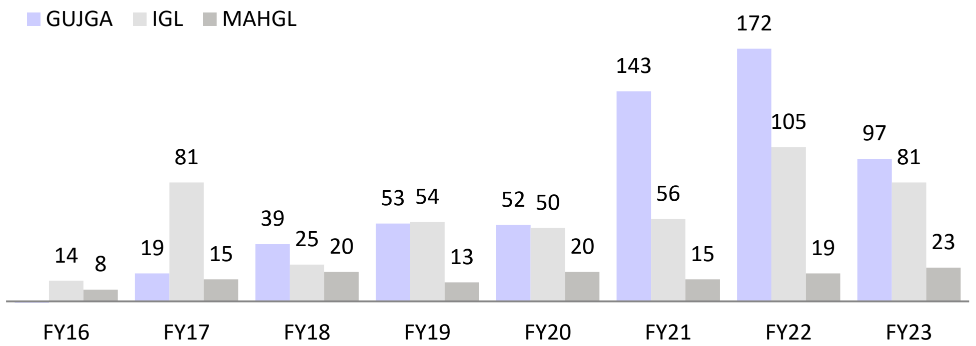
Exhibit 43: CNG price differential vs. petrol has narrowed over the years



Source: Goodreturns, MOFSL

- **Slower pace of infrastructure built up also taking a toll on growth:** CNG additions slowed down considerably in FY23 amid uncertainty relating to Kirit Parikh Committee recommendations. Both IGL and GUJGA reported a decline in CNG station addition in FY23 and trends in 1HFY24 have also been lackluster. IGL now faces additional uncertainty given the latest electric vehicle policy regarding aggregators, which has been approved by the Delhi government.

Exhibit 44: CNG station additions

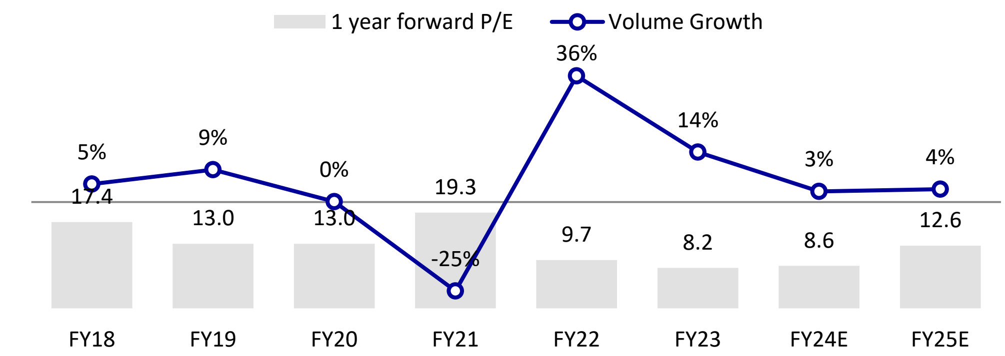


Source: Company, MOFSL

IGL could de-rate if volume growth misses our expectations amid EV policy-related risks and slower infra build-up

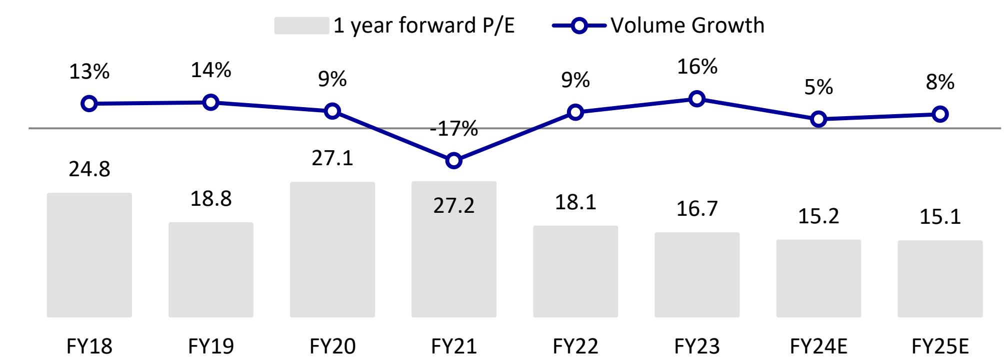
- **For IGL**, the onus of growth now lies in the non-NCR areas, which we estimate must grow at over 20% for IGL to achieve high single-digit growth. IGL's PNG volumes have posted 9% CAGR over the last nine years while CNG volumes in the key market of Delhi are currently growing at ~3% as per its management. For GUJGA, while we are building in double-digit growth, the propane vs. natural gas price trajectory is the key to achieving these numbers. IGL has grown in double digits in almost all years except FY20-21, which were hit by Covid-19.
- **Valuations may remain under pressure if volume growth is tepid:** Historically, for CGD companies, investors have rewarded high volume growth with high valuations. Both IGL and GUJGA experienced higher P/E valuations as volume growth picked up in FY17 for IGL and post-FY18 for GUJGA. For IGL, volume growth in the last six years (excluding FY21) was 16%, and average one-year fwd P/E was 22x during FY17-20. We estimate volumes to clock 6% CAGR, while the stock currently trades at 15.2x. However, given the rising EV policy-related risks and slower-than-historical infrastructure built up, we see scope for a downward revision in valuations should IGL miss its volume growth estimates. Our top BUY in the CGD space remains MAHGL, which trades at an inexpensive valuation of 8.6x. Its volume growth, as guided by the management, is set to rise by 5-6% (close to IGL).

Exhibit 45: MAHGL valuation v/s volume growth



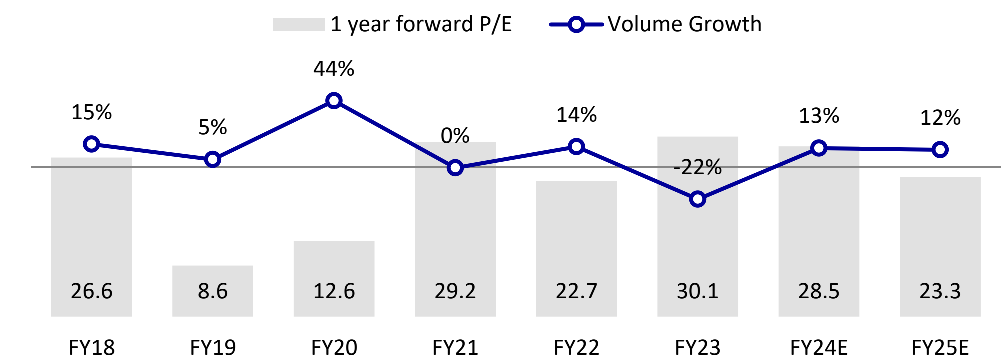
Source: Company, MOFSL

Exhibit 46: IGL valuation v/s volume growth



Source: Company, MOFSL

Exhibit 47: GUJGA valuation v/s volume growth



Source: Company, MOFSL

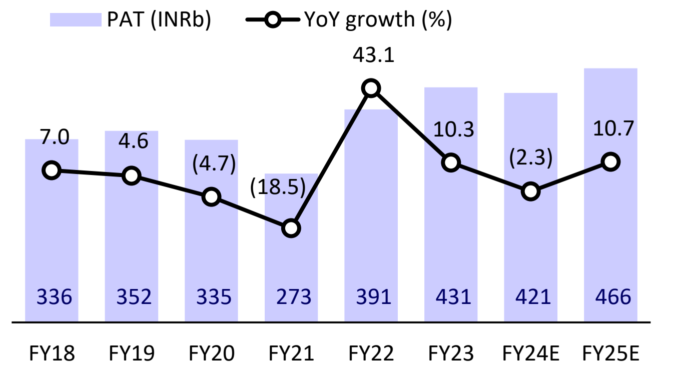
FAME 3 remains a long-term structural concern

- While our base case remains that EVs are unlikely to dent CNG volume growth meaningfully in the short term, we do see rising outlay for FAME 3 (link) as a structural long-term concern. FAME 1 outlay initially was only INR50b, which under FAME 3 could rise to INR400-500b as per media reports. We note that government support for EVs is now getting sizeable, and this has been the key to EVs taking off in countries such as China.
- **Limited details available for now and clarity on key issues missing:** As of now, given limited details, it is not clear if private cars will be included under FAME 3 as FAME 2 covers only commercial vehicles. Moreover, fund/subsidy allocations across vehicle categories such as public buses, commercial cars, two-wheeler, etc. are not clear, thus making it tough to assess the exact impact. It is also possible that the scope of FAME 3 is being expanded to include LCVs / electric trucks. We believe this can be a significant development, given the improving traction in the CNG-powered LCV space and emergence of CNG-LCV as a new growth engine for CGD companies.
- **Previously FAME 2 had only a limited impact on CNG registrations:** FAME 2 has had only a minimal impact on All-India CNG vehicle registrations in the four-wheeler space. CNG vehicle registrations (as per Vahan data) showed a decline only in 2019 and 2020 (Covid-19 impact) and have grown sharply since then including in 2023YTD. Battery-operated EV registrations have surged 10x over 2020-22, but still remain 1/10th of CNG 4 wheeler registrations overall.
- **Industry capacity (to ramp-up production) a key hurdle:** From a volume perspective, key vehicle categories for CGD companies remain private and commercial cars and public buses. However, EV penetration in the commercial car space has been slow, and EV ramp-up in public buses is plagued by the inability of vendors to ramp-up capacity and minimal charging infrastructure. This is the key argument that underpins our view of limited EV impact in the near term.

Reliance Industries Limited

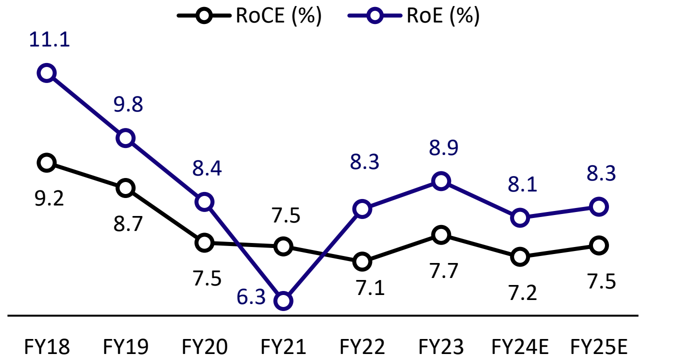
RIL – Financial summary and assumptions (TP: INR2,760) – BUY

Exhibit 48: Standalone PAT profile



Source: Company, MOFSL

Exhibit 49: Return ratios to stabilize going forward



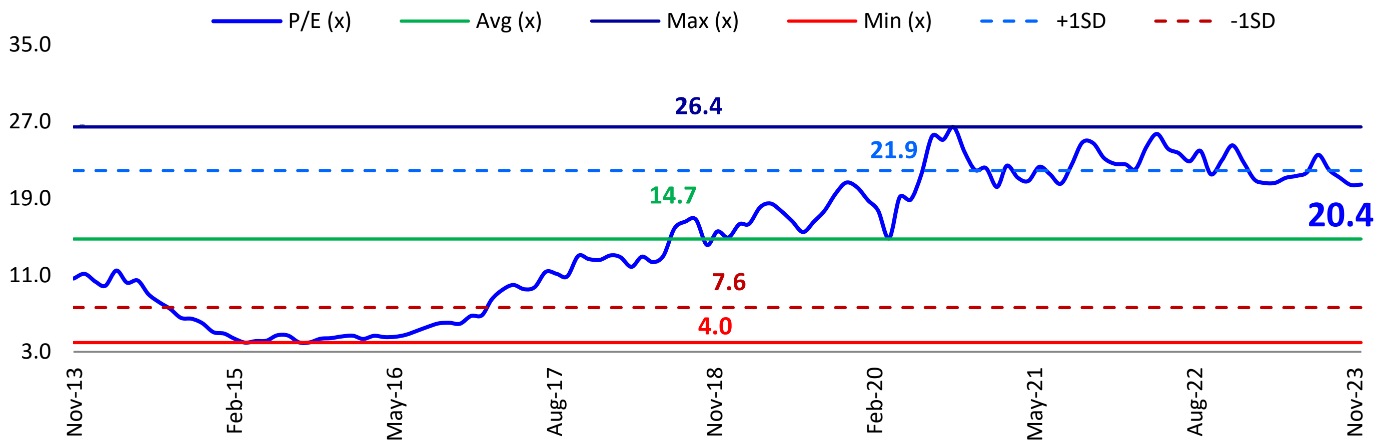
Source: Company, MOFSL

Exhibit 50: Standalone financial summary (INR b)

Y/E march	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	2,900	3,716	3,370	2,457	4,237	5,285	5,493	6,032
EBITDA	517	589	528	335	523	658	760	792
Adj. PAT	336	352	335	273	391	431	421	466
Adj. EPS (INR)	52.2	54.6	52.0	42.4	60.6	66.9	65.3	72.3
BV/Sh.(INR)	511	659	636	771	766	817	878	946
Ratios								
Net D:E	0.3	0.4	0.5	0.3	0.4	0.3	0.3	0.3
ROE (%)	11.1	9.8	8.4	6.3	8.3	8.9	8.1	8.3
ROCE (%)	9.2	8.7	7.5	7.5	7.1	7.7	7.2	7.5
Payout (%)	12.7	13.2	15.0	13.0	12.1	12.1	10.7	10.7
Valuations								
P/E (x)	46.0	44.0	46.2	56.7	39.6	35.9	36.7	33.2
P/BV (x)	4.7	3.6	3.8	3.1	3.1	2.9	2.7	2.5
EV/EBITDA (x)	31.7	28.9	32.9	51.0	32.9	25.9	22.5	21.4
Div. Yield (%)	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
FCF per share	58.0	6.7	84.3	-34.5	76.6	30.2	9.7	60.0

Source: Company, MOFSL

Exhibit 51: RIL's one-year forward P/E ratio at ~39% premium to its long-term average



Source: Company, MOFSL

ONGC – Financial summary and assumptions (TP: INR235) – BUY

Exhibit 52: Key assumptions

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.4	83.1	84.6
APM Gas Price (USD/mmBtu)	3.0	3.5	3.8	2.3	2.6	7.3	6.6	6.5
Brent crude price (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Production Details (mmtoe)								
Domestic Oil Production (mmt)	26.2	24.2	23.4	22.5	21.7	21.5	21.5	23.1
Domestic Gas Production (bcm)	25.6	25.8	24.9	22.8	21.7	21.4	21.5	23.2
Domestic Production (mmtoe)	**51.8**	**50.0**	**48.3**	**45.3**	**43.4**	**42.8**	**42.9**	**46.3**
OVL Production (mmtoe)	**14.2**	**14.8**	**14.7**	**13.0**	**12.3**	**10.2**	**11.0**	**11.8**
Group Production (mmtoe)	**66.0**	**64.9**	**62.9**	**58.4**	**55.7**	**53.0**	**53.9**	**58.1**
Oil Price Realization (USD/bbl)								
Gross	57.4	68.9	58.8	42.8	76.4	92.1	84.1	90.0
Upstream Discount	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net	**57.4**	**68.9**	**58.8**	**42.8**	**76.4**	**92.1**	**84.1**	**90.0**
Consolidated EPS	**20.2**	**27.2**	**13.0**	**16.1**	**32.2**	**30.4**	**44.9**	**42.1**

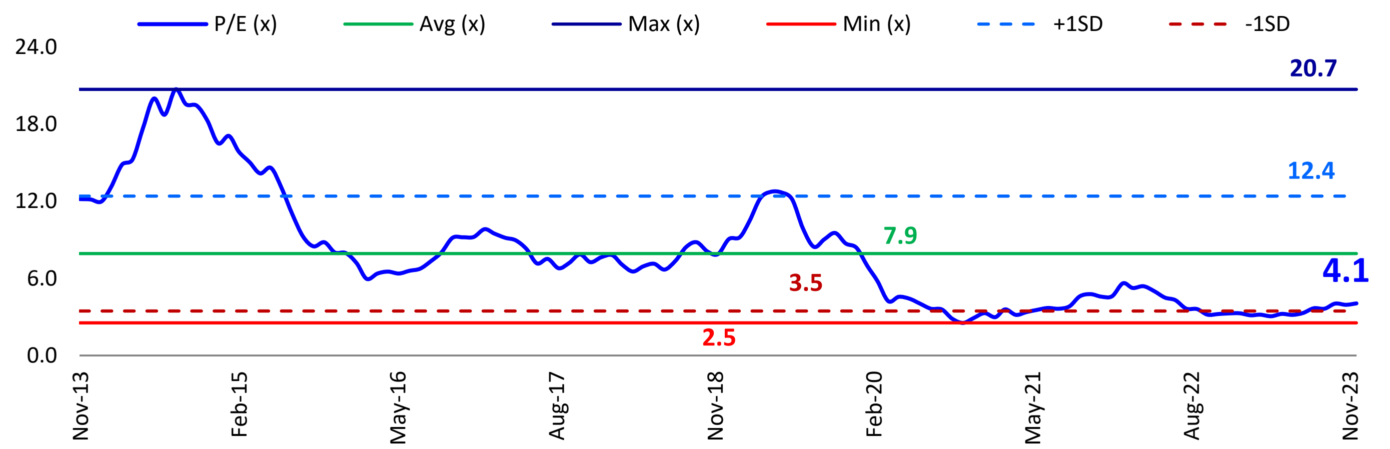
Source: Company, MOFSL

Exhibit 53: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	3,622.5	4,536.8	4,249.6	3,605.7	5,317.6	6,848.3	6,375.9	6,872.3
EBITDA	643.5	840.4	611.3	566.0	857.7	857.1	1,096.9	1,084.6
Adj. PAT	259.1	348.8	167.3	207.0	413.6	389.7	575.7	539.9
Adj. EPS (INR)	20.2	27.2	13.0	16.1	32.2	30.4	44.9	42.1
EPS growth (%)	-9.9	34.6	-52.1	23.8	99.8	-5.8	47.7	-6.2
BV/share (INR)	158.0	167.9	159.8	172.2	202.2	218.7	247.4	271.3
Ratios								
Net D:E ratio	0.5	0.4	0.5	0.5	0.4	0.4	0.2	0.1
ROE (%)	13.0	16.7	8.0	9.7	17.2	14.4	19.2	16.2
ROCE (%)	9.2	11.3	6.4	7.3	15.7	11.6	15.2	14.1
Payout (%)	38.0	31.3	77.7	21.6	27.3	44.0	36.0	43.2
Valuations								
P/E ratio (x)	9.5	7.1	14.7	11.9	6.0	6.3	4.3	4.6
P/BV ratio (x)	1.2	1.1	1.2	1.1	0.9	0.9	0.8	0.7
EV/EBITDA ratio (x)	5.3	4.1	5.6	6.2	4.0	4.0	3.0	2.7
Div. yield (%)	3.4	3.6	3.0	1.9	5.5	5.9	8.4	9.5
FCF yield (%)	11.8	14.5	11.7	6.1	18.2	19.4	20.3	27.3

Source: Company, MOFSL

Exhibit 54: ONGC's one-year forward P/E ratio



Source: Company, MOFSL

OINL: Financial summary and assumptions (TP: INR410) – BUY

Exhibit 55: Key assumptions

Year End: March 31 (INR m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	64.5	64.5	74.3	74.5	80.4	83.1	84.6
APM Gas Price (USD/mmbtu)	3.0	3.5	3.8	2.2	2.6	7.3	6.5	6.5
Brent Crude Price (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Production Details								
Oil (mmt)	3.39	3.32	3.13	2.96	3.01	3.18	3.33	3.47
Gas (bcm)	2.89	2.72	2.77	2.48	2.89	3.18	3.21	3.28
Total (mmtoe)	**6.29**	**6.05**	**5.90**	**5.44**	**5.90**	**6.36**	**6.55**	**6.74**
Oil Price Realization (USD/bbl)	**55.7**	**68.5**	**60.8**	**44.4**	**68.8**	**96.1**	**85.0**	**90.0**
EPS (INR/sh.)	**24.6**	**33.4**	**23.8**	**20.2**	**35.8**	**62.8**	**54.4**	**58.1**

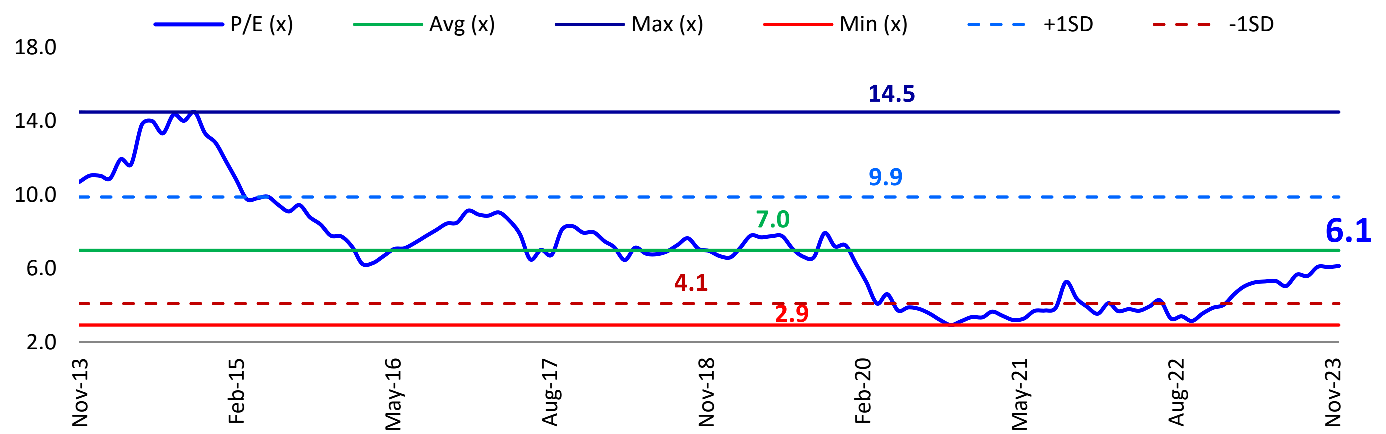
Source: Company, MOFSL

Exhibit 56: Financial summary (INR b)

Y/E march	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	106.6	137.3	121.3	86.2	145.3	232.7	218.3	251.9
EBITDA	39.1	54.8	43.7	12.7	53.7	96.8	87.5	96.9
Adj. PAT	26.7	36.2	25.8	21.9	38.9	68.1	59.0	63.0
Adj. EPS (INR)	24.6	33.4	23.8	20.2	35.8	62.8	54.4	58.1
EPS Gr. (%)	-1.2	35.6	-28.6	-15.2	77.5	75.2	-1.9	-5.6
BV/Sh.(INR)	257.4	255.9	224.9	241.7	275.6	316.9	354.0	389.0
Ratios								
Net D:E	0.2	0.0	0.2	0.6	0.4	0.3	0.2	0.2
RoE (%)	9.4	9.3	9.9	6.9	13.9	21.2	18.4	15.6
RoCE (%)	4.8	6.8	3.6	-1.6	6.8	13.5	11.8	10.7
Payout (%)	50.6	51.7	53.5	37.5	47.8	39.8	39.8	39.8
Valuations								
P/E (x)	12.6	9.3	13.0	15.3	8.6	4.9	5.7	5.3
P/BV (x)	1.2	1.2	1.4	1.3	1.1	1.0	0.9	0.8
EV/EBITDA (x)	9.7	6.3	8.9	38.1	8.3	4.5	4.8	4.2
Div. Yield (%)	3.3	3.3	3.4	1.6	4.6	8.1	7.9	7.5
FCF Yield (%)	1.3	7.7	7.5	-2.2	9.6	12.7	15.0	11.9

Source: Company, MOFSL

Exhibit 57: OINL's one-year forward P/E ratio



Source: Company, MOFSL

IndianOil

IOCL – Financial summary and assumptions (TP: INR115) – BUY

Exhibit 58: Key assumptions

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	**64.5**	**70.0**	**70.9**	**74.3**	**74.5**	**80.4**	**83.1**	**84.6**
Brent Crude (USD/bbl)	**57.6**	**70.1**	**61.2**	**44.4**	**80.5**	**96.1**	**85.0**	**90.0**
Domestic direct sales refined pdts (MMT)	77	85	84	76	80	91	93	97
YoY (%)	4%	10%	0%	-10%	6%	13%	3%	4%
Reported GRM (USD/bbl)	**8.5**	**5.4**	**0.1**	**5.6**	**11.3**	**19.5**	**16.6**	**8.0**
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	6.4	6.0
Prem./(disc) (USD/bbl)	1.2	0.5	(3.1)	5.1	6.3	8.8	10.1	2.0
Refining capacity utilization (%)	**100%**	**104%**	**100%**	**90%**	**98%**	**105%**	**105%**	**104%**
Total Refinery throughput (MMT)	69.0	71.8	69.4	62.4	67.7	72.3	72.5	72.0
YoY (%)	6%	4%	-3%	-10%	9%	7%	0%	-1%
Marketing Margin (INR/lit)								
Blended gross marketing margin incld inventory	4.4	5.0	5.8	6.2	4.4	-1.1	5.7	4.1
Consolidated EPS	**16.4**	**12.5**	**1.8**	**15.8**	**18.7**	**8.5**	**31.3**	**13.5**

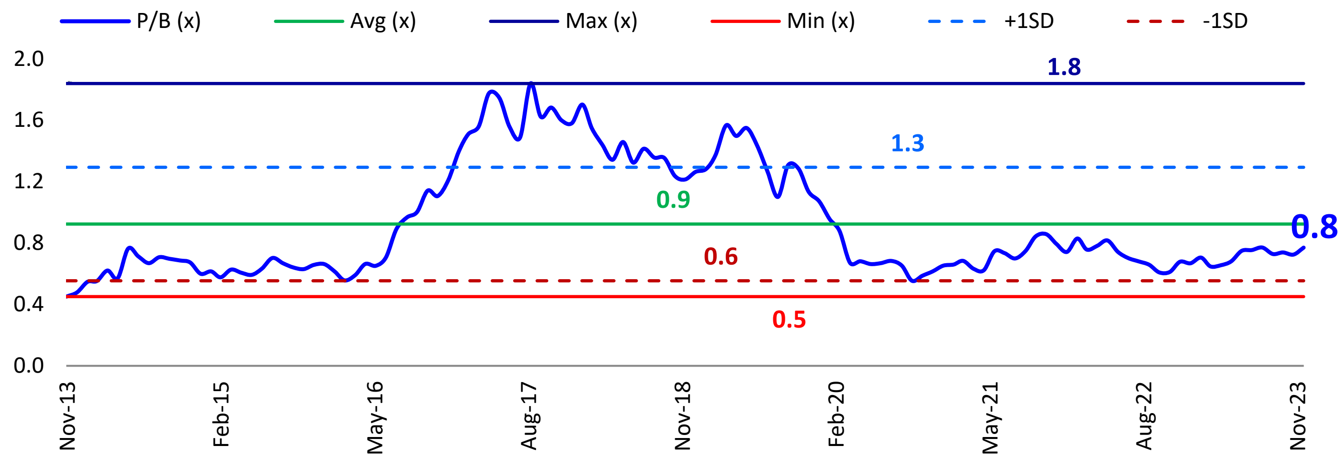
Source: Company, MOFSL

Exhibit 59: (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	4,214.9	5,281.6	4,837.6	3,639.5	5,893.4	8,418	9,580	11,153
EBITDA	416.3	352.2	168.4	405.9	477.4	307	726	410
Adj. PAT	226.3	172.7	24.1	217.6	257.3	117	431	185
Adj. EPS (INR)	16.4	12.5	1.8	15.8	18.7	8.5	31.3	13.5
EPS growth (%)	11.0	(23.7)	(86.0)	801.4	18.2	-54.5	268.3	-57.0
BV/share (INR)	82.7	81.7	69.3	81.2	97.0	101.5	119.0	127.4
Ratios								
Net D:E ratio	0.5	0.8	1.3	0.9	0.9	1.0	0.8	0.7
ROE (%)	21.0	15.3	2.3	21.0	21.0	8.6	28.4	10.9
ROCE (%)	14.3	10.6	2.4	10.0	12.4	8.2	16.3	7.2
Payout (%)	54.6	57.5	NM	59.2	52.6	35.3	43.9	37.9
Valuations								
P/E ratio (x)	4.9	5.8	11.8	4.6	5.8	12.8	3.5	8.1
P/BV ratio (x)	1.3	1.3	1.6	1.3	1.1	1.1	0.9	0.9
EV/EBITDA ratio (x)	4.0	5.4	13.3	5.1	4.6	7.7	3.8	6.8
Div. yield (%)	10.3	8.5	3.9	11.1	11.6	4.1	12.7	4.7
FCF yield (%)	22.4	2.4	(4.5)	44.4	19.7	24.5	24.4	8.7

Source: Company, MOFSL

Exhibit 60: IOCL's one-year forward P/B ratio at ~11% discount to its long-term average



Source: Company, MOFSL

BPCL – Financial summary and assumptions (TP: INR380) – Neutral

Exhibit 61: Key assumptions

Y End: March 31	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.4	83.1	84.6
Crude cost (USD/bbl)	57.1	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Domestic Market Sales (mmt)	41.2	43.1	43.1	38.7	42.5	48.9	51.7	53.8
YoY (%)	*9%*	*5%*	*0%*	*-10%*	*10%*	*15%*	*6%*	*4%*
Reported GRM (USD/bbl)	**6.9**	**4.6**	**2.5**	**4.1**	**9.5**	**20.3**	**11.9**	**5.5**
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	6.4	6.0
Prem/(disc) (USD/bbl)	*(0.4)*	*(0.3)*	*(0.7)*	*3.6*	*4.5*	*9.6*	*5.5*	*(0.5)*
Refinery throughput (mmt)	28.5	31.0	31.9	26.4	34.1	38.5	39.7	40.0
YoY (%)	*12%*	*9%*	*3%*	*-17%*	*29%*	*13%*	*3%*	*1%*
Marketing Margin (INR/ltr)								
Blended gross marketing margin incld inventory	4.0	4.8	4.7	6.9	5.0	(1.4)	5.9	4.1
Consolidated EPS	**46.8**	**40.7**	**23.8**	**63.2**	**52.0**	**9.4**	**119.7**	**47.1**

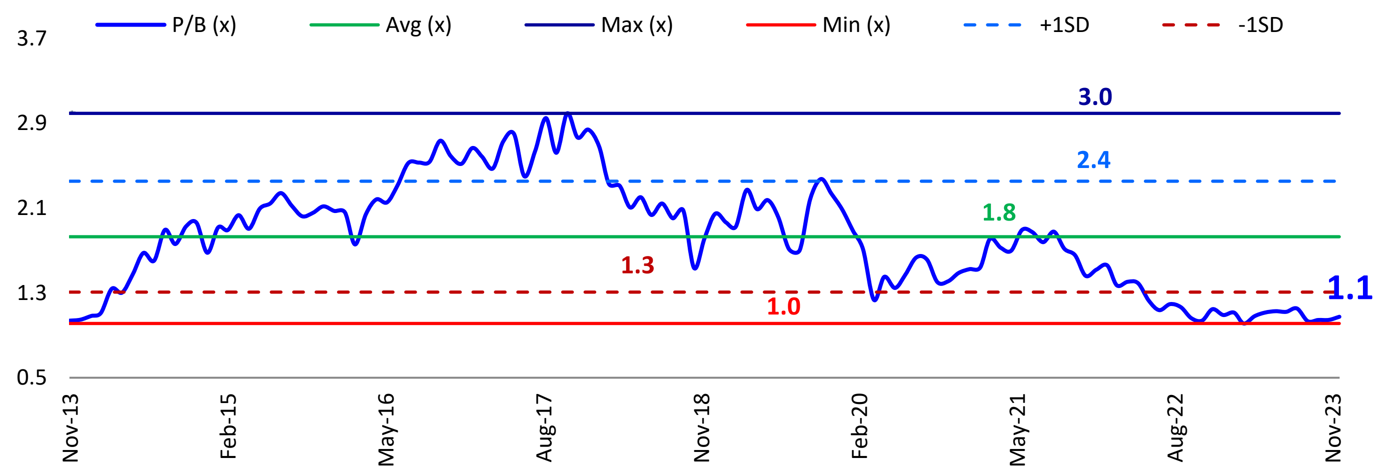
Source: Company, MOFSL

Exhibit 62: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	2,357.7	2,982.3	2,845.7	2,301.6	3,467.9	4,731.9	4,244.2	4,318.6
EBITDA	151.8	158.1	100.2	211.0	188.5	93.8	388.3	171.8
Adj. PAT	97.9	85.3	49.8	132.4	108.9	19.7	250.5	98.6
EPS (INR)	46.8	40.7	23.8	63.2	52.0	9.4	119.7	47.1
EPS growth (%)	3.0	-12.9	-41.6	165.6	-17.8	-81.9	1170.3	-60.6
BV/share (INR)	175.0	185.2	174.6	255.9	248.0	255.7	318.6	345.1
Ratios								
Net D:E ratio	1.0	1.1	1.5	0.6	1.0	1.1	0.8	0.6
ROE (%)	29.0	22.6	13.2	29.4	20.6	3.7	41.7	14.2
ROCE (%)	13.7	11.8	9.1	15.9	10.9	-0.4	22.0	8.1
Payout (%)	52.5	54.6	110.2	95.5	28.7	98.2	47.5	43.7
Valuation								
P/E ratio (x)	9.2	10.5	18.0	6.8	8.2	45.5	3.6	9.1
P/BV ratio (x)	2.4	2.3	2.5	1.7	1.7	1.7	1.3	1.2
EV/EBITDA ratio (x)	5.6	5.3	8.4	4.3	4.8	9.6	2.3	5.2
Div. yield (%)	5.2	4.7	4.1	18.4	3.7	2.3	13.3	4.8
FCF yield (%)	4.0	-0.4	-5.1	16.1	13.2	4.4	25.1	12.8

Source: Company, MOFSL

Exhibit 63: BPCL's one-year forward P/B ratio at ~39% discount to its long-term average



Source: Company, MOFSL

HPCL – Financial summary and assumptions (TP: INR315) – Neutral

Exhibit 64: Key assumptions

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Exchange Rate (INR/USD)	64.5	70.0	70.9	74.3	74.5	80.4	83.1	84.6
Brent Crude (USD/bbl)	57.6	70.1	61.2	44.4	80.5	96.1	85.0	90.0
Market Sales (MMT)	36.9	38.7	39.6	36.6	39.1	43.5	46.5	48.4
YoY (%)	*6*	*5*	*2*	*(8)*	*7*	*11*	*7*	*4*
GRM (USD/bbl)	7.4	5.0	1.0	3.9	7.2	12.1	8.7	6.0
Singapore GRM (USD/bbl)	7.3	4.9	3.2	0.5	5.0	10.7	6.4	6.0
Prem/(disc) (USD/bbl)	*0*	*0*	*(2)*	*3*	*2*	*1*	*2.2*	*0.0*
Total Refinery throughput (MMT)	18.3	18.4	17.2	16.4	14.0	19.1	23.0	24.0
YoY (%)	*3%*	*1%*	*-7%*	*-4%*	*-15%*	*37%*	*20%*	*4%*
Refining capacity utilization (%)	116%	117%	109%	104%	88%	85%	94%	98%
Blended marketing margin incld inventory (INR/lit)	3.6	4.3	4.0	6.3	4.3	(0.8)	5.8	4.5
Consolidated EPS	**50.9**	**47.2**	**25.7**	**75.1**	**51.4**	**-49.2**	**113.4**	**55.2**

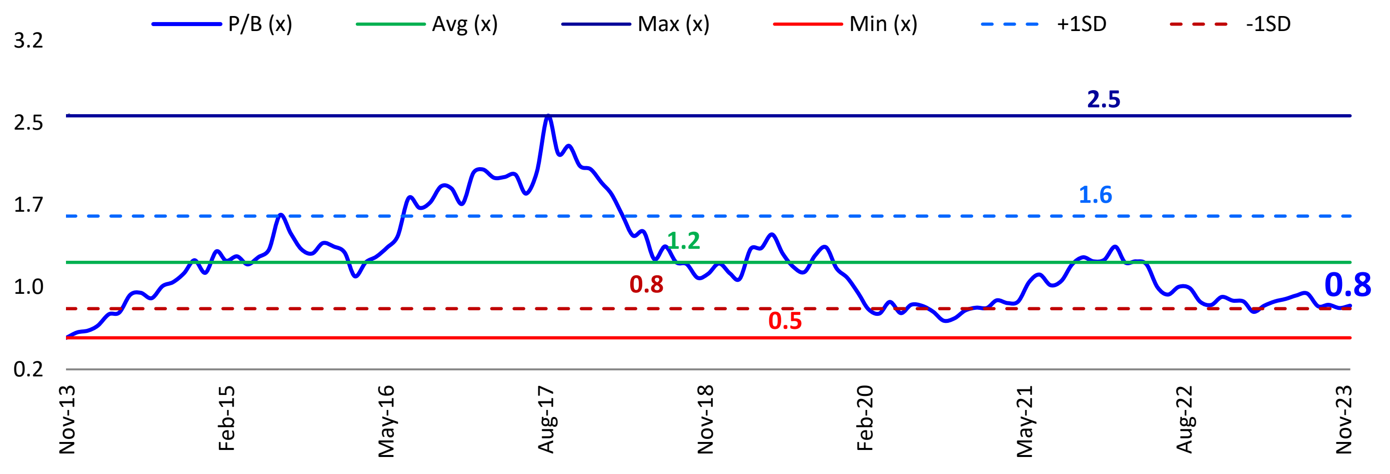
Source: Company, MOFSL

Exhibit 65: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	2,195.1	2,754.9	2,690.9	2,332.5	3,499.1	4,407.1	4,218.4	4,385.6
EBITDA	107.1	115.3	56.6	160.0	102.4	-72.1	258.5	159.8
Adj. PAT	72.2	66.9	36.4	106.6	72.9	-69.8	160.9	78.3
Adj. EPS (INR)	50.9	47.2	25.7	75.1	51.4	-49.2	113.4	55.2
EPS growth (%)	-12.4	-7.3	-45.6	192.8	-31.6	PL	LP	-51.3
BV/share (INR)	179.9	214.2	218.3	268.4	291.8	227.4	309.0	349.9
Ratios								
Net D:E ratio	0.8	0.8	1.3	1.1	1.1	2.1	1.4	1.3
ROE (%)	31.0	23.9	11.9	30.9	18.4	-19.0	42.3	16.8
ROCE (%)	15.8	12.9	12.0	14.9	8.3	-7.8	15.2	7.2
Payout (%)	42.0	43.0	76.0	30.3	27.2	0.0	28.0	26.1
Valuations								
P/E ratio (x)	6.7	7.3	13.3	4.6	6.7	-7.0	3.0	6.2
P/BV ratio (x)	1.9	1.6	1.6	1.3	1.2	1.5	1.1	1.0
EV/EBITDA ratio (x)	6.3	6.5	15.5	5.7	9.1	-16.0	4.3	7.2
Div. yield (%)	5.0	4.6	2.8	6.6	4.1	0.0	9.3	4.2
FCF yield (%)	8.9	-5.6	-17.1	12.8	7.8	-26.4	20.9	3.2

Source: Company, MOFSL

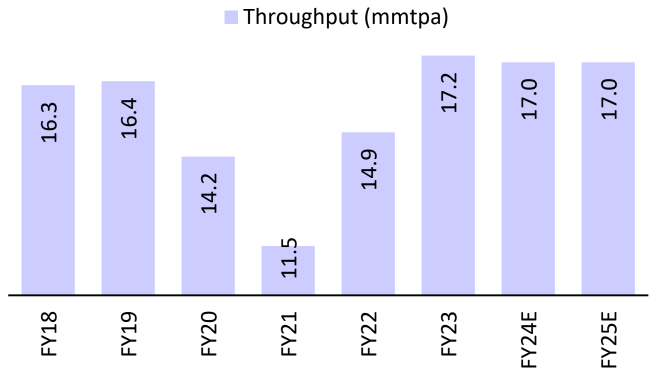
Exhibit 66: HPCL's one-year forward P/B ratio at ~33% discount to its long-term average



Source: Company, MOFSL

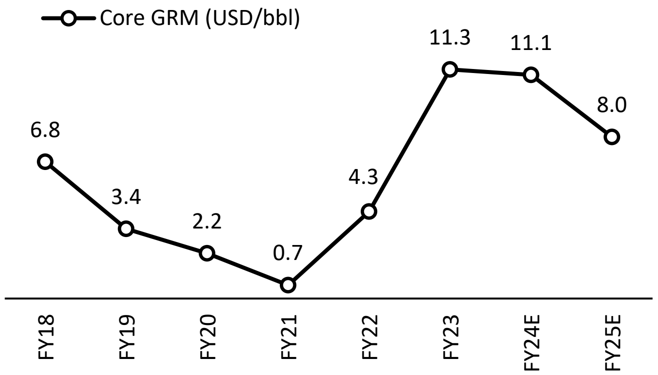
MRPL – Financial summary and assumptions (TP: INR109) – Neutral

Exhibit 67: Expect throughput of ~17mmt…



Source: Company, MOFSL

Exhibit 68: …with core GRM of ~USD11.1bbl during FY24



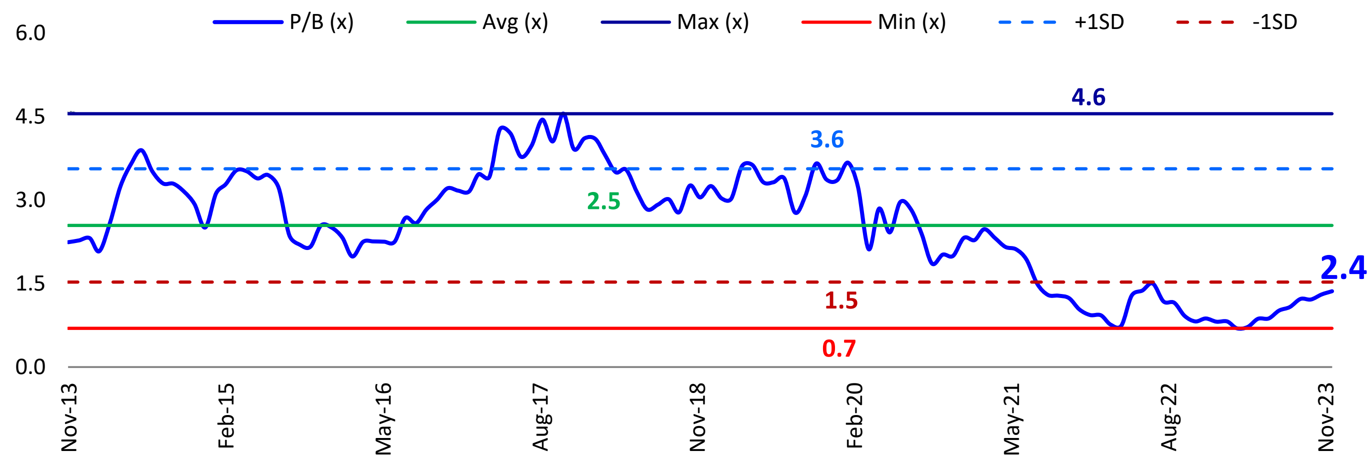
Source: Company, MOFSL

Exhibit 69: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	484.6	540.1	704.2	559.6	319.6	697.3	1,088.6	943.9
EBITDA	49.7	44.8	26.9	(25.5)	7.0	49.3	78.4	81.4
Adj. PAT	22.4	17.9	3.6	(41.4)	(7.6)	29.8	26.4	39.4
Adj. EPS (INR)	12.8	10.2	2.1	(23.6)	(4.3)	17.0	15.1	22.5
EPS growth (%)	(13.3)	(13.3)	(79.7)	(1,242.1)	(81.6)	(491.7)	-11.4	49.0
BV/share (INR)	61.8	64.7	64.8	42.8	24.2	41.1	56.1	73.3
Ratios								
Net D:E ratio	1.1	0.9	1.2	2.3	5.6	2.9	1.7	0.9
ROE (%)	25.2	16.1	3.2	(44.0)	(13.0)	52.1	31.0	34.7
ROCE (%)	13.0	9.9	4.4	(10.6)	(1.1)	15.3	15.6	17.4
Payout (%)	38.6	303.8	226.2	-	-	-	23.4	23.4
Valuations								
P/E ratio (x)	11.9	58.7	(5.1)	(28.0)	7.1	8.1	5.4	8.5
P/BV ratio (x)	1.9	1.9	2.8	5.0	3.0	2.2	1.7	1.4
EV/EBITDA ratio (x)	12.2	22.8	(27.1)	64.7	8.6	4.8	4.1	5.0
Div. yield (%)	10.4	1.5	-	-	-	2.5	3.7	2.4
FCF yield (%)	6.6	0.6	(2.3)	(17.4)	19.2	26.6	24.6	18.7

Source: Company, MOFSL

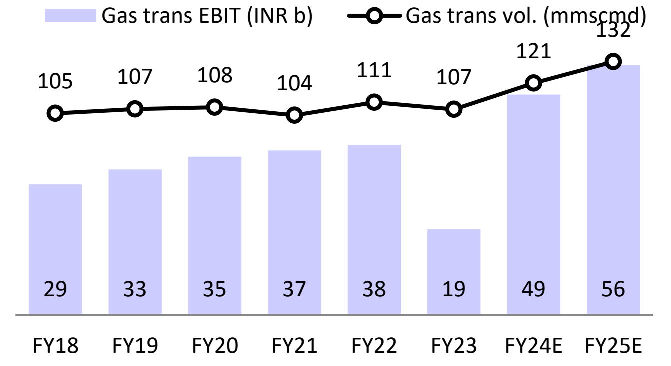
Exhibit 70: MRPL's one-year forward P/BV ratio at ~4% discount to its long-term average



Source: Company, MOFSL

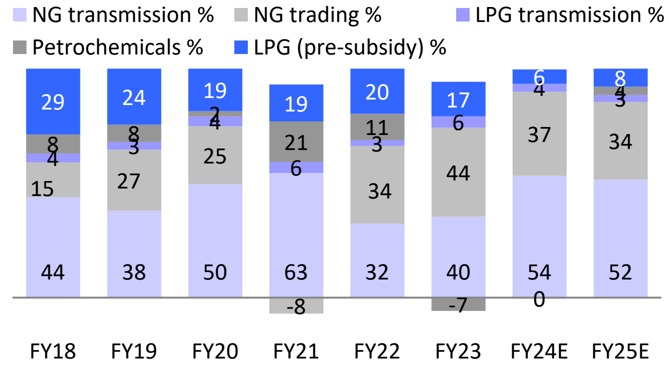
GAIL – Financial summary and assumptions (TP: INR140) – BUY

Exhibit 71: Expect transmission volumes to reach ~132mmscmd in FY25…



Source: Company, MOFSL

Exhibit 72: …with contribution to EBITDA increasing to 52%



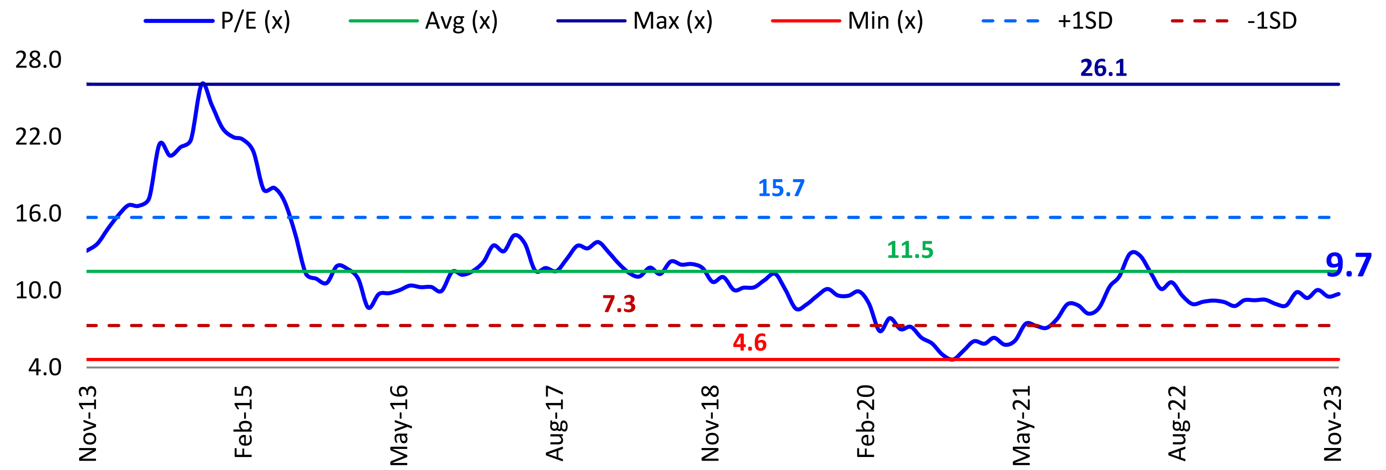
Source: Company, MOFSL

Exhibit 73: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	538.3	751.3	718.8	567.4	916.5	1,443.0	1,330.8	1,428.3
EBITDA	78.0	95.3	83.7	64.5	138.3	67.0	109.6	128.2
Adj. PAT	47.3	63.3	74.2	49.0	102.9	53.0	74.8	87.9
Adj. EPS (INR)	7.2	9.6	11.3	7.4	15.6	8.1	11.4	13.4
EPS Gr. (%)	4.8	33.6	17.3	-34.0	110.1	-48.5	41.2	17.4
BV/Sh.(INR)	62.1	68.1	73.0	77.1	89.5	93.5	101.5	110.9
Ratios								
Net D:E	0.0	0.0	0.1	0.1	0.1	0.2	0.3	0.2
RoE (%)	12.2	14.3	15.0	10.8	20.3	9.5	12.8	13.7
RoCE (%)	10.7	13.1	12.6	9.0	17.0	7.9	10.1	10.8
Payout (%)	44.0	34.7	51.3	45.0	21.3	49.6	30.0	30.0
Valuations								
P/E (x)	17.2	12.9	11.0	16.6	7.9	15.4	10.9	9.3
P/BV (x)	2.0	1.8	1.7	1.6	1.4	1.3	1.2	1.1
EV/EBITDA (x)	3.7	2.5	5.8	6.9	3.5	9.0	6.2	5.3
Div. Yield (%)	2.2	2.1	3.5	2.7	2.7	3.2	2.7	3.2
FCF Yield (%)	7.0	0.8	1.8	3.8	3.7	-5.6	0.9	3.2

Source: Company, MOFSL

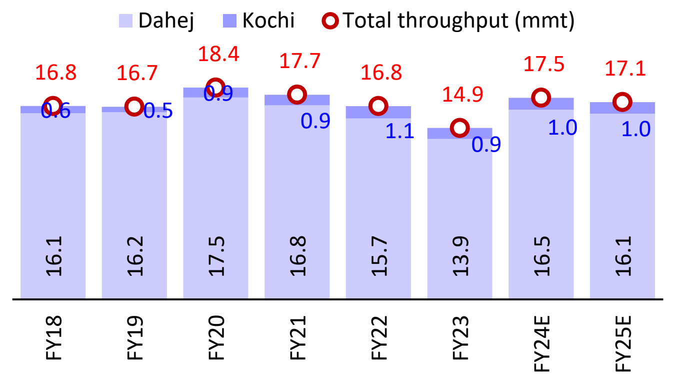
Exhibit 74: GAIL's one-year forward P/E ratio



Source: Company, MOFSL

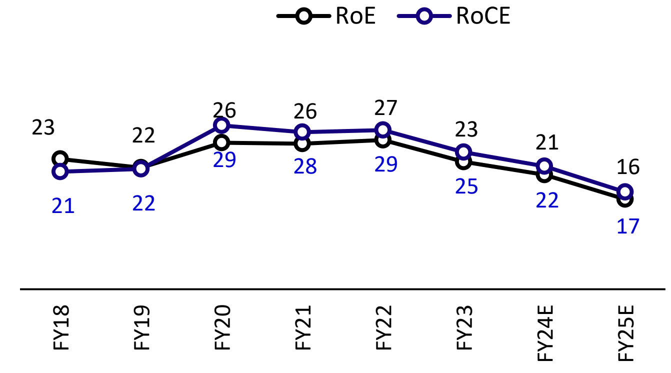
PLNG – Financial summary and assumptions (TP: INR225) – Neutral

Exhibit 75: Expect throughput of 17-18mmtpa in FY24-25E



Source: Company, MOFSL

Exhibit 76: Return ratio profile for PLNG



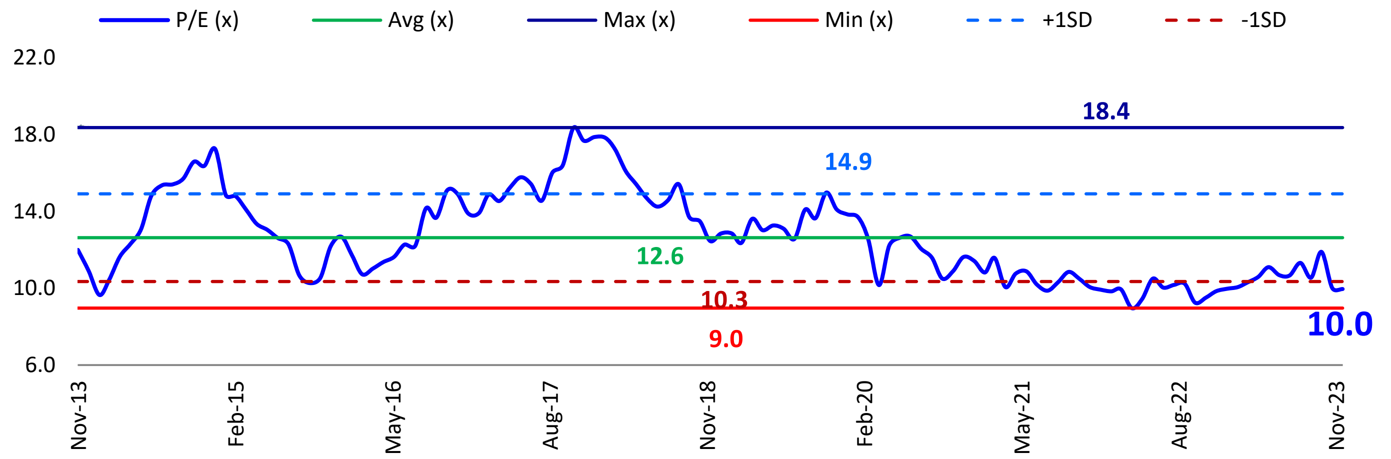
Source: Company, MOFSL

Exhibit 77: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	306.0	384.0	354.5	260.2	431.7	599.0	529.6	559.1
EBITDA	33.1	32.9	39.9	47.0	52.5	48.6	49.4	43.7
Adj. PAT	20.8	21.6	27.6	29.5	33.5	32.4	32.4	28.1
Adj. EPS (INR)	13.9	14.4	18.4	19.7	22.3	21.6	21.6	18.7
EPS Gr. (%)	21.8	3.7	28.1	6.9	13.7	-3.4	0.1	-13.3
BV/Sh.(INR)	64.8	67.1	73.0	77.7	89.5	99.6	111.2	121.2
Ratios								
Net D:E	0.0	-0.3	-0.4	-0.4	-0.3	-0.4	-0.4	-0.4
RoE (%)	23.3	21.8	26.3	26.1	26.7	22.8	20.5	16.1
RoCE (%)	21.1	21.5	29.4	28.1	28.5	24.6	22.1	17.4
Payout (%)	38.0	74.9	73.8	58.5	51.5	46.3	46.3	46.3
Valuation								
P/E (x)	14.4	13.9	10.8	10.1	8.9	9.2	9.2	10.6
P/BV (x)	3.1	3.0	2.7	2.6	2.2	2.0	1.8	1.6
EV/EBITDA (x)	9.0	8.2	6.4	5.4	4.9	5.0	4.7	5.1
Div. Yield (%)	*2.3*	*5.0*	*6.3*	*5.8*	*5.8*	*5.0*	*5.0*	*4.4*

Source: Company, MOFSL

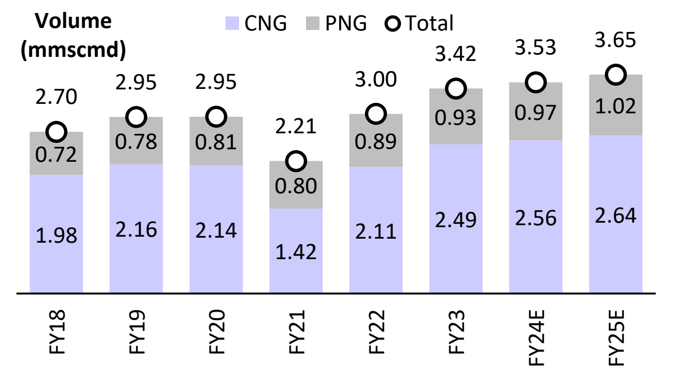
Exhibit 78: PLNG's one-year forward P/E ratio



Source: Company, MOFSL

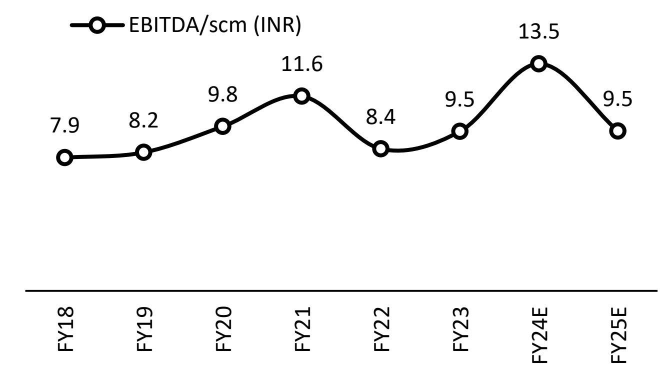
MAHGL – Financial summary and assumptions (TP: INR1,310) – BUY

Exhibit 79: Expect volumes to grow 3% CAGR in FY23-25



Source: Company, MOFSL

Exhibit 80: EBITDA/scm profile for MAHGL



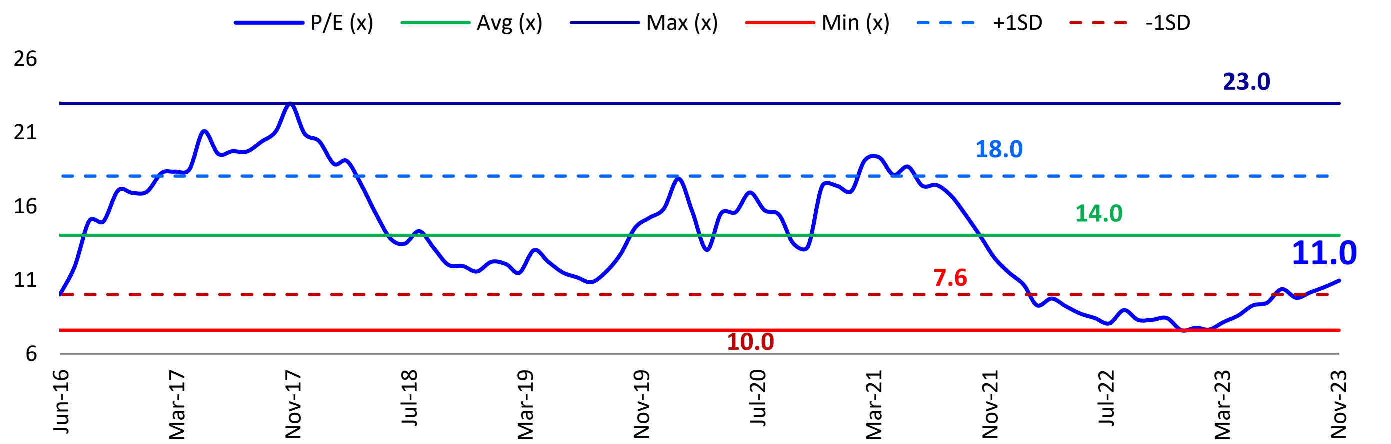
Source: Company, MOFSL

Exhibit 81: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	22.3	27.9	29.7	21.5	35.6	63.0	62.8	54.1
EBITDA	7.8	8.9	10.5	9.3	9.2	11.8	17.4	12.7
Adj. PAT	4.8	5.5	7.9	6.2	6.0	7.9	11.9	8.1
Adj. EPS (INR)	48.4	55.3	80.3	62.7	60.4	80.0	120.6	81.9
EPS Gr. (%)	21.5	14.3	45.2	-21.9	-3.6	32.3	50.7	-32.1
BV/Sh.(INR)	212.1	242.8	298.9	327.2	364.2	418.5	490.9	540.0
Ratios								
Net D:E	0.0	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
RoE (%)	24.3	24.3	29.7	20.0	17.5	20.4	26.5	15.9
RoCE (%)	24.3	24.3	29.8	20.1	17.5	20.5	26.6	16.0
Payout (%)	53.5	43.5	52.4	36.7	38.1	32.5	40.0	40.0
Valuation								
P/E (x)	21.4	18.7	12.9	16.5	17.1	12.9	8.6	12.6
P/BV (x)	4.9	4.3	3.5	3.2	2.8	2.5	2.1	1.9
EV/EBITDA (x)	13.0	11.2	9.5	10.4	10.6	8.4	5.6	7.6
Div. Yield (%)	2.1	1.9	3.4	2.2	2.2	2.5	4.7	3.2
FCF Yield (%)	3.8	3.2	5.5	4.6	2.5	2.5	6.8	2.8

Source: Company, MOFSL

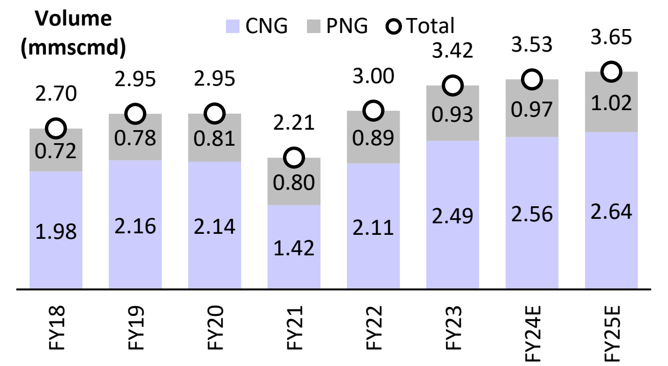
Exhibit 82: MAHGL's one-year forward P/E ratio



Source: Company, MOFSL

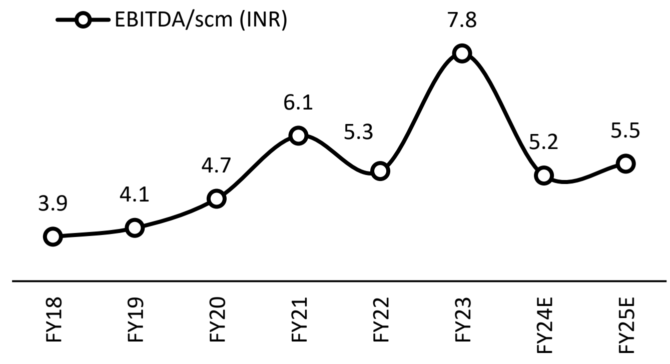
GUJGA – Financial summary and assumptions (TP: INR485) – BUY

Exhibit 83: Expect volumes to grow 12% CAGR in FY23-25…



Source: Company, MOFSL

Exhibit 84: … with EBITDA/scm at INR5-5.5



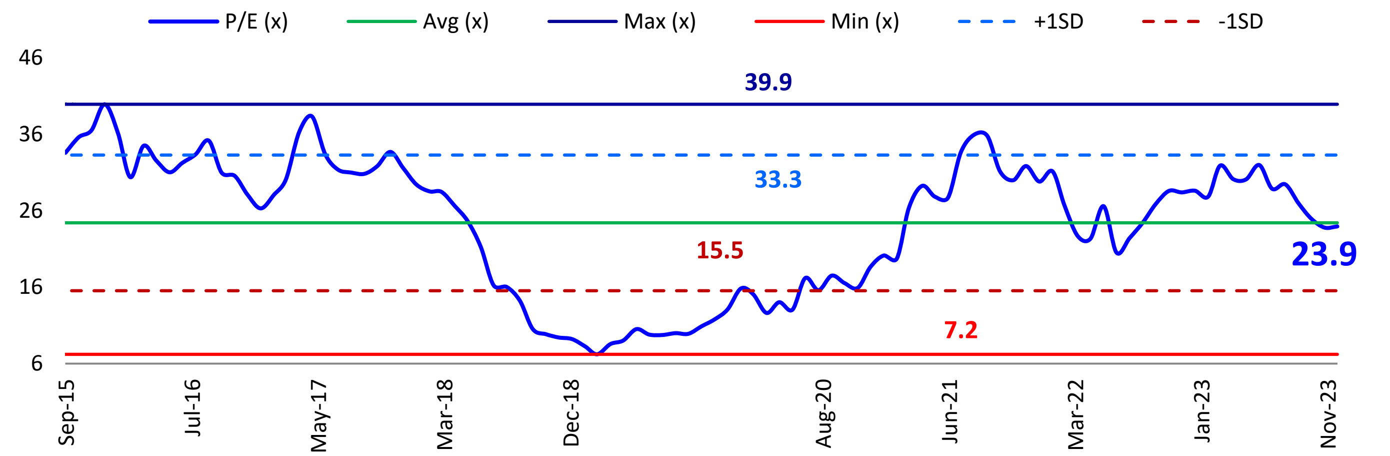
Source: Company, MOFSL

Exhibit 85: Financial summary (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	61.7	77.5	103.0	98.7	164.6	167.6	156.2	166.5
EBITDA	9.0	9.8	16.3	20.8	20.8	23.9	18.1	21.1
PAT	2.9	4.2	11.9	12.7	12.9	15.3	10.5	12.8
EPS (INR)	4.2	6.2	17.3	18.4	18.8	22.2	15.3	18.6
EPS Gr. (%)	32.7	47.4	177.8	6.3	2.1	17.8	-31.1	22.1
BV/Sh.(INR)	26.8	31.7	47.8	64.6	81.3	101.6	112.3	125.4
Ratios								
Net D:E	1.1	0.8	0.3	0.1	0.1	-0.1	-0.1	-0.2
RoE (%)	16.7	21.3	43.6	32.8	25.8	24.2	14.3	15.7
RoCE (%)	16.5	19.4	29.8	35.0	31.5	31.6	19.4	21.3
Payout (%)	22.8	19.9	8.7	13.1	12.9	30.0	30.0	30.0
Valuations								
P/E (x)	102.8	69.7	25.1	23.6	23.1	19.6	28.5	23.3
P/BV (x)	16.2	13.7	9.1	6.7	5.3	4.3	3.9	3.5
EV/EBITDA (x)	35.8	32.2	19.0	14.6	14.6	12.2	16.1	13.6
Div. Yield (%)	0.2	0.2	0.3	0.5	0.5	1.5	1.1	1.3
FCF Yield (%)	4.8	1.5	2.8	3.0	1.0	4.3	1.4	2.5

Source: Company, MOFSL

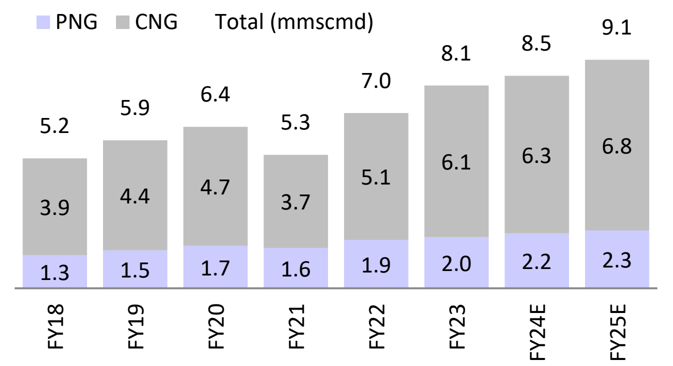
Exhibit 86: GUJGA's one-year forward P/E ratio



Source: Company, MOFSL

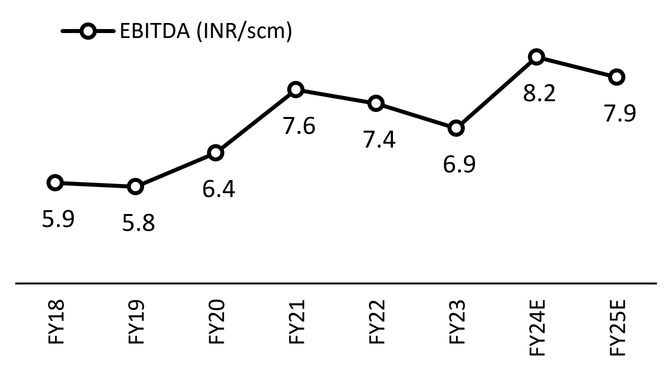
IGL – Financial summary and assumptions (TP: INR350) – Sell

Exhibit 87: Expect volumes to grow 6% CAGR in FY23-25…



Source: Company, MOFSL

Exhibit 88: … with EBITDA/scm at INR7.5-8.5



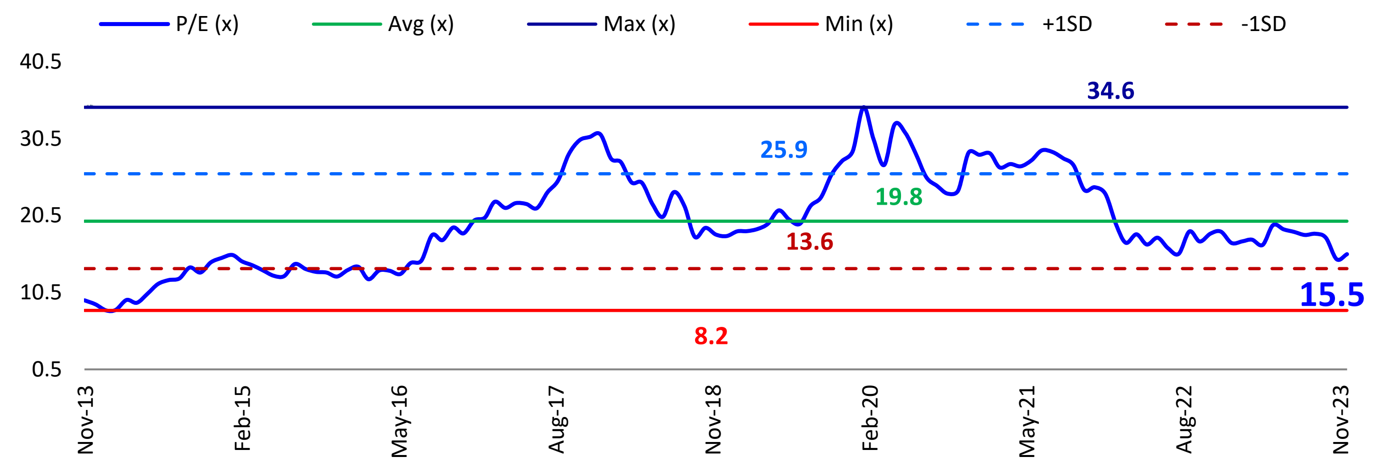
Source: Company, MOFSL

Exhibit 89: Financial summary (INR b)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sales	45.9	57.6	64.9	49.4	77.1	141.5	135.1	137.8
EBITDA	11.1	12.5	15.2	14.8	18.8	20.4	25.5	26.2
Adj. PAT	6.6	7.9	11.4	10.1	13.1	14.5	18.0	18.2
Adj. EPS (INR)	9.4	11.2	16.2	14.4	18.8	20.6	25.7	25.9
EPS Gr. (%)	10.6	19.1	44.5	-11.5	30.8	9.9	24.5	1.0
BV/Sh.(INR)	50.2	59.0	72.3	83.9	99.1	101.2	119.2	137.4
Ratios								
Net D:E	-0.2	-0.1	-0.4	-0.2	-0.2	-0.4	-0.3	-0.3
RoE (%)	20.8	20.6	24.7	18.4	20.5	20.6	23.3	20.2
RoCE (%)	19.6	19.4	23.6	17.8	19.9	19.9	22.5	19.6
Payout (%)	21.2	21.4	17.2	25.1	29.3	63.0	30.0	30.0
Valuation								
P/E (x)	41.4	34.7	24.1	27.2	20.8	18.9	15.2	15.1
P/BV (x)	7.8	6.6	5.4	4.7	3.9	3.9	3.3	2.8
EV/EBITDA (x)	24.1	21.3	16.6	17.7	13.8	12.1	9.7	9.3
Div. Yield (%)	0.5	0.6	0.7	0.9	1.4	3.3	2.0	2.0
FCF Yield (%)	1.5	1.7	1.5	2.4	2.1	3.7	2.2	3.1

Source: Company, MOFSL

Exhibit 90: IGL's one-year forward P/E ratio



Source: Company, MOFSL

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