

PETRONET LNG

Earnings in line; LNG imports recovery critical

India Equity Research | Oil, Gas and Services

We believe potential diversification into upstream US shale enhances the business risk for Petronet LNG (PLNG) and detracts its management from focusing on the core regasification operations. On the results front, PLNG reported a muted Q3FY19 with EBITDA of INR8.5bn (flat YoY, down 4% QoQ) owing to lower volumes (-6.9% QoQ) offset by higher trading margins. Key highlights: 1) Volumes, at 3.9MMT came in 2.9% below our estimate due to lower off-take by power producers. Utilisation of the Dahej/ Kochi terminal was 101.5%/7.8% (versus estimated 104%/9%). 2) We estimate marketing margins would improve given a favourable spot LNG-crude linked contract LNG spread. All in all, we believe volume growth will remain under pressure due to rising competitive intensity and delay in commissioning the Kochi pipeline. We believe the risk-reward is priced in; maintain 'HOLD' with a TP of INR228/share.

Volume off-take likely to remain subdued

While capacity at Dahej is being expanded to 17.5MMT, term contracts have been negotiated for only 0.5MMT of capacity. The Kochi-Mangalore pipeline has been delayed further to June 2019; in any case, post-commissioning, it will add just 0.5MMT annually, which is barely 3% of overall volumes. Management mentioned that is open to a potential tariff cut at Kochi terminal to stimulate demand.

Dividend payout capped; possible acquisition of US LNG

PLNG indicated that the Bangladesh project may be shelved as the location of the LNG terminal has changed. However, PLNG is unlikely to raise dividend from current levels given: 1) potential expansion to 20MMT at Dahej; 2) potential partnership with the Sri Lankan government for a regas terminal; and 3) partial stake acquisition in a US LNG terminal that has tie-ups with pipeline operators to purchase gas at wellhead. We assume a 93% dividend payout for FY19 with dividend yield of 5.2%

Outlook and valuation: Risk-reward priced in; maintain 'HOLD'

Upcoming terminals at Ennore and Mundra may exert pressure on overall regas margins while a recovery in LNG import volumes from the lows seen in Q3FY19 remains a key variable. We believe the current valuation of 3.4x FY20E PBV reflects fair value; we, therefore, maintain 'HOLD' with a TP of INR228/share.

Financials

(INR mn)

Year to March	Q3FY19	Q3FY18	% Chg	Q2FY19	% Chg	FY18	FY19E	FY20E
Net revenues	100,977	77,571	30.2	107,453	(6.0)	305,986	377,005	398,970
EBITDA	8,481	8,474	0.1	8,837	(4.0)	33,124	33,421	38,428
Adjusted Profit	5,653	5,288	6.9	5,629	0.4	20,779	21,842	24,875
Adjusted Diluted EPS	3.8	3.5	6.9	3.8	0.4	13.9	14.6	16.6
Diluted P/E (x)						16.3	15.5	13.6
EV/EBITDA (x)						9.2	9.5	8.2
ROAE (%)						23.3	22.3	25.0

EDELWEISS 4D RATINGS

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

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

CMP	: INR 221
Target Price	: INR 228
52-week range (INR)	: 252 / 197
Share in issue (mn)	: 1,500.0
M cap (INR bn/USD mn)	: 332 / 4,654
Avg. Daily Vol.BSE/NSE('000)	: 3,349.8

SHARE HOLDING PATTERN (%)

	Current	Q2FY19	Q1FY19
Promoters *	50.0	50.0	50.0
MF's, FI's & BK's	12.1	11.5	11.7
FII's	23.4	23.8	23.0
Others	14.5	14.6	15.3
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	EW O & G Index
1 month	1.6	(0.3)	(1.0)
3 months	3.4	4.3	2.8
12 months	(8.4)	(1.8)	(16.8)

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Table 1: EBITDA in line with consensus but lower tax lifts PAT

PLNG	Q3FY19	Q3FY18	YoY %	Q2FY19	QoQ %	Edel		vs.	
						estimates	estimates	Consensus	consensus
Revenues (INR mn)	100,977	77,571	30.2	107,453	(6.0)	100,345	0.6	104,000	(2.9)
EBITDA (INR mn)	8,481	8,474	0.1	8,837	(4.0)	9,792	(13.4)	8,420	0.7
PAT (INR mn)	5,653	5,288	6.9	5,629	0.4	6,172	(8.4)	5,320	6.3
Long term sales (mmt)	2.20	2.41	(8.8)	2.35	(6.6)	2.26	(2.6)		
Self spot sales (mmt)	0.08	0.12	(32.8)	0.14	(42.6)	0.13	(40.1)		
Third-party spot sales (mmt)	1.62	1.77	(8.7)	1.70	(4.5)	1.63	(0.4)		
Total sales (mmt)	3.90	4.30	(9.4)	4.19	(6.9)	4.01	(2.9)		

Source: Company, Edelweiss research

Table 2: Upcoming LNG capacity in India

Company	Terminal	MMTPA			Stage of commissionin	Year of commission	Capex (USD mn)
		Current	Expansion	Total			
Petronet LNG	Dahej	15.0	2.5	17.5	Construction	Mar, 2019	185
Petronet LNG	Kochi	5.0	-	5.0	Existing	Commissioned	700
Shell India	Hazira	5.0	2.5	7.5	Construction	Jun, 2019	500
GSPC / Adani	Mundra	-	5.0	5.0	Construction	Jan, 2019	708
Indian Oil	Ennore	-	5.0	5.0	Construction	Aug, 2019	810
H Energy	Jaigarh	-	3.0	3.0	Construction	2019	
HPCL / Shapoorji	Chhara	-	3.5	3.5	Proposed	2020	414
GAIL (India) / NTPC	Dabhol	1.3	3.7	5.0	Proposed	2020	513
Swan Energy	Jafrabad	-	5.0	5.0	Proposed	2020	862
Adani	Dhamra	-	5.0	5.0	Proposed	2021	923
APGDC	Kakinada	-	5.0	5.0	Proposed	2022	277
LNG Bharat	Krishnapatnam	-	2.5	2.5	Proposed	2023	
H Energy	Kolkata	-	3.0	3.0	Proposed	2023	
Grand Total		26.3	45.7	72.0			3,829

Source: Company, Edelweiss research

Table 3: Dahej and Kochi volumes decline led by a sharp slowdown from the power sector

TBTU	Q3FY19	Q3FY18	YoY %	Q2FY19	QoQ %	Edel		
						estimates	vs. estimates	
Dahej Volumes								
Long term cargo	109.0	119.0	(8.4)	116.0	(6.0)	111.2	(2.0)	
Self spot sales	4.0	4.0	0.0	7.0	(42.9)	6.7	(40.4)	
Third-party spot sales	84.0	92.0	(8.7)	88.0	(4.5)	84.3	(0.4)	
Total Dahej sales	197.0	215.0	(8.4)	211.0	(6.6)	202.2	(2.6)	
Dahej terminal utilization (%)	101.3	110.6		108.5		104.0		
Kochi Volumes								
Long term cargo	5.0	6.0	(16.7)	6.0	NM	5.8	(14.0)	
Self spot sales	0.0	2.0	(98.5)	0.0	50.0	0.0	54.8	
Third-party + reload	0.0	0.0	NM	0.0	NM	0.0	NM	
Total kochi sales	5.0	8.0	(37.1)	6.0	(16.4)	5.8	(13.8)	
Kochi terminal utilization (%)	7.8	12.3		9.3		9.0		

Source: Company, Edelweiss research

Chart 1: Total sales volume fell 9.4% YoY, 6.9% QoQ

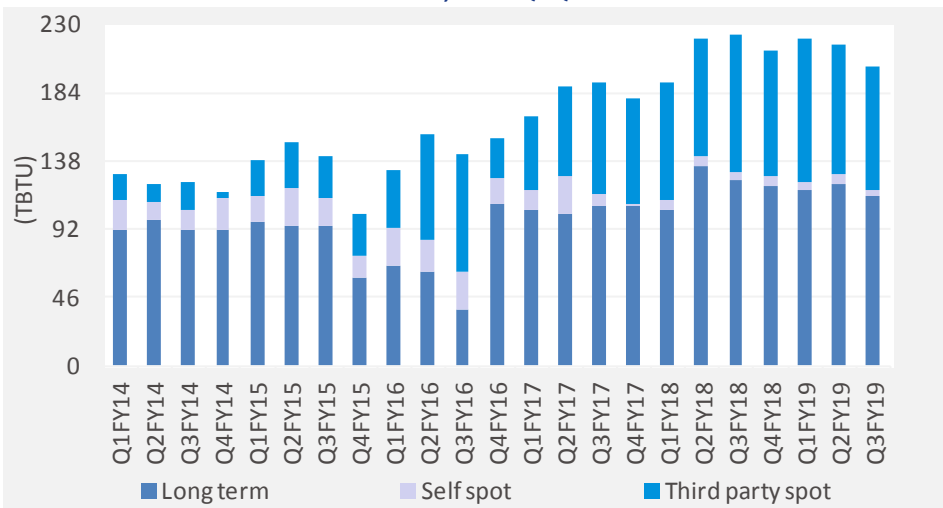
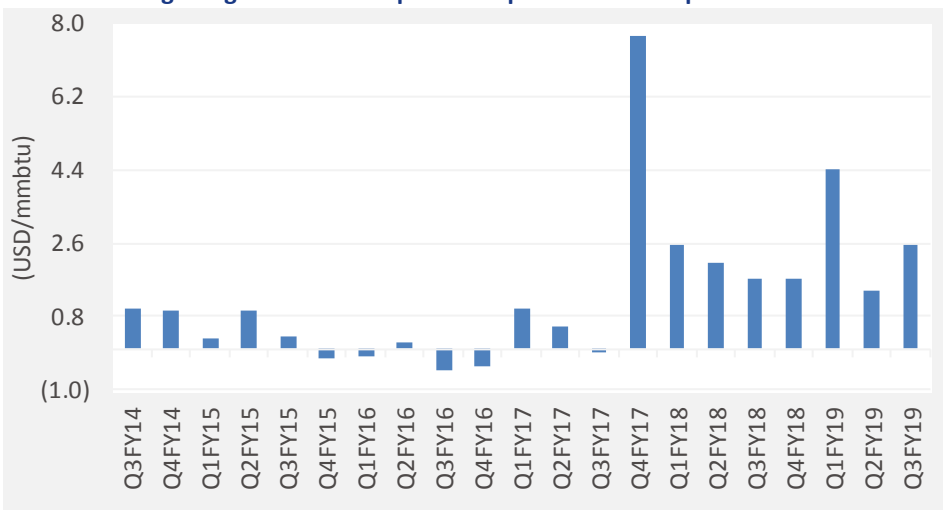


Chart 2: Trading margins at PLNG improve as spot LNG-crude spread widens



Source: Company, Edelweiss research

Q3FY19 conference call: Key highlights

Volume outlook: Volumes outlook for FY20–21 has been raised to 19.5MMTPA from 17.5MMTPA currently. Guidance for completion of the additional 2.5MMTPA is end-FY19. Flexibility and lower cost of Dahej pipelines remain the key volume drivers.

Possible entry into US shale: PLNG has indicated that it may look at backward integration while buying US shale: buying gas directly from the wellhead, liquefying it on the US coast, shipping it to India and thus integrating it into its existing operations. This would prospectively reduce FOB price to USD 6/mmbtu; however, the move exposes PLNG to the vagaries of commodity prices, which increase its risk profile.

Kochi pipelines: The Kochi segment’s utilisation would increase by the end of May-June 2019, after which volumes should pick up. Volumes will increase to 1.1–1.2MMTPA after the completion, from 0.5–0.6 MMTPA currently. Management highlighted that it may revise downward tariff at this end.

Dividend: There is uncertainty over dividend payout in the quarters to come, which management believes would continue, should there be any other significant capex plans.

Capex plans: Dahej expansion is scheduled for March 2019. Apart from Bangladesh and Sri Lanka, there aren't any major capex plans, and management is open to incurring capex as and when the opportunity arises.

Bangladesh: Project commitment for the Kutubdi Island is slightly problematic due to government regulations. PLNG has submitted implementation and terminal service agreements for the Matarbari station as its new venture and awaits 'execution' by the Bangladesh government. The expected IRR from this project is expected to be 16% with sovereign guarantee. They expect the finalisation of terms and operation to start in about 12 months.

Mundra and Ennore terminals: The Mundra terminal is ready but commissioning is yet to start for operating. Ennore terminal is not yet commissioned due to the downstream pipeline problem.

Tariffs: Between Kochi and Dahej, tariffs were changed but, once the pipeline is commissioned, PLNG will support tariff reduction.

Financial snapshot

(INR mn)

Year to March	Q3FY19	Q3FY18	% change	Q2FY19	% change	YTD19	FY19E	FY20E
Net revenues	100,977	77,571	30.2	107,453	(6.0)	300,122	377,005	398,970
Raw material costs	90,989	67,559	34.7	96,950	(6.1)	268,783	337,181	352,275
Gross profit	9,988	10,011	(0.2)	10,503	(4.9)	31,339	39,824	46,695
Employee expenses	265	197	34.9	430	(38.2)	919	1,091	1,309
Other expenses	1,242	1,341	(7.4)	1,237	0.4	3,758	5,312	6,958
EBITDA	8,481	8,474	0.1	8,837	(4.0)	26,662	33,421	38,428
Depreciation	1,037	1,039	(0.2)	1,037	0.0	3,096	4,640	4,664
EBIT	7,444	7,435	0.1	7,800	(4.6)	23,566	28,780	33,765
Interest	215	367	(41.2)	249	(13.5)	764	2,468	3,931
Other income	884	414	113.6	1,115	(20.7)	2,989	4,024	4,715
Add: Prior period items								
Add: Exceptional items								
Profit before tax	8,113	7,482	8.4	8,666	(6.4)	25,791	30,336	34,549
Provision for taxes	2,460	2,194	12.1	3,037	(19.0)	8,638	8,494	9,674
Reported net profit	-	5,288	(100.0)	5,629	(100.0)	11,499	21,842	24,875
Adjusted Profit	5,653	5,288	6.9	5,629	0.4	17,152	21,842	24,875
Diluted shares (mn)	1,500	1,500		1,500		1,500	1,500	1,500
Adjusted Diluted EPS	3.8	3.5	6.9	3.8	0.4	11.4	14.6	16.6
Diluted P/E (x)	-	-		-		-	15.5	13.6
EV/EBITDA (x)	-	-		-		-	9.5	8.2
ROAE (%)	-	-		-		-	22.3	25.0
As % of net revenues								
Gross profit	9.9	12.9		9.8		10.4	10.6	11.7
EBITDA	8.4	10.9		8.2		8.9	8.9	9.6
Reported net profit	5.6	6.8		5.2		5.7	5.8	6.2
Tax rate	30.3	29.3		35.0		33.5	28.0	28.0

Company Description

PLNG is the largest domestic player in India importing, storing and regasifying LNG. It has a unique risk-free business model, generating revenues by charging re-gasification margins on the imported LNG. Its supply and demand side risks are hedged through a long-term sourcing contract from Ras-Gas Qatar and off take contracts from three of its promoters — GAIL India, Indian Oil Corporation (IOCL), and Bharat Petroleum Corporation (BPCL). PLNG owns and operates a LNG terminal at Dahej, Gujarat with a nameplate capacity of 10MMT in FY13. Expansion of its Dahej terminal to 15MMT is poised to be completed in October 2016. Further expansion to 17.5MMT is expected to be ready by 2019. It also has a 5 mmtpa terminal at Kochi.

Investment Theme

The key to PLNG will be volume growth, driven by commissioning of the 5 mmtpa LNG terminal at Kochi and expansion of the Dahej LNG terminal to 17.5 mmtpa. In the near term, while the Kochi terminal has been commissioned, LNG offtake will be an issue due to pipeline issues. Also, weak industrial demand could lead to lower marketing margin on spot cargoes. Key upside triggers are: (i) Higher utilisation given subdued spot and long term prices; (ii) Clarity on utilisation rate post expansion at Dahej and new terminal at Kochi.

Key Risks

Current annual escalation of 5% in re-gasification charges may not persist after a while if it begins to impact the demand.

Prolonged gap between long-term RasGas and spot-LNG prices could result in deferment/lowering of term LNG volumes.

High gas prices may lower demand for R-LNG, thus making it unviable for PLNG to source more long term supplies.

Increase in domestic gas production and start of other LNG terminals in the country could lead to lower utilisation for PLNG.

Financial Statements

Key Assumptions

Year to March	FY18	FY19E	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.5	7.1	7.6	7.6
Inflation (Avg)	3.8	4.0	4.5	4.5
Repo rate (exit rate)	6.0	6.5	6.8	6.8
USD/INR (Avg)	64.5	70.0	72.0	72.0
Sector				
Brent Crude (USD/bbl)	57.6	69.0	65.0	75.0
% sharing by Govt	100.0	92.7	90.5	86.0
% sharing by upstream	-	7.3	9.5	14.0
Company				
Capacity & Volume	-	-	-	1
Dahej long term (mmt)	9.0	9.0	8.8	8.8
Dahejself spot (mmt)	0.3	0.6	1.0	1.2
Dahej third party (mmt)	6.4	6.8	7.4	8.0
Dahej total sales (mmt)	15.7	16.4	17.2	18.0
Dahej capacity (mmt)	15.0	15.0	17.5	17.5
Kochi long term (mmt)	0.4	0.4	1.0	0.4
Kochiself spot (mmt)	0.2	-	-	2.5
Kochi third party (mmt)	-	0.2	0.2	0.2
Kochi total sales (mmt)	0.6	0.6	1.2	3.1
Kochi capacity (mmt)	5.0	5.0	5.0	5.0
Margins %	-	-	-	1
Da regas mar (INR/mmbtu)	46.9	49.3	50.7	50.7
Ko regas mar (INR/mmbtu)	75.4	75.4	75.4	75.4
Financial assumptions	-	-	-	1
Average opex (INR/mmbtu)	7.0	7.3	8.7	12.1
Other income yield (%)	6.5	6.5	6.5	6.5
Avg. Interest rate (%)	4.9	6.0	8.0	8.0
Tax rate (%)	32.0	28.0	28.0	33.0
Capex (INR mn)	1,781	5,455	4,458	3,460
Debtor days	20	20	20	20
Inventory days	7	7	7	7
Payable days	21	21	21	21
Cash conversion cycle	5	5	5	5

Income statement

(INR mn)

Year to March	FY18	FY19E	FY20E	FY21E
Net revenue	305,986	377,005	398,970	495,117
Materials costs	266,902	337,181	352,275	441,794
Gross profit	39,084	39,824	46,695	53,324
Employee costs	912	1,091	1,309	1,575
Other Expenses	5,049	5,312	6,958	9,604
EBITDA	33,124	33,421	38,428	42,145
Depreciation	4,117	4,640	4,664	4,687
EBIT	29,007	28,780	33,765	37,458
Less: Interest Expense	1,630	2,468	3,931	3,240
Add: Other income	3,174.00	4,024.31	4,715.37	4,348.72
Profit Before Tax	30,551	30,336	34,549	38,567
Less: Provision for Tax	9,773	8,494	9,674	12,727
Reported Profit	20,779	21,842	24,875	25,840
Adjusted Profit	20,779	21,842	24,875	25,840
Shares o /s (mn)	1,500	1,500	1,500	1,500
Adjusted Basic EPS	13.9	14.6	16.6	17.2
Diluted shares o/s (mn)	1,500	1,500	1,500	1,500
Adjusted Diluted EPS	13.9	14.6	16.6	17.2
Adjusted Cash EPS	18.7	17.7	19.7	20.4
Dividend per share (DPS)	4.5	11.6	13.3	13.8
Dividend Payout Ratio(%)	32.5	93.6	93.6	93.6

Common size metrics

Year to March	FY18	FY19E	FY20E	FY21E
Materials costs	87.2	89.4	88.3	89.2
Staff costs	0.3	0.3	0.3	0.3
S G & A expenses	1.7	1.4	1.7	1.9
Operating expenses	89.2	91.1	90.4	91.5
Depreciation	1.3	1.2	1.2	0.9
Interest Expense	0.5	0.7	1.0	0.7
EBITDA margins	10.8	8.9	9.6	8.5
Net Profit margins	6.8	5.8	6.2	5.2

Growth ratios (%)

Year to March	FY18	FY19E	FY20E	FY21E
Revenues	24.3	23.2	5.8	24.1
EBITDA	27.8	0.9	15.0	9.7
PBT	29.4	(0.7)	13.9	11.6
Adjusted Profit	21.8	5.1	13.9	3.9
EPS	21.8	5.1	13.9	3.9

Oil, Gas and Services

Balance sheet		(INR mn)			
As on 31st March	FY18	FY19E	FY20E	FY21E	
Share capital	15,000	15,000	15,000	15,000	
Reserves & Surplus	82,205	83,603	85,195	86,848	
Shareholders' funds	97,205	98,603	100,195	101,848	
Long term borrowings	7,334	52,563	43,875	35,188	
Short term borrowings	7,196	-	-	-	
Total Borrowings	14,530	52,563	43,875	35,188	
Long Term Liabilities	12,914	12,914	12,914	12,914	
Def. Tax Liability (net)	10,482	10,482	10,482	10,482	
Sources of funds	135,131	174,561	167,466	160,432	
Gross Block	91,082	91,537	91,995	92,455	
Net Block	80,272	76,087	71,881	67,655	
Intangible Assets	24	24	24	24	
CWIP (incl. intangible)	2,203	7,203	11,203	14,203	
Total net fixed assets	82,499	83,314	83,108	81,881	
Non current investments	1,644	8,383	8,383	8,383	
Cash and Equivalents	48,204	75,520	69,450	64,248	
Inventories	4,911	6,204	6,482	8,129	
Sundry Debtors	16,505	20,336	21,521	26,707	
Loans & Advances	230	1,060	1,121	1,392	
Other Current Assets	2,545	1,746	1,746	1,746	
Total current assets	24,191	29,346	30,870	37,974	
Trade payable	15,699	19,833	20,721	25,986	
Other Current Liab	5,707	2,169	3,625	6,067	
Total Current Liab	21,406	22,001	24,345	32,054	
Net Curr Assets-ex cash	2,785	7,345	6,525	5,920	
Uses of funds	135,131	174,561	167,466	160,432	
BVPS (INR)	64.8	65.7	66.8	67.9	

Free cash flow		(INR mn)			
Year to March	FY18	FY19E	FY20E	FY21E	
Reported Profit	20,779	21,842	24,875	25,840	
Add: Depreciation	4,117	4,640	4,664	4,687	
Interest (Net of Tax)	1,109	1,777	2,831	2,171	
Others	11,684	(259)	(1,975)	(2,070)	
Less: Changes in WC	7,731	1,537	820	605	
Operating cash flow	29,956	26,464	29,574	30,023	
Less: Capex	1,733	5,455	4,458	3,460	
Free Cash Flow	28,223	21,008	25,117	26,563	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Petronet LNG	4,654	15.2	13.3	9.2	8.0	22.3	25.0
GAIL (INDIA)	10,553	10.7	9.7	6.6	6.0	15.6	15.9
Gujarat State Petronet	1,404	11.4	10.7	7.3	6.7	16.2	15.1
Indraprastha Gas	2,818	20.3	17.2	11.9	9.7	24.9	24.7
Median	-	13.3	12.0	8.3	7.3	19.2	20.3
AVERAGE	-	14.4	12.7	8.8	7.6	19.7	20.2

Source: Edelweiss research

Cash flow metrics		FY18	FY19E	FY20E	FY21E
Year to March					
Operating cash flow		29,956	26,464	29,574	30,023
Financing cash flow		(13,347)	2,283	(35,902)	(36,114)
Investing cash flow		(11,266)	(1,431)	258	889
Net cash Flow		5,343	27,316	(6,070)	(5,202)
Capex		(1,733)	(5,455)	(4,458)	(3,460)
Dividend paid		(4,513)	(20,444)	(23,283)	(24,186)

Profitability and efficiency ratios

Year to March	FY18	FY19E	FY20E	FY21E
ROAE (%)	23.3	22.3	25.0	25.6
ROACE (%)	30.0	25.0	26.1	29.7
Inventory Days	7	6	7	6
Debtors Days	17	18	19	18
Payable Days	17	19	21	19
Cash Conversion Cycle	7	5	5	4
Current Ratio	3.4	4.8	4.1	3.2
Gross Debt/EBITDA	0.4	1.6	1.1	0.8
Gross Debt/Equity	0.1	0.5	0.4	0.3
Adjusted Debt/Equity	0.1	0.5	0.4	0.3
Net Debt/Equity	(0.3)	(0.2)	(0.3)	(0.3)
Interest Coverage Ratio	17.8	11.7	8.6	11.6

Operating ratios

Year to March	FY18	FY19E	FY20E	FY21E
Total Asset Turnover	2.4	2.4	2.3	3.0
Fixed Asset Turnover	3.7	4.8	5.4	7.1
Equity Turnover	3.4	3.9	4.0	4.9

Valuation parameters

Year to March	FY18	FY19E	FY20E	FY21E
Adj. Diluted EPS (INR)	13.9	14.6	16.6	17.2
Y-o-Y growth (%)	21.8	5.1	13.9	3.9
Adjusted Cash EPS (INR)	18.7	17.7	19.7	20.4
Diluted P/E (x)	16.0	15.2	13.3	12.8
P/B (x)	3.4	3.4	3.3	3.3
EV / Sales (x)	1.0	0.8	0.8	0.6
EV / EBITDA (x)	9.0	9.2	8.0	7.2
Dividend Yield (%)	2.0	5.3	6.0	6.2
EV	305,327	316,043	313,425	309,940

Additional Data

Directors Data

K D Tripathi	Chairman	Prabhat Singh	Managing Director & CEO
Rajender Singh	Director - Technical	R K Garg	Director - Finance
Subir Purkayastha	Director	D K Sarraf	Director
Arun Kumar Misra	Independent Director	Philip Oliver	Director
S Varadarajan	Director	Debasis Sen	Director
J N Singh	Director	Sushil Kumar Gupta	Independent Director
Dr. Jyoti Kiran Shukla	Independent Director		

Auditors - M/s T.R Chadha & Co

Holding – Top10

	Perc. Holding		Perc. Holding
Gail india ltd	12.5	Oil & natural gas co	12.5
Indian oil corp ltd	12.5	Bharat petroleum cor	12.5
Kotak mahindra asset	1.88	Blackrock inc	1.76
Franklin resources i	1.51	Aditya birla sun lif	1.5
Motilal oswal asset	1.37	Stichting dep apg em	1.31

**in last one year*

Bulk Deals

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

**in last one year*

Insider Trades

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

**in last one year*

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

ABSOLUTE RATING

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

RELATIVE RETURNS RATING

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

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

RELATIVE RISK RATING

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

Risk ratings are based on Edelweiss risk model

SECTOR RATING

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

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Aditya Narain

Head of Research

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

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

Recent Research

Date	Company	Title	Price (INR)	Recos
30-Jan-19	Indian Oil Corporation	Core earnings beat on higher integrated margin; <i>Result Update</i>	137	Buy
30-Jan-19	Mahanagar Gas	Pricing power spurs all-time high margin; <i>Result Update</i>	920	Buy
17-Jan-19	Reliance Industries	Upcoming asset monetisation to trigger significant value; <i>Result Update</i>	1134	Buy

Distribution of Ratings / Market Cap

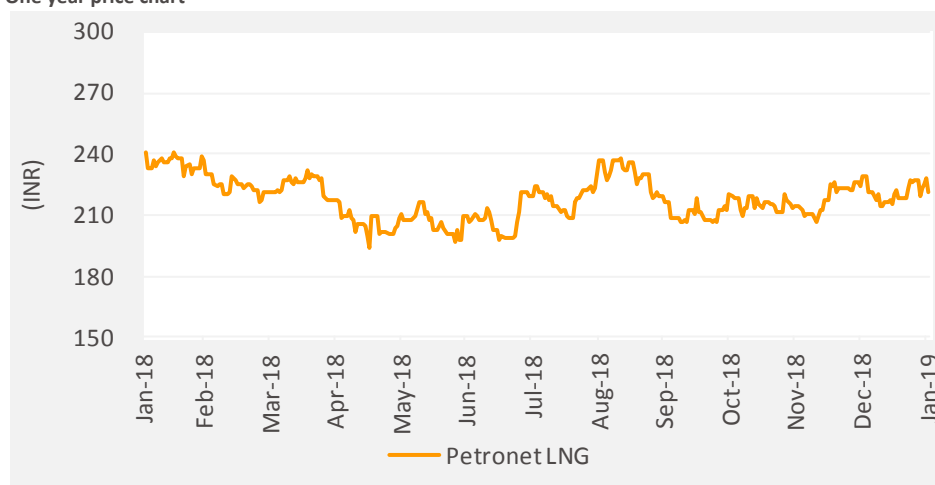
Edelweiss Research Coverage Universe

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

Rating Interpretation

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

One year price chart



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