

## OIL &amp; GAS

11 November 2019

## OMCs Q2 FY20 – tepid GRMs, marketing earnings sustain

All the three OMCs – IOCL, BPCL and HPCL – reported Q2 FY20 earnings well below estimates, impacted by low GRMs (US\$3.8-US\$3/bbl), under-performing the benchmark Singapore (US\$6.5/bbl). Marketing business performance across OMCs remained stable (QoQ), implying depleting concerns on sustainability of earnings as crude prices sustain. We cut GRM estimates for BPCL/HPCL for FY21/22, leading to earnings decline by ~7% to 10%. We downgrade BPCL to REDUCE (from ADD) on high valuations.

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

**Surge in marketing margins:** HPCL marketing segment earnings expanded the most (2x YoY) to Rs25 bn, reporting marketing EBITDA at ~Rs2700/MT. BPCL reported flattish marketing margins at ~Rs1900/mt, while IOCL was the lowest at ~1800/MT ([see our Q2 update on IOCL](#)). In Q2 FY20, all the three OMCs gained market share in petroleum product sales, delivering sales volume growth of 1.5%-2% against industry growth of 0.7%. Interestingly, barring HPCL, they all lost market share in retail fuel sales (Petrol and Diesel), while gained market share in ATF and other industrial product sales.

**GRMs remain muted:** OMCs continue to under-perform on GRMs, with HPCL reporting the lowest GRMs at US\$2.6/bbl for Q2 FY20 (against Singapore complex GRMs at US\$6.5/bbl). BPCL (US\$3.8/bbl) and IOCL (US\$3.6/bbl) too under-performed. Singapore GRMs have declined in Q3 FY20, but diesel spreads have improved while FO spreads have crashed. However, OMC refineries being heavy on diesel output (45-50% of refining output) could benefit from IMO regulations (from Jan CY20).

**BPCL privatization – lot of uncertainty around it:** BPCL stock price has surged ever since the government has announced its intent to privatise, with valuation bursting above 10x FY21/22E EBITDA. However, recent media reports have created concerns whether the government will be willing to sell its entire stake in one go. Any deal that is different from complete government holding sale can lead to a sharp correction in the stock. However, IOCL (with possible uptick in GRMs leading to IMO) and HPCL (resilient marketing business earnings) offer better value than BPCL. We downgrade BPCL to REDUCE (from ADD), and recommend IOCL/HPCL over it.

### KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
IOCL IN	134	240	BUY
BPCL IN	503	490	Downgrade to REDUCE from ADD
HPCL IN	294	365	BUY

Price &amp; Target in Rupees



## IOCL

FIG 1 – QUARTERLY PERFORMANCE

Y/E MarCK (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
<b>Net sales</b>	<b>11,16,897</b>	<b>13,20,348</b>	<b>(15.4)</b>	<b>13,15,125</b>	<b>(15.1)</b>	<b>24,32,021</b>	<b>26,15,098</b>	<b>(7.0)</b>
<b>EBITDA</b>	<b>35,722</b>	<b>67,620</b>	<b>(47.2)</b>	<b>83,500</b>	<b>(57.2)</b>	<b>1,19,222</b>	<b>1,93,378</b>	<b>(38.3)</b>
<b>EBITDA margin (%)</b>	<b>3.20</b>	<b>5.12</b>	<b>-</b>	<b>6.35</b>	<b>-</b>	<b>4.90</b>	<b>7.39</b>	<b>-</b>
<b>Adjusted EBITDA</b>	<b>65,330</b>	<b>60,150</b>	<b>8.6</b>	<b>76,570</b>	<b>(14.7)</b>	<b>1,41,900</b>	<b>1,31,140</b>	<b>8.2</b>
Depreciation and Amortisation	20,975	18,091	15.9	20,929	0.2	41,904	35,970	16.5
Interest	13,083	11,878	10.1	15,091	(13.3)	28,173	22,189	27.0
Other income	6,481	10,407	(37.7)	6,314	2.6	12,794	16,260	(21.3)
<b>PBT</b>	<b>8,145</b>	<b>48,057</b>	<b>(83.1)</b>	<b>53,794</b>	<b>(84.9)</b>	<b>61,939</b>	<b>1,51,479</b>	<b>(59.1)</b>
Provision for tax	2,511	15,588	(83.9)	17,833	(85.9)	20,344	50,699	(59.9)
Effective Tax Rate (%)	30.82	32.44	-	33.15	-	32.84	33.47	-
<b>PAT Adjusted</b>	<b>5,634</b>	<b>32,469</b>	<b>(82.6)</b>	<b>35,961</b>	<b>(84.3)</b>	<b>41,595</b>	<b>1,00,781</b>	<b>(58.7)</b>
Other comprehensive income	(39,617)	17,849	(321.9)	6,272	731.6	-	(2,598)	100.0
<b>Total income</b>	<b>(33,983)</b>	<b>50,319</b>	<b>(167.5)</b>	<b>42,233</b>	<b>(180.5)</b>	<b>41,595</b>	<b>98,183</b>	<b>(57.6)</b>
NPM (%)	0.50	2.46	-	2.73	-	1.71	3.85	-
<b>EPS (Rs)</b>	<b>0.6</b>	<b>3.4</b>	<b>(82.5)</b>	<b>3.8</b>	<b>(84.3)</b>	<b>4.4</b>	<b>10.6</b>	<b>(58.7)</b>

Source: Company, BOBCAPS Research

FIG 2 – SEGMENT PERFORMANCE

	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
<b>Refining</b>								
Refining throughput (mmt)	17.54	17.82	(1.6)	17.30	1.4	34.84	35.48	(1.8)
GRM's (US\$/bbl)	1.28	6.79	(81.1)	4.69	(72.7)	2.96	8.45	(65.0)
<b>Normalised GRM (US\$/bbl)</b>	<b>3.55</b>	<b>5.14</b>	<b>(30.9)</b>	<b>3.60</b>	<b>(1.3)</b>	<b>3.57</b>	<b>4.81</b>	<b>(25.8)</b>
<b>Refining EBITDA (Rs mn)</b>	<b>(20,270)</b>	<b>20,800</b>	<b>-</b>	<b>16,590</b>	<b>-</b>	<b>(3,680)</b>	<b>78,970</b>	<b>-</b>
<b>Refining EBITDA (US\$/bbl)</b>	<b>(2.2)</b>	<b>2.3</b>	<b>-</b>	<b>1.9</b>	<b>-</b>	<b>(0.2)</b>	<b>4.4</b>	<b>-</b>
Inventory gains/(loss) (Rs mn)	(15,340)	30,160	-	9,770	-	(5,570)	89,340	-
Inventory gains/(loss) (US\$/bbl)	(1.7)	3.3	-	1.1	-	(0.3)	5.0	-
Exchange fluctuation gain/(loss) (Rs mn)	(5,200)	(15,040)	65.4	(120)	-	(5,320)	(24,380)	-
<b>Adj. EBITDA</b>	<b>270</b>	<b>5,680</b>	<b>(95.2)</b>	<b>6,940</b>	<b>(96.1)</b>	<b>7,210</b>	<b>14,010</b>	<b>(48.5)</b>
<b>Adj. EBITDA (US\$/bbl)</b>	<b>0.0</b>	<b>0.6</b>	<b>(95.2)</b>	<b>0.8</b>	<b>(96.2)</b>	<b>0.4</b>	<b>0.8</b>	<b>(48.6)</b>
<b>Operating costs (US\$/bbl)</b>	<b>2.9</b>	<b>2.9</b>	<b>2.4</b>	<b>2.8</b>	<b>5.3</b>	<b>2.9</b>	<b>2.7</b>	<b>8.0</b>
<b>Marketing</b>								
<b>Total Marketing sales (mmt)</b>	<b>21.42</b>	<b>20.40</b>	<b>5.0</b>	<b>21.60</b>	<b>(0.8)</b>	<b>43.03</b>	<b>42.08</b>	<b>2.3</b>
Domestic	18.95	18.65	1.6	20.52	(7.6)	39.47	39.10	1.0
Exports	1.25	1.75	(28.7)	1.08	15.0	2.31	2.98	(22.4)
<b>Marketing EBITDA (Rs mn)</b>	<b>38,130</b>	<b>42,100</b>	<b>(9.4)</b>	<b>45,650</b>	<b>(16.5)</b>	<b>83,780</b>	<b>85,790</b>	<b>(2.3)</b>
<b>Marketing EBITDA (Rs/mt)</b>	<b>1,780</b>	<b>2,064</b>	<b>(13.8)</b>	<b>2,113</b>	<b>(15.8)</b>	<b>1,947</b>	<b>2,039</b>	<b>(4.5)</b>
Inventory gains/(loss) (Rs mn)	3,560	13,920	(74.4)	2,560	39.1	6,120	33,400	(81.7)
Inventory gains/(loss) (Rs/mt)	166	682	(75.7)	118	40.2	142	794	82.1
Exchange fluctuation gain/(loss) (Rs mn)	(6,150)	(11,160)	44.9	1,040	691.3	(5,110)	(19,870.0)	(74.3)
<b>Adj. EBITDA</b>	<b>40,720</b>	<b>39,340</b>	<b>3.5</b>	<b>42,050</b>	<b>(3.2)</b>	<b>82,770</b>	<b>72,260</b>	<b>14.5</b>
<b>Adj. EBITDA (Rs/mt)</b>	<b>1,901</b>	<b>1,929</b>	<b>(1.5)</b>	<b>1,946</b>	<b>(2.3)</b>	<b>1,924</b>	<b>1,717</b>	<b>12.0</b>

	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
<b>Pipeline</b>								
Pipeline throughput (mmt)	21.75	21.37	1.8	21.90	(0.7)	43.65	44.22	(1.3)
<b>Pipeline EBITDA (Rs mn)</b>	<b>15,870</b>	<b>16,100</b>	<b>(1.4)</b>	<b>16,230</b>	<b>(2.2)</b>	<b>32,100</b>	<b>32,370</b>	<b>(0.8)</b>
Pipeline EBITDA (Rs/mt)	730	754	(3.2)	741	(1.5)	735	732	0.5
<b>Petrochemicals</b>								
Volumes (mmt)	0.53	0.66	(20.2)	0.53	-	1.05	1.30	(18.9)
<b>Petrochemicals EBITDA (Rs mn)</b>	<b>7,740</b>	<b>15,620</b>	<b>(50.4)</b>	<b>6,860</b>	<b>12.8</b>	<b>14,600</b>	<b>31,920</b>	<b>(54.3)</b>
Petrochemicals EBITDA (US\$/mt)	209	338	(38.1)	187	11.5	198	359	(44.8)
Others (Rs mn)	730	(16,590)	-	4,490	83.7	5,220	(19,420)	-
<b>Total Adjusted EBITDA (Rs mn)</b>	<b>65,330</b>	<b>60,150</b>	<b>8.6</b>	<b>76,570</b>	<b>(14.7)</b>	<b>1,41,900</b>	<b>1,31,140</b>	<b>8.2</b>

Source: Company, BOBCAPS Research

**FIG 3 – SOTP VALUATION SUMMARY**

	EV (Rs bn)	Value (Rs/sh)	Comments
Refining	892	97	6.5x Sep'21E EBITDA
Marketing	789	86	6.5x Sep'21E EBITDA
Petrochemicals	474	52	7.5x Sep'21E EBITDA
Pipeline	411	45	5x Sep'21E EBITDA
<b>Total core business EV</b>	<b>2,566</b>	<b>242</b>	-
Less: Net Debt	514	56	-
<b>Equity value of operational segments</b>	<b>2,052</b>	<b>223</b>	-
Add: Total investments	153	18	Listed holdings at 20% discount to CMP and others at investment value
<b>IOCL Equity value</b>	<b>2,205</b>	<b>240</b>	<b>~9.3x FY22E EPS</b>

Source: BOBCAPS Research

**FIG 4 – KEY ASSUMPTIONS**

	FY20E	FY21E	FY22E
Average petchem product spreads (US\$/mt)	600	700	700
Oil (US\$/bbl)	75.0	80.0	80.0
GRMs (US\$/bbl)	5.0	6.0	6.0
Singapore GRMs (US\$/bbl)	5.0	5.5	5.5
Refinery throughput (mmt)	76.8	81.8	86.8
Pipeline throughput (mmt)	100.1	107.3	114.5
Market sales (mmt)	86.9	90.7	94.8
USDINR	72.0	74.0	74.0

Source: BOBCAPS Research

## BPCL

### FIG 5 – QUARTERLY PERFORMANCE

(Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1 FY20	H1 FY19	YoY (%)
<b>Net sales</b>	<b>643,408</b>	<b>722,918</b>	<b>(11.0)</b>	<b>763,179</b>	<b>(15.7)</b>	<b>1,406,587</b>	<b>1,439,886</b>	<b>(2.3)</b>
<b>EBITDA</b>	<b>23,749</b>	<b>24,194</b>	<b>(1.8)</b>	<b>21,799</b>	<b>8.9</b>	<b>45,548</b>	<b>62,947</b>	<b>(27.6)</b>
EBITDA margin (%)	3.7	3.3	-	2.9	-	3.2	4.4	-
Depreciation and amortisation	9,523	7,571	25.8	9,141	4.2	18,664	14,963	24.7
Interest	6,388	3,276	95.0	4,524	41.2	10,912	6,295	73.4
Other income	8,713	5,380	61.9	5,385	61.8	14,097	10,860	29.8
<b>PBT</b>	<b>16,551</b>	<b>18,727</b>	<b>(11.6)</b>	<b>13,518</b>	<b>22.4</b>	<b>30,069</b>	<b>52,550</b>	<b>(42.8)</b>
Provision for tax	(533)	6,540	(108.2)	2,767	(119.3)	2,234	17,430	(87.2)
Effective tax rate	(3.22)	34.92	-	20.47	-	7.43	33.17	-
Minority share in profit / loss	-	-	-	-	-	-	-	-
<b>PAT (reported)</b>	<b>17,085</b>	<b>12,187</b>	<b>40.2</b>	<b>10,751</b>	<b>58.9</b>	<b>27,835</b>	<b>35,120</b>	<b>(20.7)</b>
Exceptional item (adj-post tax)	5,803	-	-	-	-	7,437	-	-
<b>PAT (adj.)</b>	<b>11,281</b>	<b>12,187</b>	<b>(7.4)</b>	<b>10,751</b>	<b>4.9</b>	<b>20,399</b>	<b>35,120</b>	<b>(41.9)</b>
<b>Adj. EPS (Rs)</b>	<b>5.74</b>	<b>6.20</b>	<b>(7.4)</b>	<b>5.47</b>	<b>4.9</b>	<b>10.37</b>	<b>17.86</b>	<b>(41.9)</b>
<b>Reported GRMs (US\$/bbl)</b>	<b>3.38</b>	<b>5.57</b>	<b>(39.3)</b>	<b>2.81</b>	<b>20.3</b>	<b>2.93</b>	<b>6.52</b>	<b>(55.1)</b>
<b>Refining throughput (mmt)</b>	<b>7.66</b>	<b>7.57</b>	<b>1.2</b>	<b>7.45</b>	<b>2.8</b>	<b>15.11</b>	<b>15.31</b>	<b>(1.3)</b>
<b>Market sales (mmt)</b>	<b>10.8</b>	<b>10.6</b>	<b>2.1</b>	<b>11.3</b>	<b>(4.7)</b>	<b>22.2</b>	<b>21.8</b>	<b>1.3</b>

Source: Company, BOBCAPS Research

### FIG 6 – OPERATIONAL PERFORMANCE

	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1 FY20	H1FY19	YoY (%)
<b>GRM (US\$/bbl)</b>	<b>3.4</b>	<b>5.6</b>	<b>(39.3)</b>	<b>2.8</b>	<b>20.3</b>	<b>2.9</b>	<b>6.5</b>	<b>(55.1)</b>
- Mumbai	3.7	5.4	(32.4)	3.5	4.6	3.4	6.8	(50.4)
- Kochi	3.1	5.7	(45.9)	2.3	32.6	2.5	6.3	(60.4)
Inventory gains/ (loss) (US\$/bbl)	(0.44)	2.3	-	(0.86)	-	-	2.8	100.0
<b>Normalised GRMs (US\$/bbl)</b>	<b>3.82</b>	<b>3.3</b>	<b>16.9</b>	<b>3.67</b>	<b>4.3</b>	<b>2.9</b>	<b>3.7</b>	<b>(20.9)</b>
- Mumbai	4.1	3.5	19.1	3.6	15.4	3.4	4.4	(22.8)
- Kochi	3.5	3.2	10.1	3.8	(6.9)	2.5	3.1	(20.6)
Crude throughput (MMT)	7.7	7.6	1.2	7.5	2.8	15.1	15.3	(1.3)
<b>Adj. Refining EBITDA (Rs mn)</b>	<b>5,238</b>	<b>2,988</b>	<b>75.3</b>	<b>4,428</b>	<b>18.3</b>	<b>3,313</b>	<b>9,229</b>	<b>(64.1)</b>
Total market sales (MT)	10.81	10.59	2.1	11.34	(4.7)	22.15	21.87	1.3
Market sales (MT) - Domestic	10.3	10.1	1.7	11.1	(7.7)	21.4	21.1	1.5
Market sales (MT) - Exports	0.56	0.51	9.8	0.23	143.5	0.79	0.82	(3.7)
<b>Marketing EBITDA (Rs mn)</b>	<b>20,261</b>	<b>21,206</b>	<b>(4.5)</b>	<b>20,620</b>	<b>(1.7)</b>	<b>42,235</b>	<b>53,718</b>	<b>(21.4)</b>
<b>Marketing EBITDA (Rs/MT)</b>	<b>1,874</b>	<b>2,002</b>	<b>(6.4)</b>	<b>1,818</b>	<b>3.1</b>	<b>1,907</b>	<b>2,456</b>	<b>(22.4)</b>
Marketing inventory gains/(loss) (Rs mn)	1,490	5,390	-	(1,270)	-	-	19,430	-
<b>Adj Marketing EBITDA (Rs mn)</b>	<b>18,771</b>	<b>15,816</b>	<b>18.7</b>	<b>21,890</b>	<b>(14.3)</b>	<b>42,235</b>	<b>34,288</b>	<b>23.2</b>
<b>Adj Marketing EBITDA (Rs/MT)</b>	<b>1,736</b>	<b>1,493</b>	<b>16.3</b>	<b>1,930</b>	<b>(10.0)</b>	<b>1,907</b>	<b>1,568</b>	<b>21.6</b>
<b>Total reported EBITDA (Rs mn)</b>	<b>23,749</b>	<b>24,194</b>	<b>(1.8)</b>	<b>21,799</b>	<b>8.9</b>	<b>45,548</b>	<b>62,947</b>	<b>(27.6)</b>

Source: BOBCAPS Research, Company

FIG 7 – BPCL REVISED ESTIMATES

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Var (%)	Old	New	Var (%)	Old	New	Var (%)
Revenue	3,132,627	3,132,627	-	3,761,885	3,753,071	(0.2)	3,991,968	3,983,018	(0.2)
<b>EBITDA</b>	<b>124,241</b>	<b>124,241</b>	<b>-</b>	<b>135,635</b>	<b>126,821</b>	<b>(6.5)</b>	<b>149,119</b>	<b>140,169</b>	<b>(6.0)</b>
EBITDA margin (%)	4.0	4.0		3.6	3.4		3.7	3.5	
PAT	96,729	96,729	-	102,218	95,719	(6.4)	108,805	101,688	(6.5)
<b>EPS (Rs)</b>	<b>49.2</b>	<b>49.2</b>	<b>(0.0)</b>	<b>52.0</b>	<b>48.7</b>	<b>(6.4)</b>	<b>55.3</b>	<b>51.7</b>	<b>(6.5)</b>

Source: BOBCAPS Research

FIG 8 – VALUATION SUMMARY

Business segments	EV (Rs/bn)	Value (Rs/share)	Comments
<b>Refining</b>			
Standalone	325	165	6x Sept'21 EBITDA
BORL refinery	228	116	6x Sept'21 EBITDA
Numaligarh	213	108	6x Sept'21 EBITDA
Marketing	366	186	5x Sept'21 EBITDA
<b>Total core business</b>	<b>1132</b>	<b>576</b>	
Less: Net Debt	306	156	Adjusted for consolidation
<b>Equity value of core business</b>	<b>826</b>	<b>420</b>	
Total investments value	101	51	Investments in PLNG, OINL, IGL @ 20% discount to CMP
E&P	40	20	Brazil at EV/boe of US\$ 4, Mozambique at EV/boe of US\$ 1
<b>Total equity value for BPCL</b>	<b>967</b>	<b>492</b>	<b>At 10.1x FY21E EPS</b>

Source: BOBCAPS Research

## HPCL

**FIG 9 – QUARTERLY PERFORMANCE**

(Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1 FY20	H1FY19	YoY (%)
<b>Net sales</b>	<b>6,05,728</b>	<b>6,72,069</b>	<b>(9.9)</b>	<b>7,07,105</b>	<b>(14.3)</b>	<b>13,12,833</b>	<b>13,45,384</b>	<b>(2.4)</b>
Purchases	4,07,228	4,36,672	(6.7)	5,11,730	(20.4)	9,18,957	8,93,422	2.9
% of sales	67.2	65.0	-	72.4	-	70.0	66.4	
Other expenditure	1,78,216	2,17,288	(18.0)	1,81,720	(1.9)	3,59,936	4,04,921	(11.1)
% of sales	29.4	32.3	-	25.7	-	27.4	30.1	-
<b>EBITDA</b>	<b>20,284</b>	<b>18,109</b>	<b>12.0</b>	<b>13,655</b>	<b>48.5</b>	<b>33,939</b>	<b>47,042</b>	<b>(27.9)</b>
<b>EBITDA margin (%)</b>	<b>3.3</b>	<b>2.7</b>		<b>1.9</b>		<b>2.6</b>	<b>3.5</b>	
Depreciation and amortisation	8,121	7,385	10.0	8,151	(0.4)	16,272	14,449	12.6
Interest	2,856	2,007	42.3	2,063	38.5	4,919	3,916	25.6
Other income	6,863	7,245	(5.3)	8,949	(23.3)	15,811	13,274	19.1
<b>PBT</b>	<b>16,170</b>	<b>15,962</b>	<b>1.3</b>	<b>12,390</b>	<b>30.5</b>	<b>28,560</b>	<b>41,952</b>	<b>(31.9)</b>
Provision for tax	5,647	5,042	12.0	4,281	31.9	9,928	13,840	(28.3)
<b>Adj. PAT</b>	<b>10,523</b>	<b>10,920</b>	<b>(3.6)</b>	<b>8,110</b>	<b>29.8</b>	<b>18,633</b>	<b>28,112</b>	<b>(33.7)</b>
Other comprehensive income	-	233	(100.0)	-	-	7,617	81	9,256.9
<b>Total income</b>	<b>10,523</b>	<b>11,153</b>	<b>(5.6)</b>	<b>8,110</b>	<b>29.8</b>	<b>26,249</b>	<b>28,193</b>	<b>(6.9)</b>
<b>NPM (%)</b>	<b>1.7</b>	<b>1.6</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>1.4</b>	<b>2.1</b>	<b>-</b>
<b>Adj. EPS (Rs)</b>	<b>6.9</b>	<b>7.2</b>	<b>(3.7)</b>	<b>5.3</b>	<b>29.8</b>	<b>17.2</b>	<b>18.4</b>	<b>(6.7)</b>
<b>Reported GRMs (US\$/bbl)</b>	<b>2.8</b>	<b>4.8</b>	<b>(41.1)</b>	<b>0.8</b>	<b>277.7</b>	<b>1.9</b>	<b>5.9</b>	<b>(68.5)</b>
<b>Refining throughput (mmt)</b>	<b>4.6</b>	<b>4.8</b>	<b>(4.2)</b>	<b>3.9</b>	<b>16.3</b>	<b>8.5</b>	<b>9.3</b>	<b>(8.6)</b>
<b>Market sales (mmt)</b>	<b>9.4</b>	<b>9.1</b>	<b>2.8</b>	<b>10.1</b>	<b>(6.8)</b>	<b>19.5</b>	<b>18.9</b>	<b>3.3</b>
<b>Pipeline throughput (mmt)</b>	<b>5.1</b>	<b>5.3</b>	<b>(3.8)</b>	<b>5.3</b>	<b>(5.4)</b>	<b>10.4</b>	<b>10.7</b>	<b>(2.9)</b>

Source: Company, BOBCAPS Research

**FIG 10 – SEGMENT-WISE PERFORMANCE**

	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1 FY20	H1FY19	YoY (%)
Crude throughput (mmt)	4.56	4.76	(4.2)	3.92	16.3	8.48	9.28	(8.6)
<b>GRM (US\$/bbl)</b>	<b>2.83</b>	<b>4.81</b>	<b>(41.1)</b>	<b>0.75</b>	<b>277.7</b>	<b>1.87</b>	<b>5.93</b>	<b>(68.5)</b>
Normalised GRMs (US\$/bbl)	2.55	2.66	(4.2)	3.33	(23.3)	4.17	3.03	37.6
<b>Refining EBITDA (Rs mn)</b>	<b>1,140</b>	<b>5,898</b>	<b>(80.7)</b>	<b>(4,040)</b>	<b>(128.2)</b>	<b>16,040</b>	<b>37,130</b>	<b>(56.8)</b>
<b>Refining EBITDA (US\$/bbl)</b>	<b>0.5</b>	<b>2.4</b>	<b>(80.3)</b>	<b>(2.0)</b>	<b>(123.4)</b>	<b>3.6</b>	<b>8.0</b>	<b>(54.2)</b>
Inventory gains/ (loss) (Rs mn)	9.40	5,250	(99.8)	(5,160)	(100.2)	(1,380)	13,960	109.9
Inventory gains/ (loss) (US\$/bbl)	0.28	2.15	(86.9)	(2.58)	(110.9)	(2.30)	2.90	179.3
Exchange fluctuation gain/(loss) (Rs mn)	(220)	(2,520)	(91.3)	880	125.0	(2,050)	(4,350)	(52.9)
Adjusted Refining EBITDA (Rs mn)	1,351	3,168	(57.4)	240	462.8	19,470	27,520	(29.3)
Adjusted Refining EBITDA (US\$/bbl)	0.56	1.29	(56.6)	0.12	367.6	4.42	5.90	(25.0)
Market sales (mmt):	9.40	9.14	2.8	10.09	(6.8)	19.49	18.86	3.3
Domestic sales	8.95	8.82	1.5	9.82	(8.9)	18.77	18.46	1.7
Exports	0.45	0.32	40.6	0.27	66.7	0.72	0.40	80.0
<b>Marketing EBITDA (Rs mn)</b>	<b>25,290</b>	<b>12,211</b>	<b>107.1</b>	<b>20,340</b>	<b>24.3</b>	<b>50,080</b>	<b>50,590</b>	<b>(1.0)</b>
<b>Marketing EBITDA (Rs/MT)</b>	<b>2,690</b>	<b>1,336</b>	<b>101.4</b>	<b>2,016</b>	<b>33.5</b>	<b>2,353</b>	<b>2,120</b>	<b>11.0</b>
Inventory gains/ (loss) (Rs mn)	(130)	7,510	(101.7)	(200)	(35.0)	2,800	22,110	87.3
Inventory gains/ (loss) (Rs/MT)	(14)	822	(101.7)	(20)	(30.2)	144	1,172	87.7
Exchange fluctuation gain/(loss) (Rs mn)	(1,000)	(6,340)	(84.2)	1,060	194.3	(6,220)	(9,890)	(37.1)
Adj. Marketing EBITDA (Rs mn)	26,420	11,041	139.3	19,480	35.6	53,500	38,370	39.4
Adj. Marketing EBITDA (Rs/MT)	2,811	1,208	132.7	1,931	45.6	2,745	2,034	34.9
Others EBITDA (Rs mn)	720	2,080	(65.4)	6,300	88.6	7,020	1,690	315.4
<b>Reported EBITDA (Rs mn)</b>	<b>20,284</b>	<b>18,109</b>	<b>12.0</b>	<b>13,655</b>	<b>48.5</b>	<b>33,939</b>	<b>47,042</b>	<b>(27.9)</b>

Source: Company, BOBCAPS Research

**FIG 11 – HPCL REVISED ESTIMATES**

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Var (%)	Old	New	Var (%)	Old	New	Var (%)
Revenue	2,802,970	2,738,792	(2.3)	3,404,472	3,301,787	(3.0)	3,819,124	3,715,327	(2.7)
<b>EBITDA</b>	<b>74,920</b>	<b>74,920</b>	<b>-</b>	<b>80,938</b>	<b>74,313</b>	<b>(8.2)</b>	<b>99,038</b>	<b>91,301</b>	<b>(7.8)</b>
EBITDA margin (%)	2.7	2.7	-	2.4	2.3	-	2.6	2.5	-
PAT	66,495	66,495	-	69,085	63,873	(7.5)	84,219	77,574	(7.9)
<b>EPS (Rs)</b>	<b>43.6</b>	<b>43.6</b>	<b>(0.0)</b>	<b>45.3</b>	<b>41.9</b>	<b>(7.5)</b>	<b>55.3</b>	<b>50.9</b>	<b>(7.9)</b>

Source: Company, BOBCAPS Research

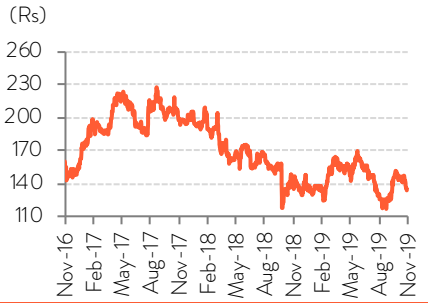
**FIG 12 – SOTP VALUATION SUMMARY**

	EV (Rs bn)	Value (Rs/sh)	Comments
Refining Business	251	165	7x Sept'21E EBITDA
Marketing & others	263	173	5x Sept'21E EBITDA
Bhatinda refinery	182	120	7x Sept'21E EBITDA
Total core business	697	457	-
Less: Net debt	159	104	Adjusted for Bhatinda stake
Equity Value of core businesses	538	353	-
MRPL stake	12	8	20% discount to CMP
OIL stake	6	4	20% discount to CMP
<b>HPCL's Equity Value (Rs)</b>	<b>556</b>	<b>365</b>	<b>8.7x FY21E EPS</b>

Source: BOBCAPS Research

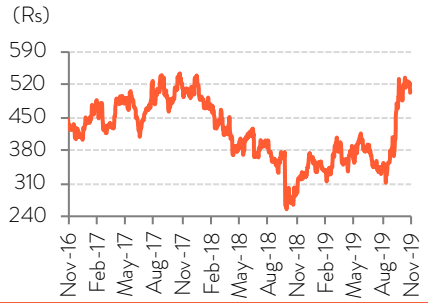
## Stock performance

**FIG 13 – INDIAN OIL CORP**

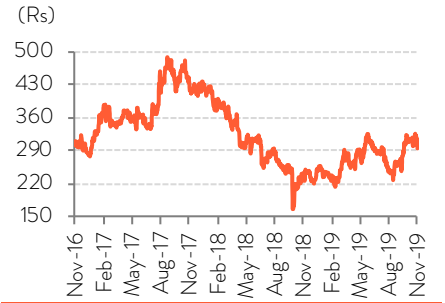


Source: NSE

**FIG 14 – BHARAT PETROLEUM CORP**



**FIG 15 – HINDUSTAN PETROLEUM CORP**





## Financials

### BPCL

#### Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Total revenue</b>	<b>2,357,698</b>	<b>2,982,256</b>	<b>3,132,627</b>	<b>3,753,071</b>	<b>3,983,018</b>
EBITDA	151,727	151,122	124,241	126,821	140,169
Depreciation	(28,850)	(34,178)	(34,541)	(37,619)	(40,695)
EBIT	122,877	116,945	89,700	89,202	99,474
Net interest income/(expenses)	(11,857)	(17,640)	(17,855)	(20,892)	(24,710)
Other income/(expenses)	17,827	20,375	43,797	43,071	43,328
EBT	128,846	119,680	115,642	111,380	118,092
Income taxes	(43,816)	(43,775)	(29,081)	(27,647)	(29,660)
Min. int./Inc. from associates	12,889	9,373	10,168	11,986	13,256
<b>Reported net profit</b>	<b>97,919</b>	<b>85,278</b>	<b>96,729</b>	<b>95,719</b>	<b>101,688</b>
<b>Adjusted net profit</b>	<b>97,919</b>	<b>85,278</b>	<b>96,729</b>	<b>95,719</b>	<b>101,688</b>

#### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	132,319	173,847	206,388	248,976	265,065
Other current liabilities	220,330	211,450	261,313	247,934	297,870
Provisions	31,959	35,662	35,662	35,662	35,662
Debt funds	379,136	429,145	489,086	519,086	529,086
Other liabilities	55,224	67,920	67,914	67,908	67,902
Equity capital	19,669	19,669	19,669	19,669	19,669
Reserves & surplus	346,517	398,023	451,138	505,401	562,612
Shareholders' fund	366,186	417,692	470,807	525,070	582,280
<b>Total liabilities and equities</b>	<b>1,204,206</b>	<b>1,356,417</b>	<b>1,551,870</b>	<b>1,665,337</b>	<b>1,798,565</b>
Cash and cash eq.	13,539	6,625	101,107	45,393	53,650
Accounts receivables	52,048	69,063	58,186	69,788	74,081
Inventories	225,295	229,349	277,829	335,160	356,818
Other current assets	76,953	124,789	124,789	124,789	124,789
Investments	237,246	249,069	314,455	381,691	450,778
Net fixed assets	455,574	493,146	533,223	570,221	604,144
CWIP	98,754	141,547	99,452	95,465	91,477
Deferred tax assets, net	4,066	4,537	4,537	4,537	4,537
Other assets	40,732	38,293	38,293	38,293	38,293
<b>Total assets</b>	<b>1,204,206</b>	<b>1,356,417</b>	<b>1,551,870</b>	<b>1,665,337</b>	<b>1,798,565</b>

Source: Company, BOBCAPS Research

**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	124,647	119,456	131,270	133,338	142,383
Changes in working capital	(24,095)	(30,585)	44,799	(39,723)	40,074
Other operating cash flows	(3,151)	(7,679)	(43,802)	(43,077)	(43,334)
<b>Cash flow from operations</b>	<b>97,401</b>	<b>81,192</b>	<b>132,266</b>	<b>50,538</b>	<b>139,122</b>
Capital expenditures	(75,770)	(114,543)	(32,523)	(70,630)	(70,630)
Change in investments	(23,974)	(11,823)	(65,386)	(67,236)	(69,086)
Other investing cash flows	17,827	20,375	43,797	43,071	43,328
<b>Cash flow from investing</b>	<b>(81,917)</b>	<b>(105,991)</b>	<b>(54,112)</b>	<b>(94,795)</b>	<b>(96,388)</b>
Equities issued/Others	6,556	0	0	0	0
Debt raised/repaid	19,672	50,009	59,941	30,000	10,000
Dividends paid	(52,880)	(43,724)	(43,613)	(41,457)	(44,477)
Other financing cash flows	5,862	11,601	0	0	0
<b>Cash flow from financing</b>	<b>(20,790)</b>	<b>17,886</b>	<b>16,328</b>	<b>(11,457)</b>	<b>(34,477)</b>
<b>Changes in cash and cash eq.</b>	<b>(5,307)</b>	<b>(6,913)</b>	<b>94,482</b>	<b>(55,714)</b>	<b>8,257</b>
<b>Closing cash and cash eq.</b>	<b>13,539</b>	<b>6,625</b>	<b>101,107</b>	<b>45,393</b>	<b>53,650</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	49.8	43.4	49.2	48.7	51.7
Adjusted EPS	49.8	43.4	49.2	48.7	51.7
Dividend per share	23.2	19.0	19.0	18.0	19.3
Book value per share	186.2	212.4	239.4	267.0	296.0

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	0.6	0.5	0.5	0.4	0.4
EV/EBITDA	8.8	9.0	11.4	10.9	10.4
Adjusted P/E	10.1	11.6	10.2	10.3	9.7
P/BV	2.7	2.4	2.1	1.9	1.7

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	76.0	71.3	83.6	85.9	86.1
Interest burden (PBT/EBIT)	104.9	102.3	128.9	124.9	118.7
EBIT margin (EBIT/Revenue)	5.2	3.9	2.9	2.4	2.5
Asset turnover (Revenue/Avg TA)	205.5	232.9	215.4	233.3	230.0
Leverage (Avg TA/Avg Equity)	3.4	3.3	3.3	3.2	3.1
Adjusted ROAE	29.0	21.8	21.8	19.2	18.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

**Ratio Analysis**

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
<b>YoY growth (%)</b>					
Revenue	17.2	26.5	5.0	19.8	6.1
EBITDA	10.4	(0.4)	(17.8)	2.1	10.5
Adjusted EPS	3.0	(12.9)	13.4	(1.0)	6.2
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	6.4	5.1	4.0	3.4	3.5
EBIT margin	5.2	3.9	2.9	2.4	2.5
Adjusted profit margin	4.2	2.9	3.1	2.6	2.6
Adjusted ROAE	29.0	21.8	21.8	19.2	18.4
ROCE	11.2	9.1	7.3	6.6	6.8
<b>Working capital days (days)</b>					
Receivables	8	7	7	6	7
Inventory	39	32	32	32	34
Payables	20	20	23	23	24
<b>Ratios (x)</b>					
Gross asset turnover	3.3	3.7	3.5	3.9	3.8
Current ratio	0.8	0.8	0.9	0.8	0.8
Net interest coverage ratio	10.4	6.6	5.0	4.3	4.0
Adjusted debt/equity	1.0	1.0	0.8	0.9	0.8

Source: Company, BOBCAPS Research

## HPCL

### Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Total revenue</b>	<b>2,186,469</b>	<b>2,742,552</b>	<b>2,802,970</b>	<b>3,397,847</b>	<b>3,811,387</b>
EBITDA	98,502	103,490	74,920	74,313	91,301
Depreciation	(28,344)	(30,853)	(23,832)	(25,065)	(26,298)
EBIT	70,158	72,637	51,089	49,248	65,004
Net interest income/(expenses)	(6,179)	(7,856)	(13,727)	(21,783)	(29,883)
Other income/(expenses)	23,906	26,315	31,846	38,835	50,436
EBT	87,885	91,095	69,207	66,300	85,556
Income taxes	(28,919)	(33,486)	(17,912)	(18,050)	(23,604)
Min. int./Inc. from associates	(13,216)	(9,291)	(15,199)	(15,622)	(15,622)
<b>Reported net profit</b>	<b>72,183</b>	<b>66,900</b>	<b>66,495</b>	<b>63,873</b>	<b>77,574</b>
<b>Adjusted net profit</b>	<b>72,183</b>	<b>66,900</b>	<b>66,495</b>	<b>63,873</b>	<b>77,574</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	158,459	190,534	172,271	215,102	241,806
Other current liabilities	46,701	45,261	61,017	74,336	83,205
Provisions	24,496	23,951	23,951	23,951	23,951
Debt funds	219,520	260,365	385,974	444,193	512,411
Other liabilities	192,218	250,108	253,804	257,529	262,400
Equity capital	15,242	15,242	15,242	15,242	15,242
Reserves & surplus	240,082	288,765	324,943	358,499	400,406
Shareholders' fund	255,324	304,007	340,185	373,741	415,648
<b>Total liabilities and equities</b>	<b>896,718</b>	<b>1,074,226</b>	<b>1,237,202</b>	<b>1,388,851</b>	<b>1,539,421</b>
Cash and cash eq.	13,052	2,185	29,228	26,321	37,090
Accounts receivables	55,870	56,674	60,028	72,368	81,432
Inventories	186,122	204,436	323,870	387,183	435,251
Other current assets	85,762	133,591	133,591	133,591	133,591
Investments	128,820	142,975	172,975	202,975	237,974
Net fixed assets	387,035	439,011	442,579	444,914	446,017
CWIP	39,890	95,187	74,765	121,332	167,900
Intangible assets	167	167	167	167	167
<b>Total assets</b>	<b>896,718</b>	<b>1,074,226</b>	<b>1,237,202</b>	<b>1,388,850</b>	<b>1,539,421</b>

Source: Company, BOBCAPS Research

**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	99,866	97,549	90,326	88,937	103,871
Changes in working capital	19,558	21,035	(121,599)	(15,779)	(16,687)
Other operating cash flows	(23,906)	(26,315)	(31,846)	(38,835)	(50,436)
<b>Cash flow from operations</b>	<b>95,519</b>	<b>92,269</b>	<b>(63,118)</b>	<b>34,323</b>	<b>36,749</b>
Capital expenditures	(67,298)	(138,126)	(6,977)	(73,968)	(73,968)
Change in investments	(12,179)	(13,311)	(3,000)	(3,000)	(3,000)
Other investing cash flows	24,999	25,471	4,846	11,835	18,436
<b>Cash flow from investing</b>	<b>(54,478)</b>	<b>(125,966)</b>	<b>(5,132)</b>	<b>(65,133)</b>	<b>(58,532)</b>
Equities issued/Others	5,079	0	0	0	0
Debt raised/repaid	(1,781)	40,845	125,609	58,219	68,219
Dividends paid	(30,317)	(28,355)	(30,317)	(30,317)	(35,667)
Other financing cash flows	(2,336)	10,340	0	0	0
<b>Cash flow from financing</b>	<b>(29,354)</b>	<b>22,830</b>	<b>95,293</b>	<b>27,902</b>	<b>32,552</b>
<b>Changes in cash and cash eq.</b>	<b>11,687</b>	<b>(10,867)</b>	<b>27,043</b>	<b>(2,907)</b>	<b>10,769</b>
<b>Closing cash and cash eq.</b>	<b>13,051</b>	<b>2,185</b>	<b>29,228</b>	<b>26,321</b>	<b>37,090</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	47.4	43.9	43.6	41.9	50.9
Adjusted EPS	47.4	43.9	43.6	41.9	50.9
Dividend per share	17.0	15.9	17.0	17.0	20.0
Book value per share	167.5	199.5	223.2	245.2	272.7

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	5.6	5.1	7.5	8.5	7.3
Adjusted P/E	6.2	6.7	6.7	7.0	5.8
P/BV	1.8	1.5	1.3	1.2	1.1

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	82.1	73.4	96.1	96.3	90.7
Interest burden (PBT/EBIT)	125.3	125.4	135.5	134.6	131.6
EBIT margin (EBIT/Revenue)	3.2	2.6	1.8	1.4	1.7
Asset turnover (Revenue/Avg TA)	257.2	278.3	242.5	258.8	260.3
Leverage (Avg TA/Avg Equity)	3.6	3.5	3.6	3.7	3.7
Adjusted ROAE	31.0	23.9	20.6	17.9	19.7

Source: Company, BOBCAPS Research | Note: TA = Total Assets

**Ratio Analysis**

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
<b>YoY growth (%)</b>					
Revenue	16.9	25.4	2.2	21.2	12.2
EBITDA	(6.1)	5.1	(27.6)	(0.8)	22.9
Adjusted EPS	(12.4)	(7.3)	(0.6)	(3.9)	21.5
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	4.5	3.8	2.7	2.2	2.4
EBIT margin	3.2	2.6	1.8	1.4	1.7
Adjusted profit margin	3.3	2.4	2.4	1.9	2.0
Adjusted ROAE	31.0	23.9	20.6	17.9	19.7
ROCE	10.4	8.8	5.9	4.6	5.4
<b>Working capital days (days)</b>					
Receivables	8	7	8	7	7
Inventory	132	105	139	140	139
Payables	25	24	24	21	22
<b>Ratios (x)</b>					
Gross asset turnover	3.3	3.8	3.6	4.2	4.5
Current ratio	1.0	1.0	1.0	1.0	1.0
Net interest coverage ratio	11.4	9.2	3.7	2.3	2.2
Adjusted debt/equity	0.8	0.8	1.0	1.1	1.1

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

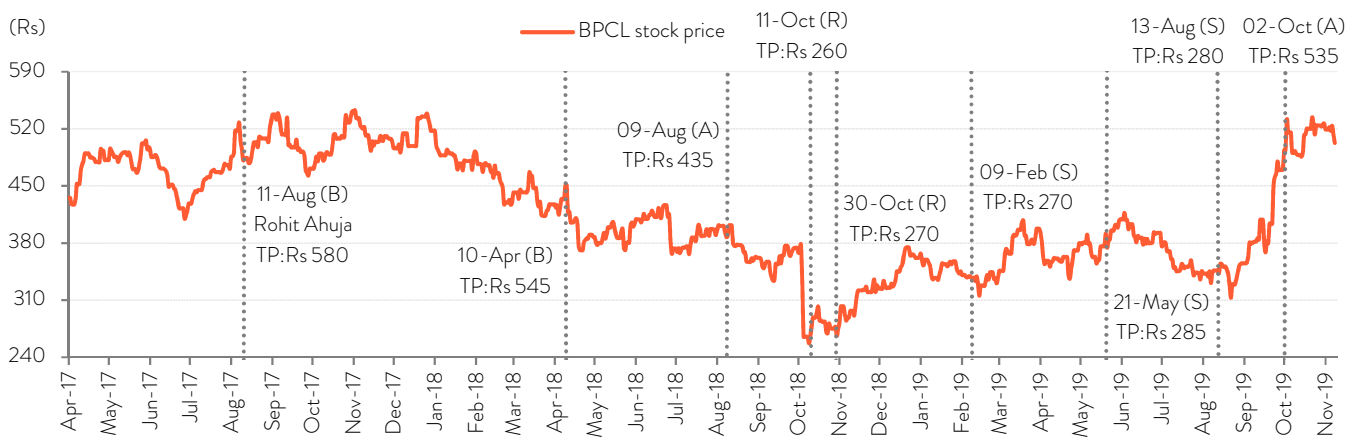
**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

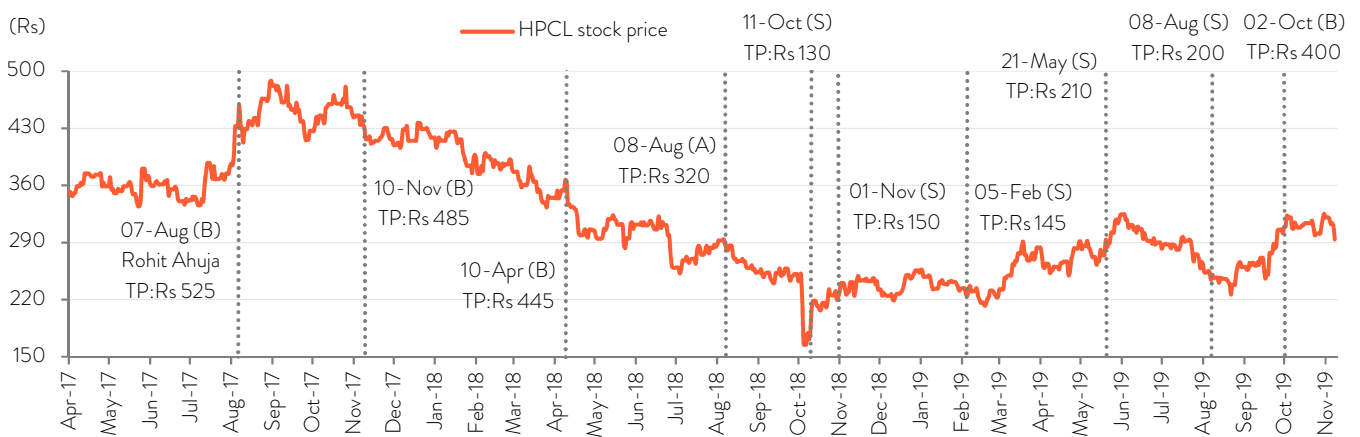
**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### HISTORICAL RATINGS AND TARGET PRICE: BHARAT PETROLEUM CORP (BPCL IN)



### HISTORICAL RATINGS AND TARGET PRICE: HINDUSTAN PETROLEUM CORP (HPCL IN)



B – Buy, A – Add, R – Reduce, S – Sell

### Rating distribution

As of 31 October 2019, out of 79 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 18 are rated ADD, 7 are rated REDUCE and 6 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

### General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

### Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.



BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.