India

Overweight *(no change)*

Highlighted Companies

Oil & Natural Gas

ADD, TP Rs221, Rs134 close

We build in US$65/bbl crude oil price in our long-term realization assumption for ONGC. Reiterate Add rating on it with potential of a 59% upside and with a dividend yield of 7% provides a grasp to the stock.

Oil India

ADD, TP Rs261, Rs185 close

We are bullish on crude oil and see Brent price staying still and hence, reiterate Add rating on Oil India. Downside risk to our estimates and target price is the complete collapse of crude oil price to below US$60/bbl.

Summary Valuation Metrics

P/E (x)	Mar22-F	Mar23-F	Mar24-F
Oil & Natural Gas	3.54	3.63	3.72
Oil India	3.56	2.99	3.25

P/BV (x)	Mar22-F	Mar23-F	Mar24-F
Oil & Natural Gas	0.47	0.58	0.52
Oil India	0.72	0.62	0.55

Dividend Yield	Mar22-F	Mar23-F	Mar24-F
Oil & Natural Gas	10.47%	8.97%	7.48%
Oil India	6.49%	7.57%	6.49%

Oil & Gas - Overall

Brent crude may not fall below US$80-85/bbl

- Geopolitics, lack of investment in oil assets, dwindling strategic petroleum reserves (SPR) as well as the OPEC's own financial condition means that Brent crude oil prices are unlikely to remain below US$80-85 for a long time.
- Fall in Chinese diesel exports, its formidable presence in Gulf of Aden (Djibouti) and Persia (Gwadar) necessitates the need for higher SPR.
- We are bullish on crude oil. We build in US$65/bbl realization assumption and rate ONGC and OIL as strong Add-rated stocks in our coverage universe.

SPR requirement for western economies is higher

USA and OECD countries have reduced their SPR inventory to 25 days. While USA is hedged in a way as it can procure sour crude oil from Canada, Europe is not that lucky. The way USA has gone all out to help Europe in its liquefied natural gas or LNG quest makes us believe that in case Europe's insurance policy (SPR) is not enough, then USA will come to its rescue. In that scenario, may be the current drawdown of inventory is nearing its end. Please note that after Russian crude oil stoppage, almost 50% of inbound European crude oil will come from Gulf of Peris and Aden where the Chinese presence is high (Djibouti in Gulf of Aden and Gwadar at the mouth of Gulf of Persia). We don't think China will risk antagonizing OPEC by destroying its Europe/USA bound cargo but it can always do supply disruption by creating chaos (like South China Sea) which will be good enough for spreading fear across USA and Europe. While this is our base case, China President Xi's irrationality has little limits and hence, OECD countries need a bigger insurance policy. Therefore, the release of SPR cannot continue for long.

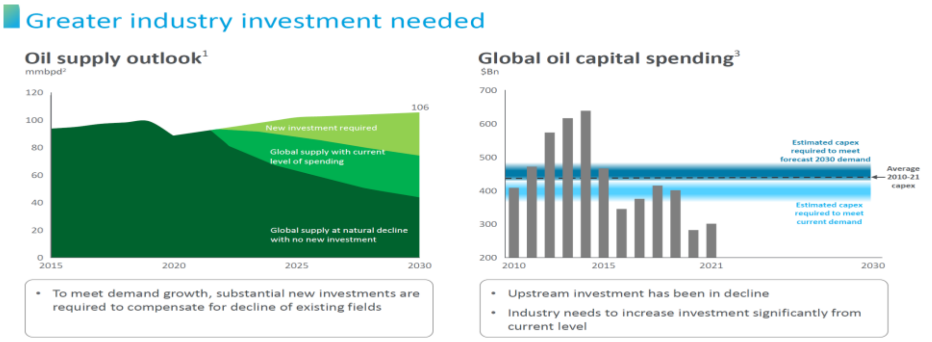
ESG has led to lack of investment in oil assets

Media frenzy and unwarranted investor activism has led to a steep decline in investment in oil assets. Companies are delivering fat dividends, but not investing enough. In fact, Aramco in its 1HCY22 presentation said that given the current rate of investments, global crude oil production capacity can decline to ~95mbbl by 2025F. There isn't going to be any revolution in clean energy by that time and hence, crude oil prices will rise. In between, there can be many factors like release of SPR, US President Joe Biden's statements and what not, but the trajectory for crude oil is up from this level.

ONGC and Oil India are our top Add-rated stocks

We build in US$65/bbl crude oil price in our long-term realization assumptions for ONGC and Oil India or OIL. It's becoming increasingly clear that the government of India won't let oil drilling companies to make higher than US$65-70/bbl. It is counterproductive for the long-term energy security of India, but we don't think rationality will prevail. In any case, even these assumptions for ONGC and OIL gives them more than a 50% upside. Downside risk to our estimates and target prices is the complete collapse of crude oil price to below US$60/bbl.

Figure 1: Aramco's presentation predicts that given the current rate of investment, global oil production could fall to 95mbpd by 2025F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Brent crude may not fall below US$80-85/bbl

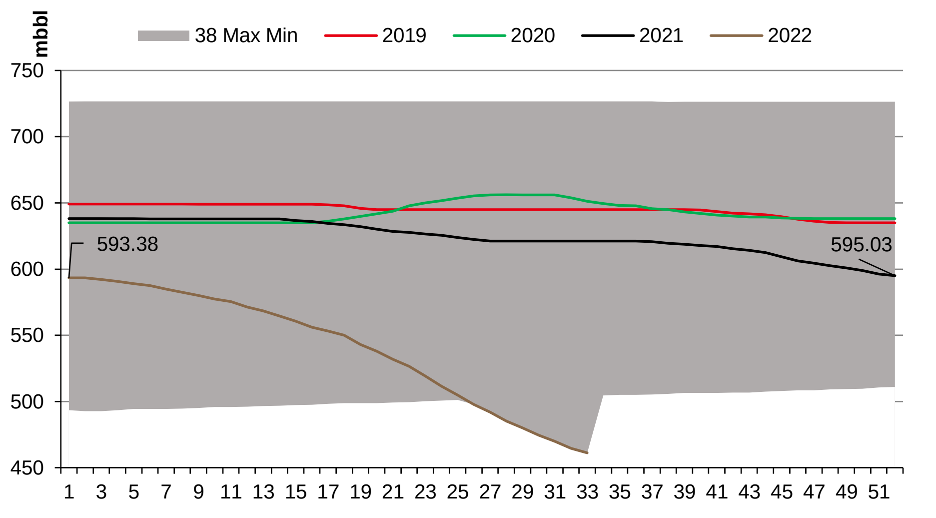
Brent crude oil prices are unlikely to fall below US$80-85/bbl. The current weakness in crude oil is being led by the rapid release of strategic petroleum reserves (SPR) and increase in production by the Organisation of Petroleum Exporting Countries or OPEC. Having said that, the current investment in developing crude oil production capacity is miniscule, and OPEC's production capability is hitting a limit.

USA's SPR release is keeping oil prices under check

USA consumes almost 17% of global crude oil production and its actions as well as demand have a major impact on crude oil prices. Hence, it's important to get a hang on USA policies and its likely course of action vis-à-vis crude oil. In the recent past, to counter rampaging energy prices, USA adopted a policy of releasing SPR inventory which led to an increase in crude oil inventory and depressed prices.

USA's SPR inventory release continues ➤

Figure 2: So far in 2022, USA has released 132mbbl of SPR crude oil i.e. ~0.6mbpd



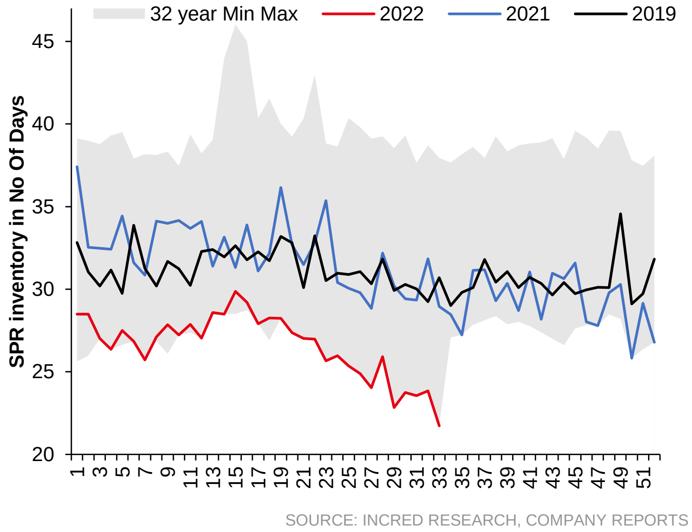
SOURCE: INCRED RESEARCH, COMPANY REPORTS

We don't know yet what is the bare minimum level of SPR inventory USA is comfortable with. It's not economic but a geopolitical decision for USA. However, there has been lot of speculation about the level USA can be comfortable with.

USA's SPR inventory is near a 33-year low (in term of days of consumption) ➤

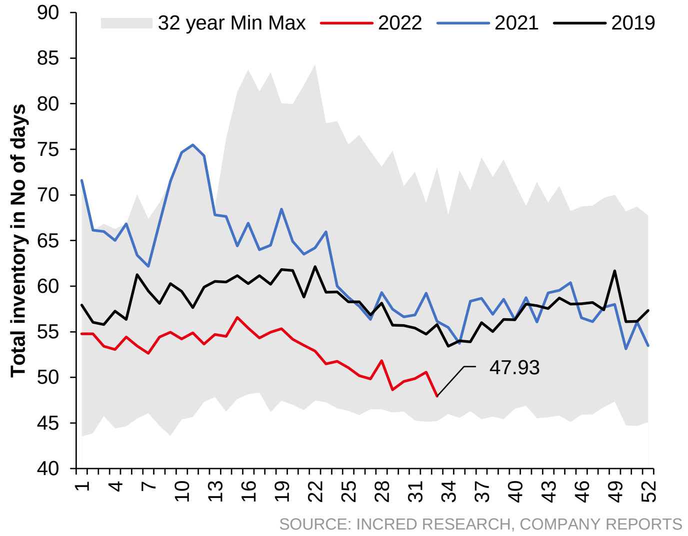
USA's overall system crude oil inventory is at 48 days, something it has never witnessed in the past several years.

Figure 3: USA's SPR inventory is at a multi-decade low



SOURCE: INCRED RESEARCH, COMPANY REPORTS

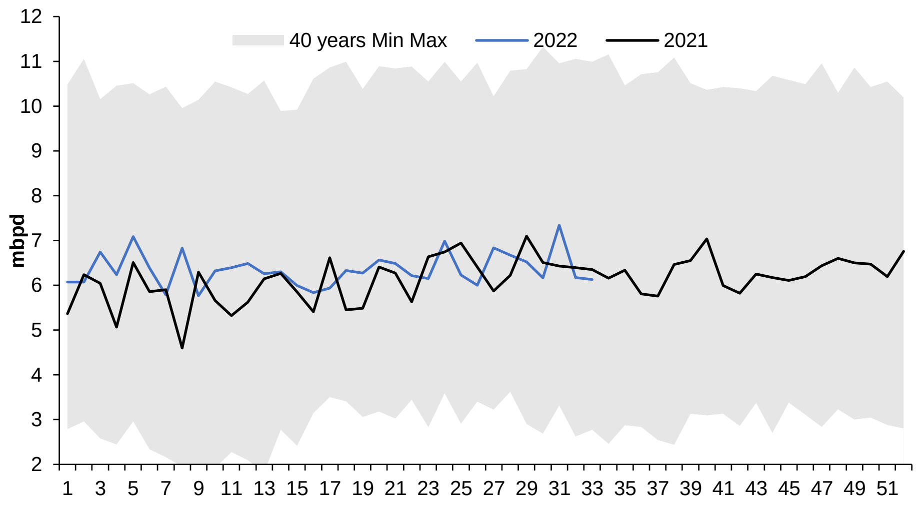
Figure 4: Total crude oil inventory is at a two-decade low



SOURCE: INCRED RESEARCH, COMPANY REPORTS

May be the present dispensation in USA is highly comfortable with its Middle East relations, but it's a risk that USA never took in the past several decades. More so when its import dependence is still quite high. Please note that not all USA refineries can process WTI crude and hence, oil imports are a necessity for USA.

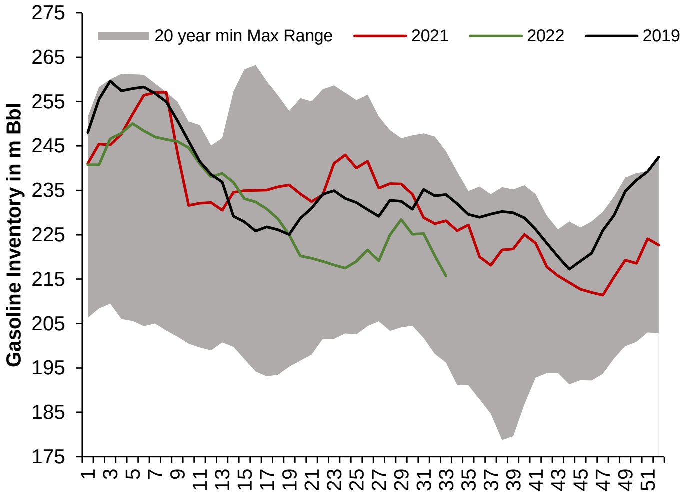
Figure 5: USA still imports around 6.7mbpd of crude oil and these imports cannot come down as many USA refineries cannot process WTI crude oil



SOURCE: INCRED RESEARCH, COMPANY REPORTS

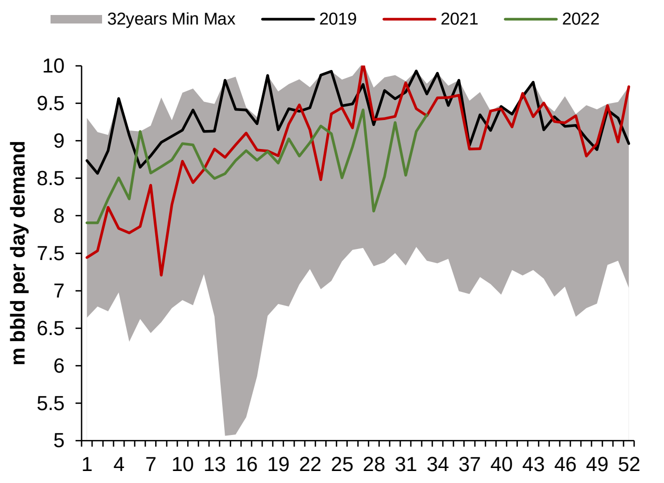
Gasoline demand is fluctuating but not falling below the 8.5mbpd mark, but diesel demand is just extra strong ›

Figure 6: USA's gasoline inventory is declining



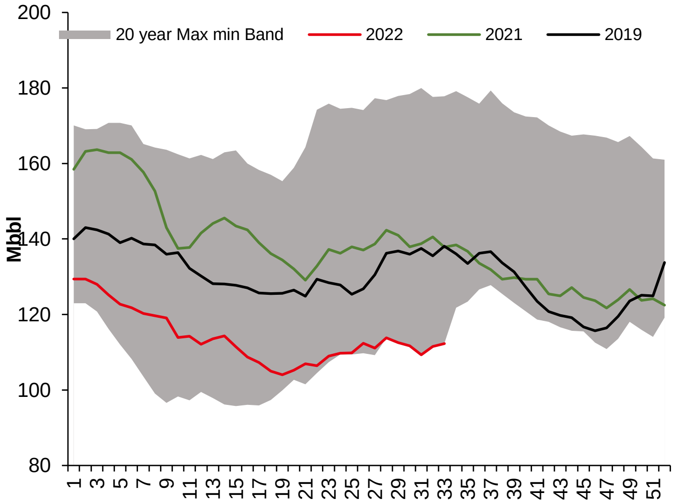
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: However, demand (measured in terms of product supplied) is all over the place in past few weeks



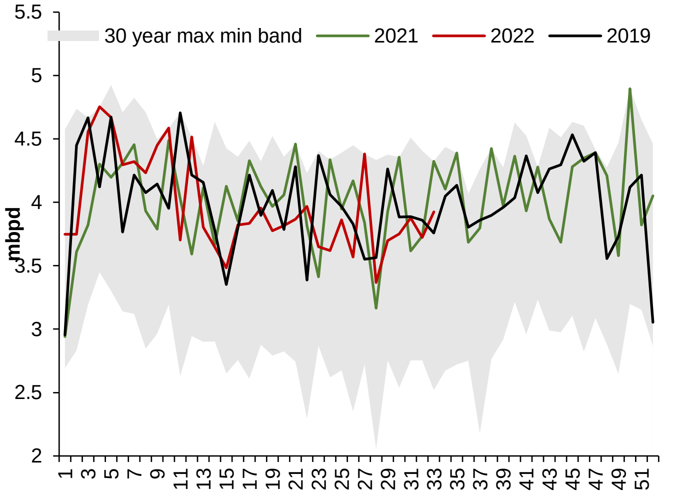
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Middle distillate inventory (mainly diesel) is at all-time low…



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: …and middle distillate demand appears to be extra strong

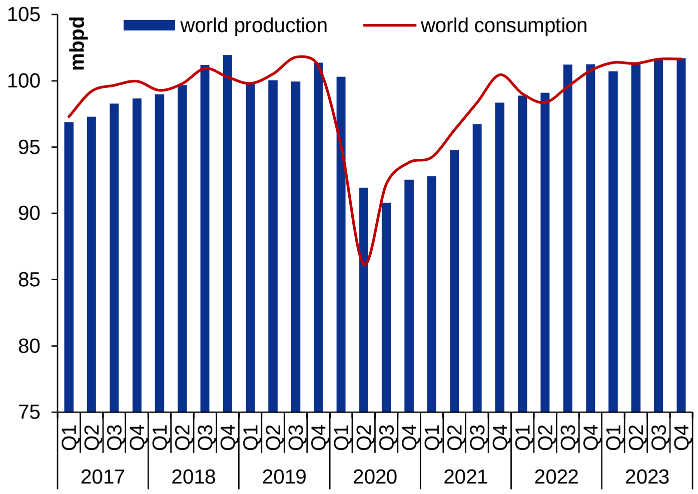


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Crude oil demand is not weak and investment in upstream assets is declining

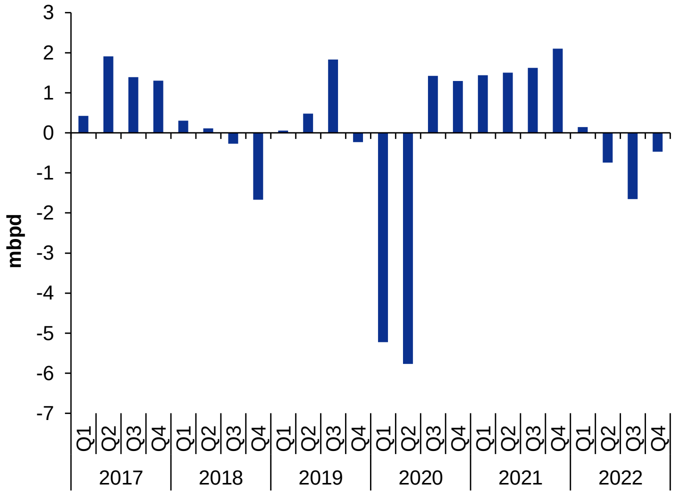
International Energy Agency or IEA is projecting a robust demand environment

Figure 10: Global production of crude oil is seen higher than demand in 3QCY22F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

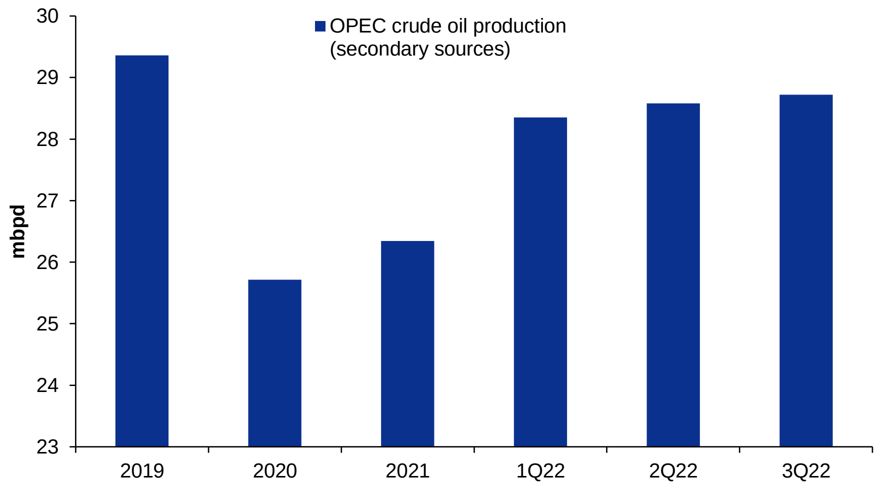
Figure 11: Stock drawdown is also projected by IEA



SOURCE: INCRED RESEARCH, COMPANY REPORTS

OPEC production to show a QoQ increase in 3QCY22F

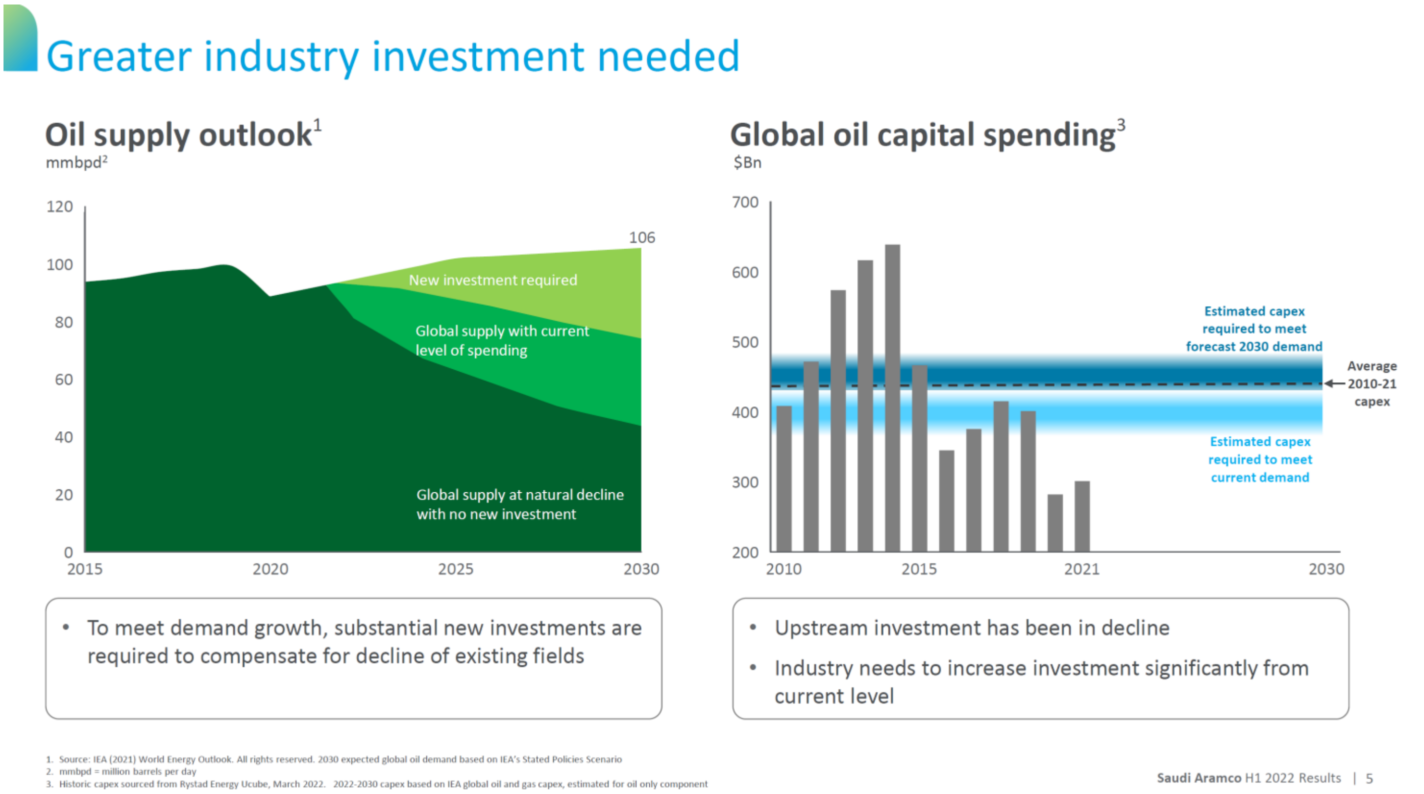
Figure 12: OPEC production is likely to increase to 28.75mbpd during 3QCY22F, which will exert pressure on crude oil prices



SOURCE: COMPANY REPORTS, INCRED RESEARCH

In the long run, Aramco to show a deficit in production ›

Figure 13: Current investment in oil is not sufficient to keep the production at current level, forget increase in production



SOURCE: ARAMCO INVESTOR PRESENTATION, INCRED RESEARCH

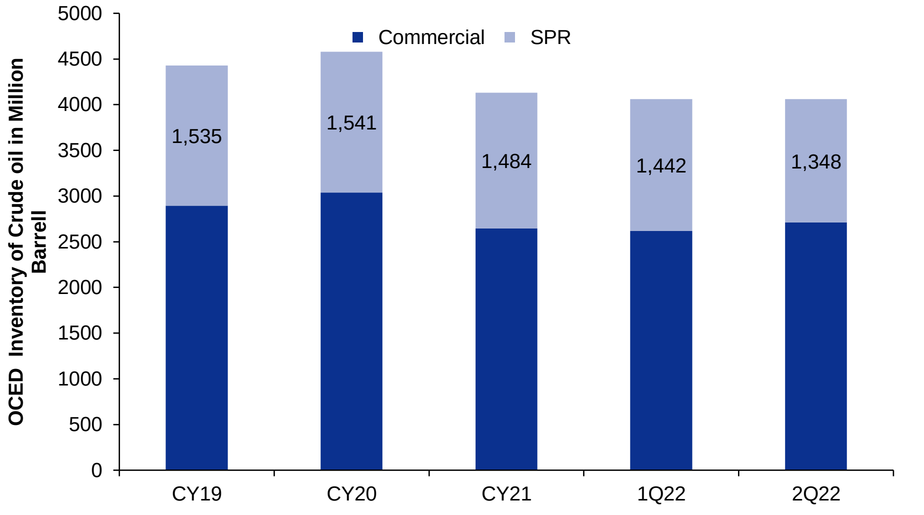
World appears to be totally dependent on OPEC to make investment and raise production ›

It appears the western world believes that it's the Middle East region's responsibility to raise production and cater to their demand. This line of assumption is not subscribed by one of the largest oil producing countries in the world i.e. Saudi Arabia (https://www.reuters.com/world/middle-east/saudi-crown-prince-says-unrealistic-energy-policies-will-lead-inflation-2022-07-16/)

Can global oil reserves be continuously drained for next two years and keep prices in control? Unlikely ›

Keeping strategic petroleum reserves (SPR) is an insurance for any nation or a group of nations. The threat perception can keep changing over the course of time and one can take a decision to reduce SPR. Historically, it's the western world which has kept a significant SPR. Given the current scenario, it's very difficult to envisage a scenario where western or OECD (Organisation for Economic Co-operation and Development) countries will relinquish this insurance policy.

Figure 14: Over last two years, SPR of OECD nations has come down by 200mbbl and as of now, they are barely covered for 30 days

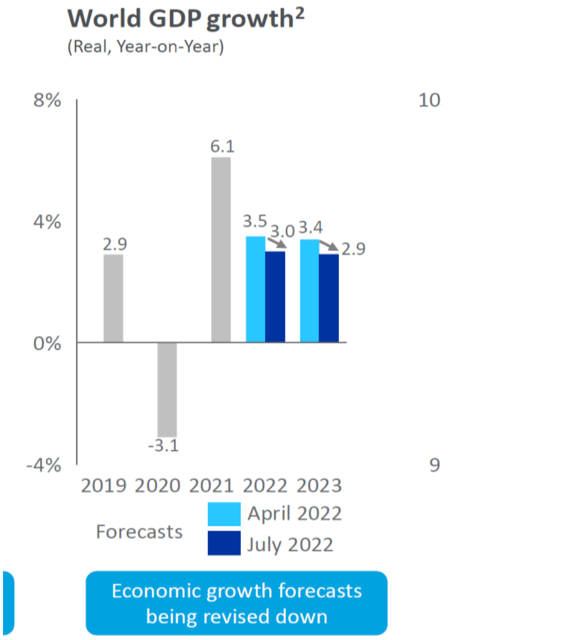


SOURCE: COMPANY REPORTS, INCRED RESEARCH

Only hope for oil inflation to go down is recession and that too a protracted one, but that doesn't look likely

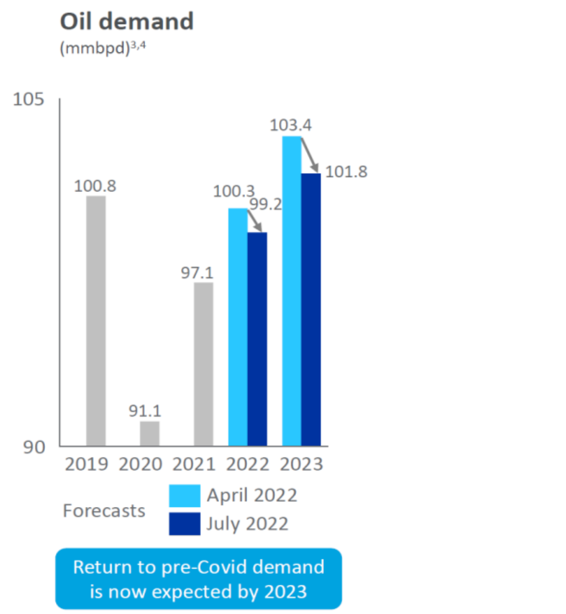
If one believes the current forecasts, then by 2023F we will reach 102mbbl global oil demand and by 2025F we may reach 103-104mbbl.

Figure 15: While global GDP is likely to grow at a slower pace, it's nowhere near recession



SOURCE: ARMACO PRESENTATION, INCRED RESEARCH

Figure 16: Global oil demand is likely to touch 102mbbl by 2023F



SOURCE: ARMACO PRESENTATION, INCRED RESEARCH

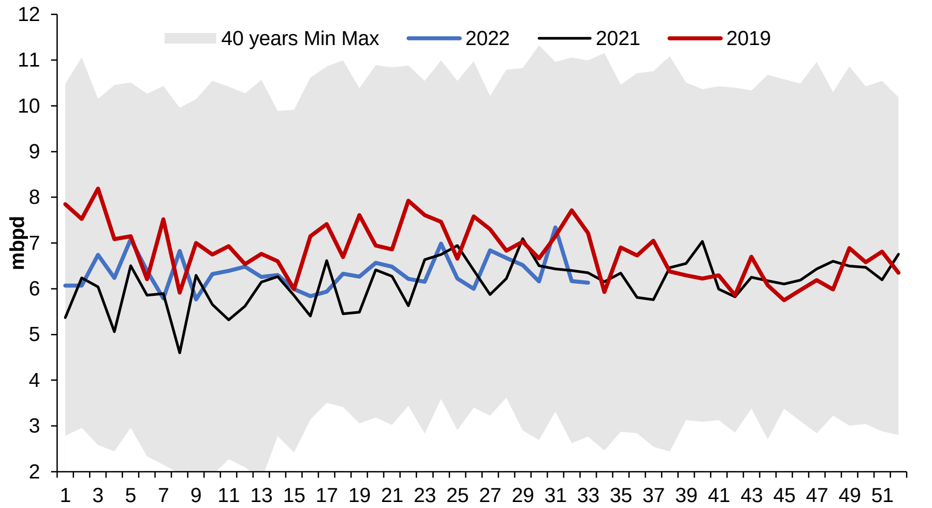
What is the optimal strategic oil reserve for USA and its allies? It must be higher than 25 days currently

SPR must be seen as an insurance policy against unforeseen scenarios. So, what is the optimal level depends upon the perception of safety. The new risk to OECD countries emanates from joint action of China and Russia. Given the status of USA and Europe refiners, our worst-case analysis indicates that even a weeklong blockade by Djibouti naval base of China can create chaos in USA. To be future proof, they need much higher reserves. Please note that Chinese exports have dipped suddenly and so, may be China is preparing for the worst.

USA is not self sufficient in oil even if it produces 15mbpd of WTI crude

USA refiners cannot process only WTI crude oil and so they need heavy sour crude. That's why USA imports ~7mbpd of crude oil.

Figure 17: USA's crude oil imports have remained ~7mbpd



SOURCE: INCRED RESEARCH, COMPANY REPORTS

SPR inventory has 40% heavy sour crude and as of now, its good for 26 days only

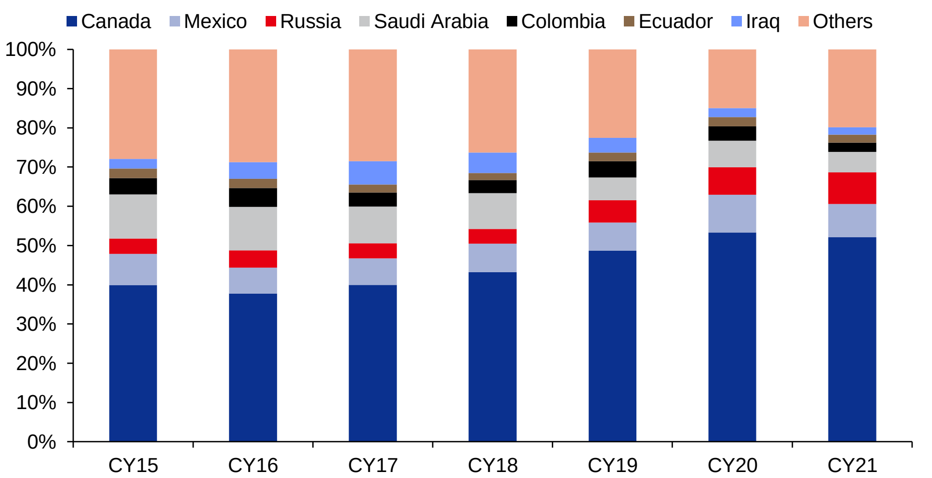
As per regulations, SPR inventory should have 40% of sour crude i.e. crude which is imported from the Middle East countries. As at end-Jul 2022, overall SPR inventory had 176mbbl sour crude, which is good enough for 26 days of imports.

If sour crude imports to USA are blocked, can USA still be self-sufficient? No, it won't. USA needs to change its total refinery complex, which can take several decades

While it's true that USA is increasing production of light sweet crude oil, but most refineries connected to the production sites are built to handle heavy sour crude oil. USA need new refineries and new pipelines to be built to process the light crude oil, but that will take several years.

But USA has hedged its risks well as most of its crude oil imports are from Canada

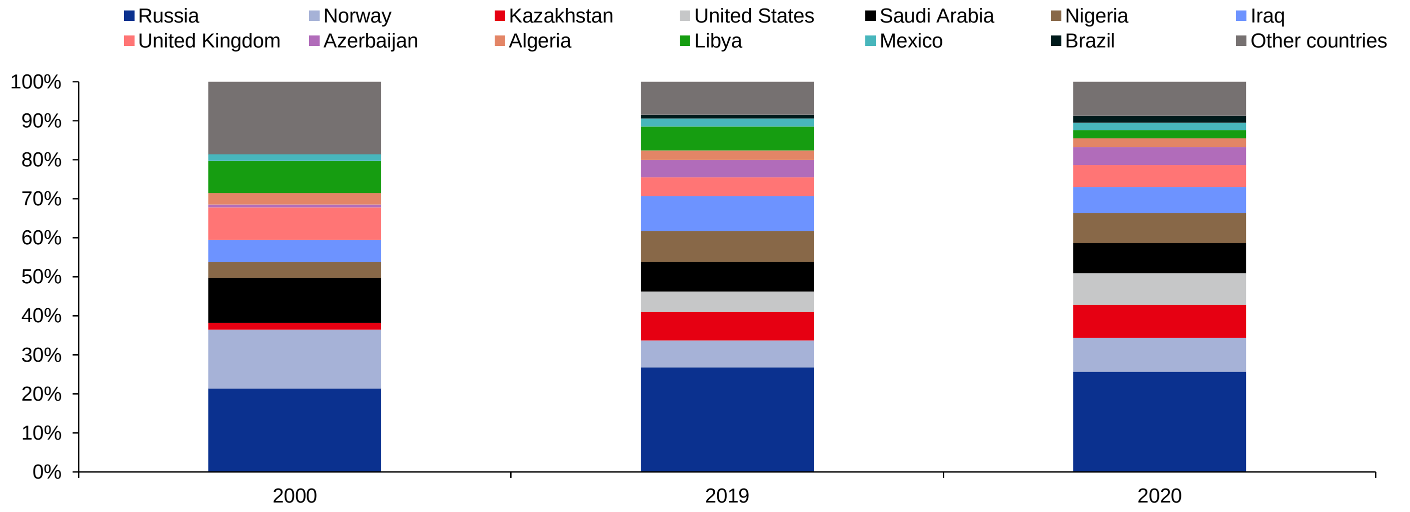
Figure 18: USA imports almost 50% of its crude oil requirement from Canada and a very low percentage comes from the Middle East and Persian Gulf



SOURCE: INCRED RESEARCH, COMPANY REPORTS

But what about other European countries?

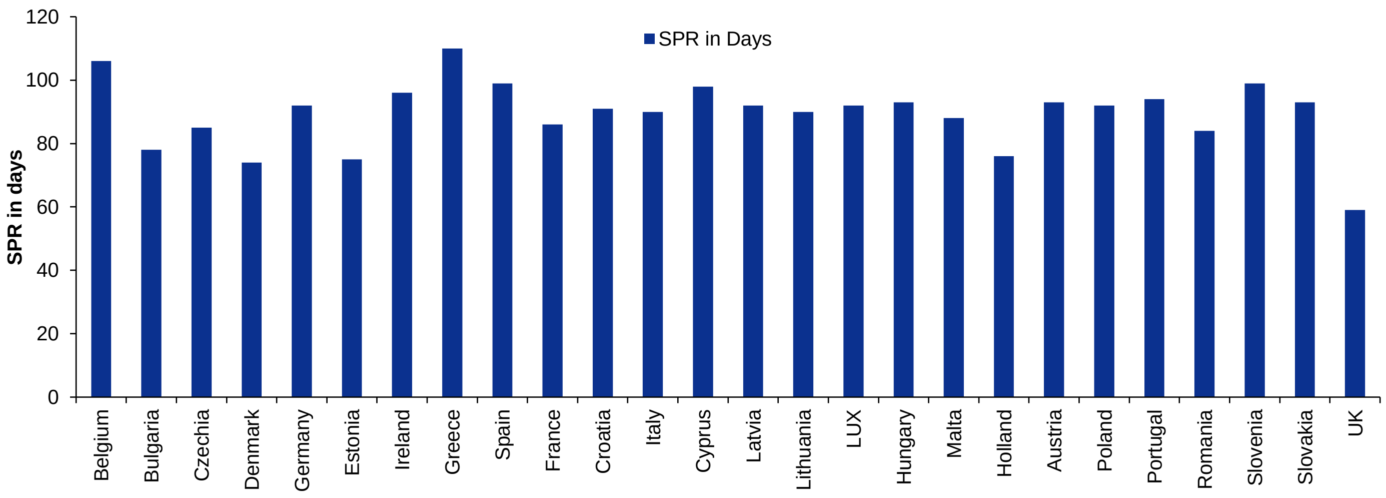
Figure 19: As Russian crude oil remains out of bounds for them, they will be heavily dependent on the Middle East countries to meet their requirement



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Europe has higher SPR compared to USA but after Russian crisis, things have changed and dependence on the Middle East is much higher

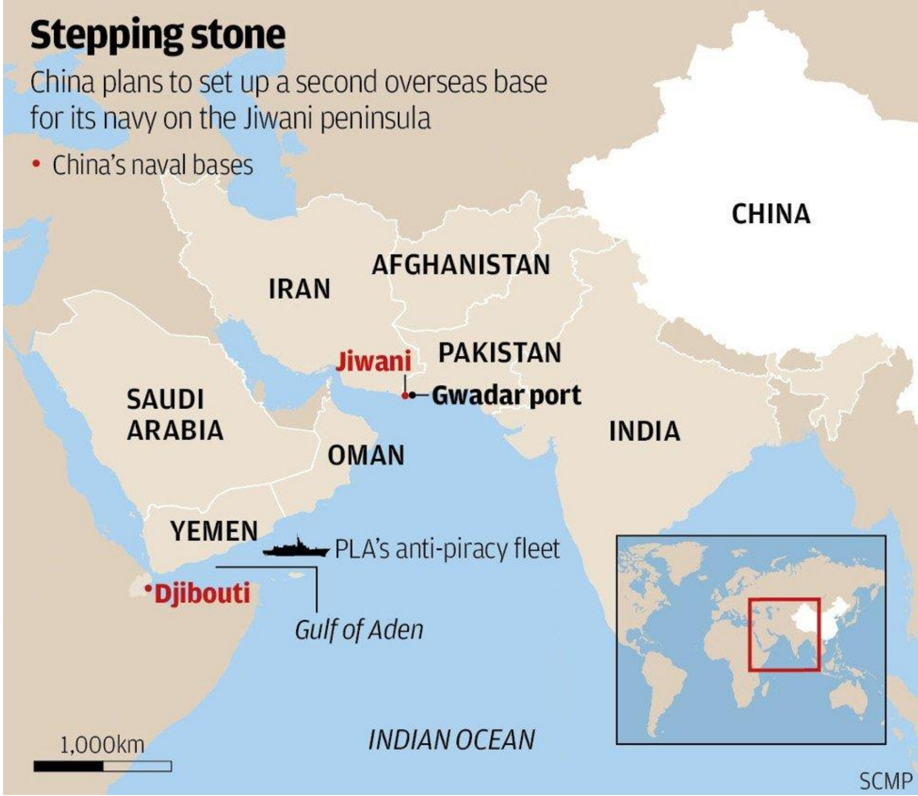
Figure 20: As per OECD guidelines, these countries are mandated to keep 90 days of SPR but at the end of 2019, the scenario was different



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The predicament of Europe is an opportunity for China ➤

Figure 21: Chinese strategic positioning in Djibouti and Gwadar gives it an excellent position to disrupt the crude oil traffic to both USA and Europe



SOURCE: HTTPS://WWW.WORLDATLAS.COM/GULFS/GULF-OF-ADEN.HTML

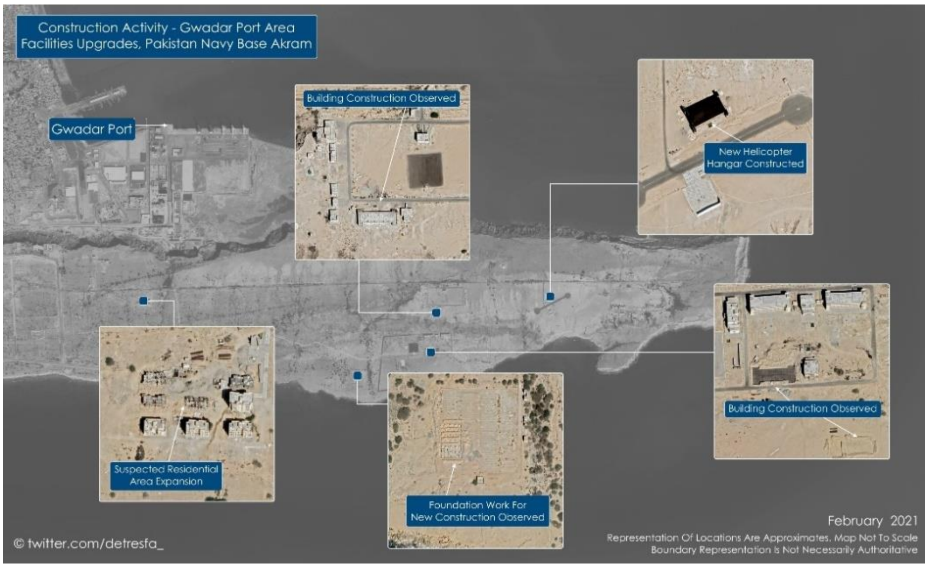
Can China antagonize Saudi Arabia in its quest for harming USA and its allies? Disruption in trade flow is likely but not complete antagonization ➤

China can possibly disrupt the traffic which will lead to a big scare in Europe. To create that panic/civil unrest in Europe, China need not attach OPEC tankers but only engage in a pseudo war, like it does in South China Sea. The naval bases in Djibouti and Gwadar are sufficiently developed now and can handle even carrier battle groups (link for news on Djibouti: https://www.ndtv.com/world-news/chinas-indian-ocean-base-in-djibouti-fully-operational-warship-docked-in-satellite-pics-3264696)

Figure 22: Chinese naval base in Djibouti is highly developed, and in the words of some naval experts "has been fortified to withstand multiple direct assault"

SOURCE: HTTPS://WWW.NDTV.COM/WORLD-NEWS/CHINAS-INDIAN-OCEAN-BASE-IN-DJIBOUTI-FULLY-OPERATIONAL-WARSHIP-DOCKED-IN-SATELLITE-PICS-3264696

Figure 23: Pakistan navy is building/has built considerable naval capacity at Gwadar; please note China ("an all-weather friend" pf Pakistan) can always use it against the perceived common enemy

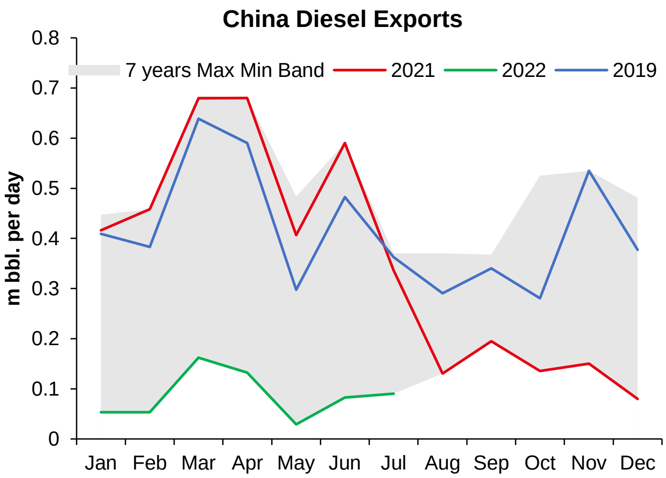


SOURCE: HTTPS://TWITTER.COM/DETRESFA_/STATUS/1372480420021821441/PHOTO/1

China may be preparing for such eventuality

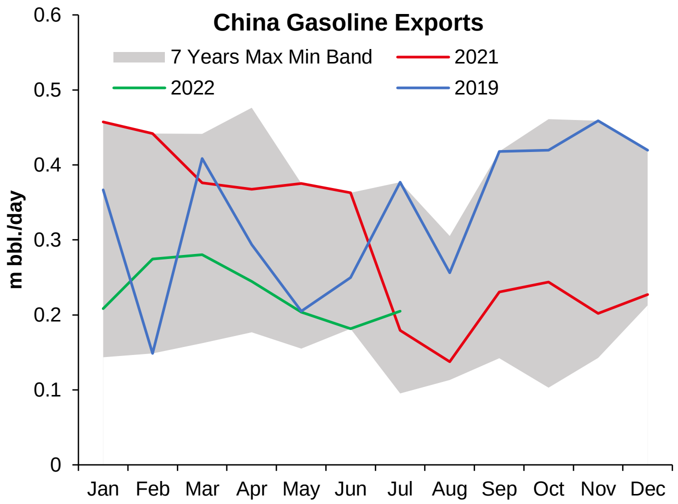
It appears China is building inventory of diesel and gasoline because its imports of crude oil have not come down, although exports of diesel and gasoline have declined.

Figure 24: China's diesel exports have touched a seven-year low consistently over last 12 months



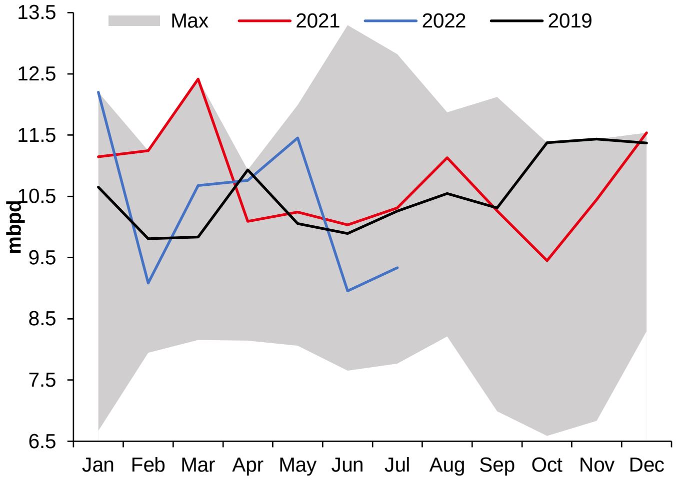
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 25: Although gasoline is not at a seven-year bottom, it is also near multi-year low



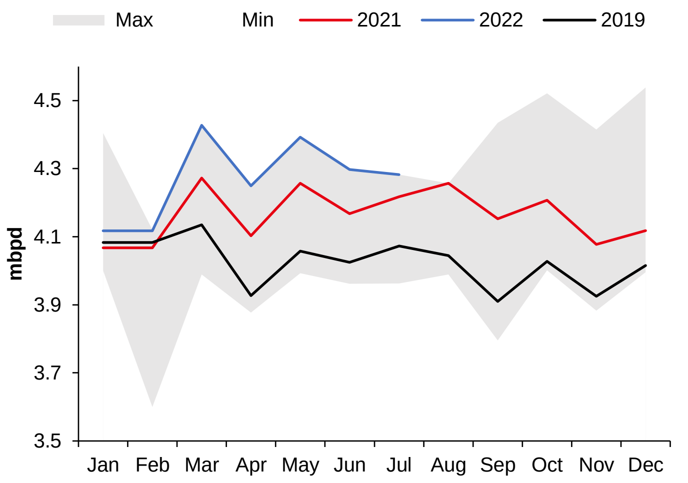
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 26: Chinese crude oil imports haven't come down significantly



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: Its crude oil production is at multi-year high



SOURCE: INCRED RESEARCH, COMPANY REPORTS

In this regard, we don't know for how long USA can keep releasing SPR. Probably, not for long ➤

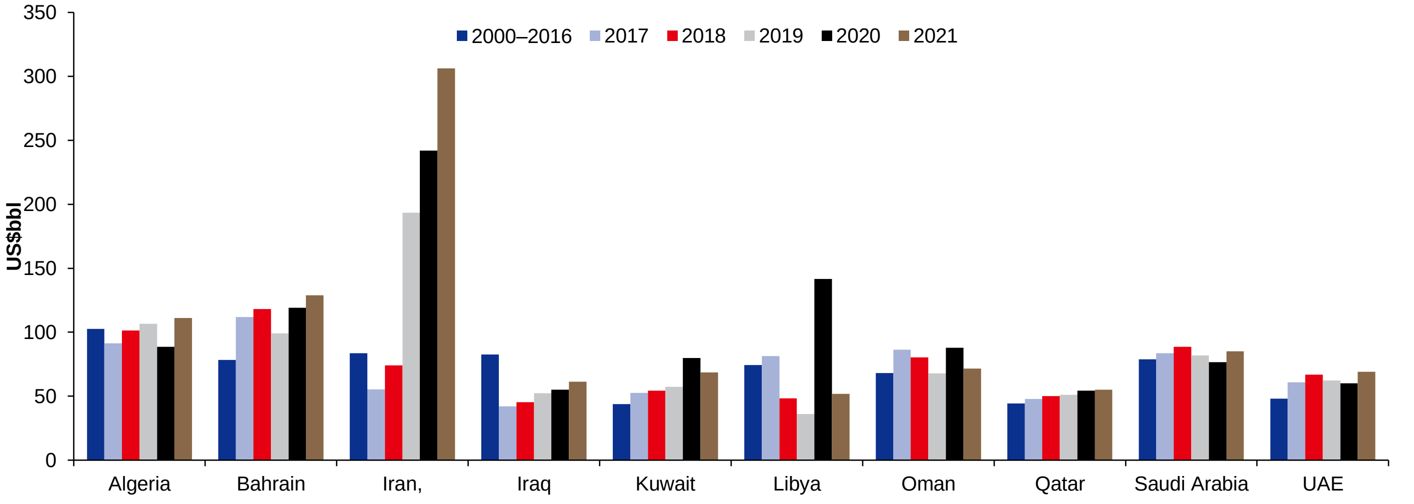
We don't think, given the inherent dangers, USA can keep releasing SPR inventory for long. USA's foreign policy and strategic interests are linked with Europe, but USA has done many irrational and illogical things in the past. Their definition of security can be entirely different than our Oriental mindset and hence, they may keep releasing SPR. However, even in a most risky case, USA may not prefer to go below a week of SPR.

What is the oil sweet spot for OPEC? It's higher than US$80-85/bbl

While OPEC countries are diversifying their revenue, crude oil remains the major revenue contributor for them. The fiscal and current account neutral crude oil price for OPEC countries ranges between US$60-88/bbl. However, this price doesn't leave any scope big scope for investment in oil assets. Please remember that most oil companies in OPEC countries are national assets and hence, they will toe the line of the rulers of those countries.

Fiscal breakeven crude oil price for OPEC countries remains around US$85/bbl

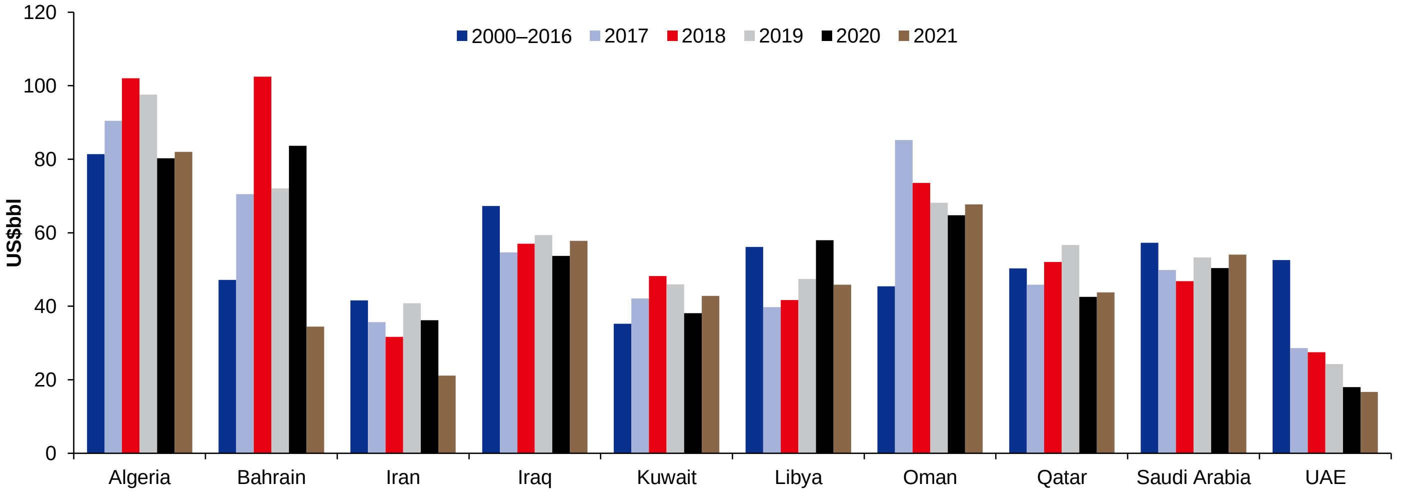
Figure 28: Major OPEC countries have fiscal breakeven crude oil price of US$80-85/bbl



SOURCE: INCRED RESEARCH, IMF

Current account breakeven crude oil price for OPEC countries remains around US$60-65/bbl

Figure 29: Current account breakeven crude oil price is around US$60-65 for major OPEC countries



SOURCE: INCRED RESEARCH, IMF

The reader might wonder that with the currency pegged to US$, why leaders will bother about external breakeven prices? Our answer is that they will worry as otherwise there will be rampaging inflation and the risk of another Arab Spring.

Will OPEC countries invest in oil capacity if crude oil price falls to US$80/bbl? No, they won't and oil bear market will remain very shortlived

Most OPEC nations are investing heavily in alternate sources of revenue to remove their reliance on crude oil. Saudi Arabia and the UAE are taking the lead in that direction and, in fact, there have been some remarkable changes in Saudi Arabia's policies in the recent past (women rights, foreigners working in Saudi Arabia, etc.).

India

ADD *(no change)*

Consensus ratings*:	Buy 19 Hold 7 Sell 3
Current price:	Rs134
Target price: ▲	Rs221
Previous target:	Rs200
Up/downside:	64.9%
InCred Research / Consensus:	30.6%
Reuters:	
Bloomberg:	ONGC IN
Market cap:	US$23,172m
	Rs1,682,612m
Average daily turnover:	US$65.7m
	Rs4768.5m
Current shares o/s:	12,580.1m
Free float:	39.6%

Source: Bloomberg

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.0	(13.8)	19.7
Relative (%)	(4.1)	(21.0)	13.5

Major shareholders	% held
Government of India	60.4
LIC	10.4
Indian Oil Corporation	7.8

Oil & Natural Gas

Punished too much for GoI's policy flip-flop

- ONGC is one of the most undervalued energy stocks in the Indian energy sector. Government policy uncertainty has led to a severe derating of the stock.
- Recent government actions have meant that ONGC can make US$65-70/bbl realization, and we build in US$65/bbl in our earnings estimates.
- The stock trades at 3.6x FY23F EPS with a dividend yield of 9%. With long-term crude oil prices to remain in an uptrend, ONGC is an attractive value pick. Retain Add rating.

Brent crude oil prices unlikely to fall below US$80-85/bbl

Geopolitics, lack of investment in oil assets, dwindling strategic petroleum reserves (SPR) as well as the Organization of the Petroleum Exporting Countries or OPEC's own financial condition indicates that Brent crude oil prices are unlikely to remain below US$80-85 for a long time. Hence, the odds are in favour of ONGC. Media frenzy and unwarranted investor activism has led to a steep decline in investment in oil assets. Companies are delivering fat dividends, but not investing enough. In fact, Saudi Arabia's oil major Aramco in its 1HCY22 presentation said that given the current rate of investments, global crude oil production capacity can decline to ~95mbbl by 2025F. There isn't going to be any revolution in clean energy by that time and hence, crude oil prices will rise. In between, there can be many factors like release of SPR, US President Joe Biden's statements and what not, but the trajectory for crude oil is up from this level.

ONGC presents an attractive opportunity to play crude oil Bull cycle

While government policy will always remain an overhang and hence the full value of the stock may never be realized, recent/past events indicate that government is happy letting ONGC make around US$65-70/bbl. ONGC is investing in oil exploration but to be on the conservative side, we have valued only the proven reserves of the state-owned company. Any fresh discoveries in oil or gas will be a further positive. We have built in 22.91mt /23.48 and 23.08mt oil and condensate production in our FY23F/24F/25F earnings estimates, respectively.

Reiterate Add rating on the stock

We reiterate Add rating on ONGC with a new target price of Rs221 (from Rs200 earlier). We have used the following assumptions to value the stock: 1) We have incorporated the Government of India or GoI's recent policy of oil windfall tax by factoring in realization of US$65/bbl, although the long-term trend for crude oil indicates that it will be above US$100/bbl. 2) We have valued only proven reserves and have assumed that the same will get exhausted by 2036F. 3) Joint ventures have come out with robust earnings for consecutive two quarters with a gross refining margin or GRM of +US$20/bbl. ONGC is an attractive value pick with a) a dividend yield of around 9%, and b) one-year forward P/E currently trading at 3.5x FY23F against the historical average of 8.3x. Downside risk to our estimates and target price is the complete collapse of crude oil price to below US$60/bbl.

Analyst(s)

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Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	3,040,010	5,317,619	4,814,722	4,577,294	4,558,231
Operating EBITDA (Rsm)	494,661	798,737	909,291	904,903	887,840
Net Profit (Rsm)	162,488	475,266	463,351	452,085	485,672
Core EPS (Rs)	12.9	37.8	36.8	35.9	38.6
Core EPS Growth	49.0%	192.5%	(2.5%)	(2.4%)	7.4%
FD Core P/E (x)	10.36	3.54	3.63	3.72	3.46
DPS (Rs)	3.6	14.0	12.0	10.0	10.0
Dividend Yield	2.69%	10.47%	8.97%	7.48%	7.48%
EV/EBITDA (x)	4.70	2.51	2.18	1.97	1.26
P/FCFE (x)	(210.63)	5.86	11.26	6.66	(4.18)
Net Gearing	49.7%	24.4%	30.2%	22.4%	11.8%
P/BV (x)	0.76	0.47	0.58	0.52	0.51
ROE	7.6%	16.3%	14.2%	14.8%	15.0%
% Change In Core EPS Estimates			17.85%	41.42%	
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

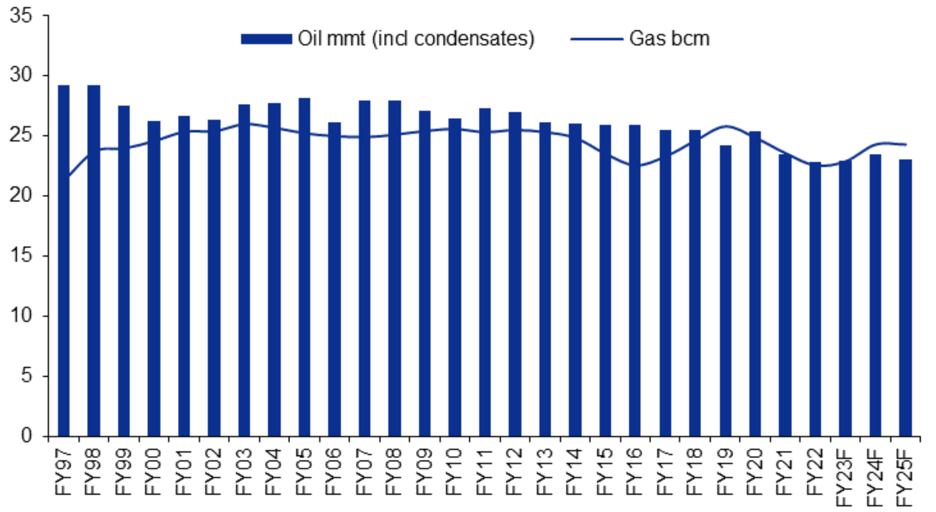
Punished too much for GoI's policy flip-flop

ONGC's oil production to remain steady

We don't expect any significant increase in ONGC's oil and gas production. We expect its oil production to stay around 23mt and gas output to remain steady at 24bcm. Offshore production has passed its prime and it's a known fact that production is declining over there. While ONGC has recently announced its Rs 330bn capex for oil exploration, we are not building in any new well or oil source in our production estimates.

Expect ONGC to keep producing 23mt of crude oil…

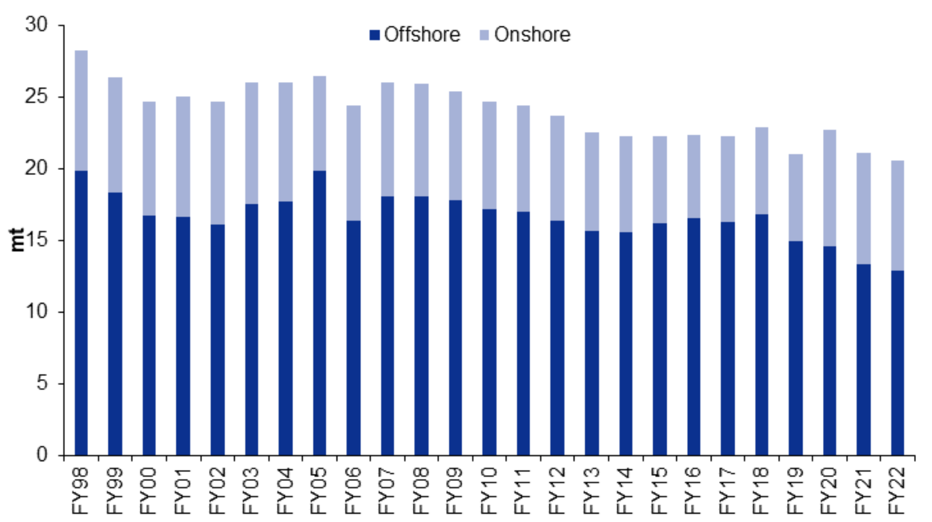
Figure 30: ONGC's crude oil production to trend downwards over the coming years



SOURCE: INCRED RESEARCH, COMPANY REPORTS

…as offshore assets have passed their prime

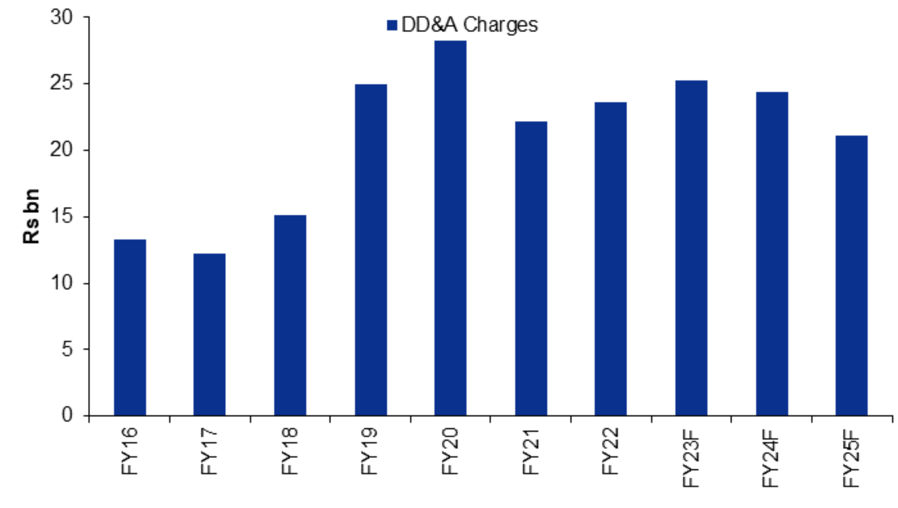
Figure 31: Offshore assets of ONGC have passed its prime and we don't expect any revival of the same



SOURCE: INCRED RESEARCH, COMPANY REPORTS

As ONGC goes on a exploration spree, we expect more exploration-related write-offs in coming years ➤

Figure 32: Depreciation, depletion, and amortization or DD&A charges to remain elevated in coming years as well

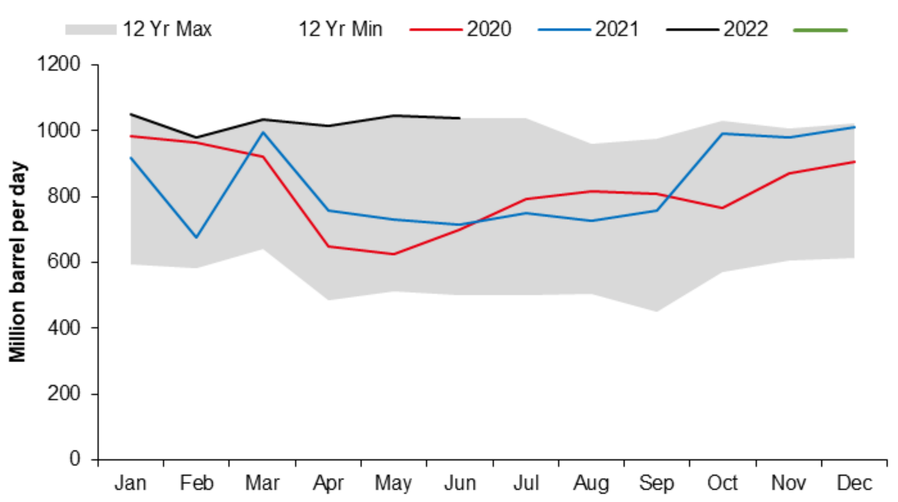


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Current JVs' (MRPL and others) business outlook

Given the diesel shortage and high production cost in Europe, Organization for Economic Co-operation and Development or OECD countries' diesel cracks are likely to remain in high 40's or around US$50/bbl levels. Adjusting for freight cost between Europe and Asia, Singapore spreads can remain around US$35/bbl level in the near future. Most Indian refineries are big producers of diesel and hence, for them gasoline spreads are least important. Rather, if gasoline prices fall, it will be positive for oil marketing companies or OMCs as they will start making marketing margins. Given the fall in base crude oil prices, we believe there is little sense in levying export tax on Indian refiners.

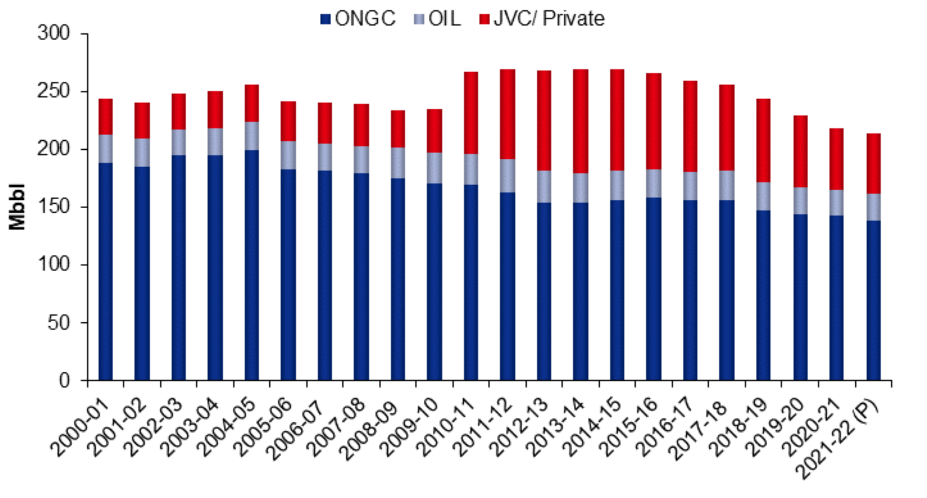
Figure 33: How are JVs performing? Chart shows total oil processed by HPCL at 64%, MRPL at 36% and ONGC at 0.2%



SOURCE: PPAC, INCRED RESEARCH, COMPANY REPORTS

We are in a high energy price age, and ultimately governments will force companies to invest and stop giving dividend, and also ESG (Environmental, Social, and Governance) investment will go into the dustbin of history. Till that time, enjoy the ride!

Figure 34: For last five years, crude oil has seen an overall decline of around 33% in the production rate vis-à-vis 2017



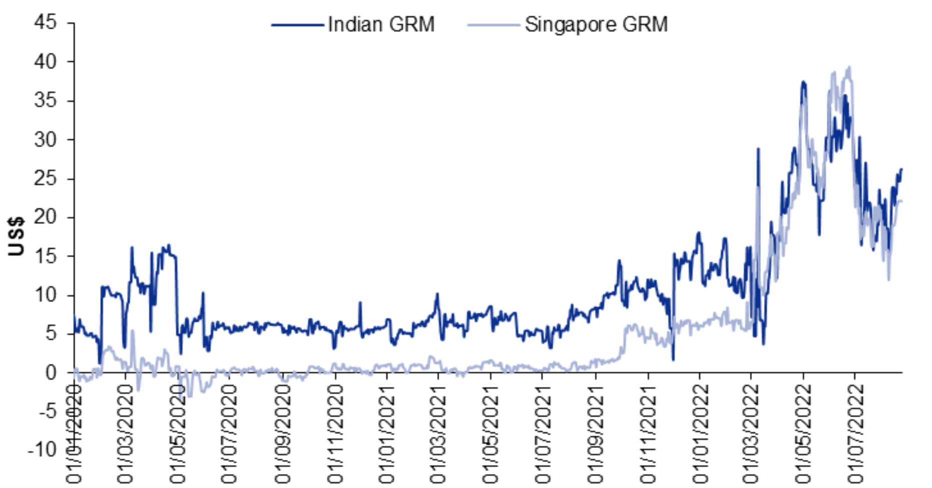
SOURCE: PPAC, INCRED RESEARCH, COMPANY REPORTS

GRM to go in a higher orbit of US$17-25/bbl in coming three-to-four years

The current global refining scenario is something like that of the Indian cement sector in 2005. The scenario is the same – capacity scarcity and prices too low to justify new capex. As of now, capex for a NI index 9-10 refinery can be in the range of around US$40k/bbl (this cost includes interest cost during the construction phase). The long gestation period means that the internal rate of return or IRR has very little sensitivity to interest rates and tax holidays.

Even if the tax remains at 0% in perpetuity and the government provides interest-free loans as refineries become national assets, then also to make a 7-8% equity IRR a project needs US$10/bbl GRM. Normally, emerging market equity return requirement is more than 13%. Governments the world over are taking knee-jerk actions in taxing various components and this won't help in the long run. The best example of penalization policy which can spur capex is in the UK. In the UK, if companies spend on building capacity, then the effective tax rate is in single digit as against the announced windfall tax of 25% (over and above normal taxes).

Figure 35: Our assumption of Indian GRM models US$26.27/bbl vs. Singapore GRM of US$22.1/bbl; we expect Indian GRM to remain around US$17-25/bbl for the next three-to-four years



SOURCE: COMPANY REPORTS, INCRED RESEARCH

GRM is essentially the sum of spreads of gasoline, diesel, naphtha, fuel oil and other refinery liquids. In this report, we will focus on individual demand-supply dynamics of all the four components of GRM. In our India GRM model, we have made assumptions as per the percentage of current refined products stated by the Petroleum Planning & Analysis Cell or PPAC.

In coming weeks, we expect a rise in global naphtha price and its discount to crude oil price will wane

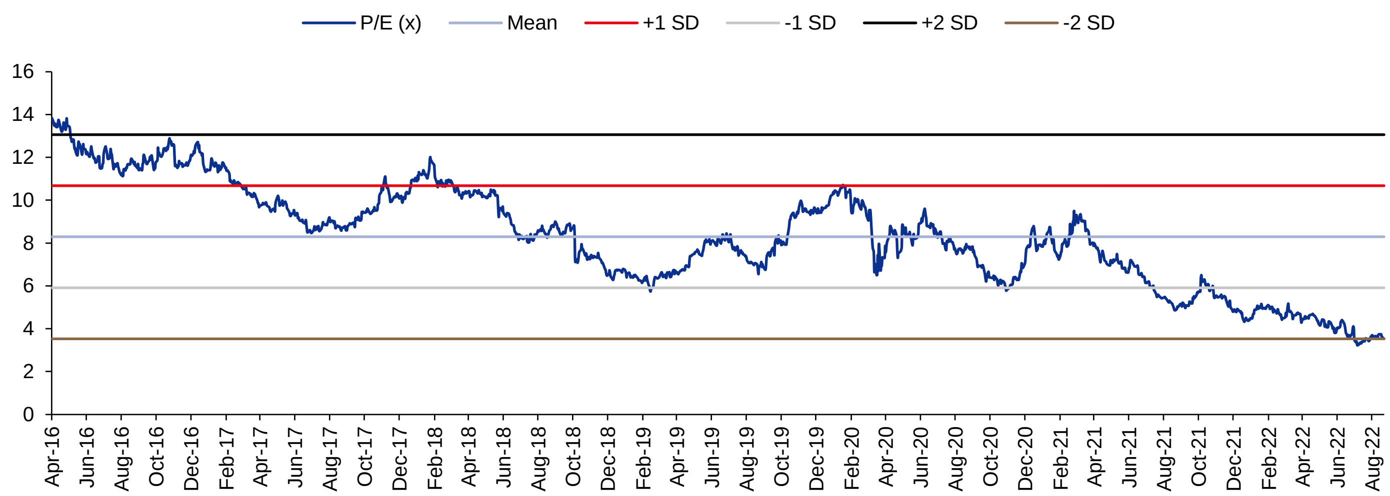
Naphtha's price discount over crude oil is leading to an US$2 loss on GRM for Indian refiners. As naphtha price rises, we will see a rise in reported GRM of Indian refiners. While the whole street is understandably more glued to diesel and gasoline cracks, naphtha has been the biggest GRM spoiler in the last one quarter.

Diesel cracks contribute more than 50% in overall GRM assumption

The Government of India (GoI) has imposed an export tax on gasoline, diesel, and ATF (aviation turbine fuel) which will impact diesel the most, and Indian refiners are one of the biggest producers of diesel in global market. India's diesel exports are to the tune of ~0.3mbbl/day vs. global demand of 27.8mbbl/day and against global HSD (high-speed diesel) capacity of ~28.5mbbl/day. Please note that Russian supply of 0.9mbbl is already barred from western countries. Shipping constraints won't make it easy for rerouting Russian cargo to elsewhere as well.

Valuation and analysis

Figure 36: One-year forward P/E trades at 3.5x FY23F



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 37: One-year forward P/BV trades at 1.5x FY23F

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 38: We have valued ONGC on net present value or NPV basis with a target price of Rs221

Shares out (m)	**12,580.3**
Long-term exchange rate	80.0
DCF value of proved reserves	29,41,049.0
Value per share	**233.8**
Reserves mboe	4,477.5
US$/boe	8.2
OVL reserves (mt)	161.0
OVL reserves (m boe)	1,207.5
Valuation (US$/boe)	8.2
Valuation (US$ m)	9,914.3
Valuation (Rs m)	7,93,147.2

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1) We expect Brent crude oil prices to stay still and to trade not lesser than US$65-70/bbl. We have assumed US$65/bbl long-term realization for ONGC. 2) Even at our Brent crude oil price assumption of US$65/bbl vs. spot price of US$97/bbl, ONGC's dividend yield stays at 7-8%, giving a grasp to the stock.

Consolidated quarterly results

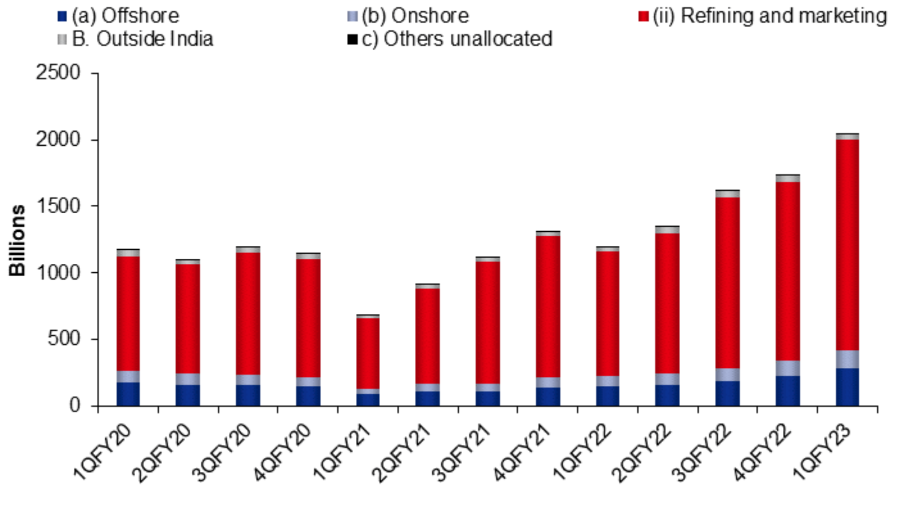
Consolidated net sales of ONGC in 1QFY23 stood at Rs1,828.9bn, +69.1% yoy and +17.3% qoq. EBITDA stood at Rs188.5bn, +15.8% yoy and -17.3% qoq. PBT at Rs122.2bn grew 19.9% yoy and fell 22.6% qoq. Net profit at Rs85.8bn grew 43.4% yoy and fell 28.9% qoq.

Figure 39: ONGC's consolidated quarterly result trend

Rs bn	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	yoy%	qoq%
Net sales	1,081.4	1,220.3	1,456.9	1,559.2	1,828.9	69.1%	17.3%
EBITDAX	175.3	185.4	225.6	271.4	200.8	14.5%	-26.0%
Exploration well cost	6.0	5.0	8.4	19.7	4.5	-24.5%	-77.0%
EBITDA	162.9	177.5	214.2	244.1	188.6	15.8%	-22.8%
Interest	-14.4	-13.8	-13.9	-14.9	-16.4	13.9%	10.0%
Depreciation	-64.2	-62.3	-68.5	-73.8	-66.1	2.9%	-10.4%
Other income	11.7	14.2	21.3	27.3	12.6	7.6%	-54.0%
Share in associate cos./JVs	6.0	5.4	7.0	-3.8	10.4	71.2%	-373.0%
Profit before tax	101.9	121.0	160.1	157.8	122.2	19.9%	-22.6%
Net profit	59.9	180.6	109.3	120.6	85.8	43.4%	-28.9%
Quarterly EPS (Rs)	4.8	14.4	8.7	9.6	6.8	43.4%	-28.9%

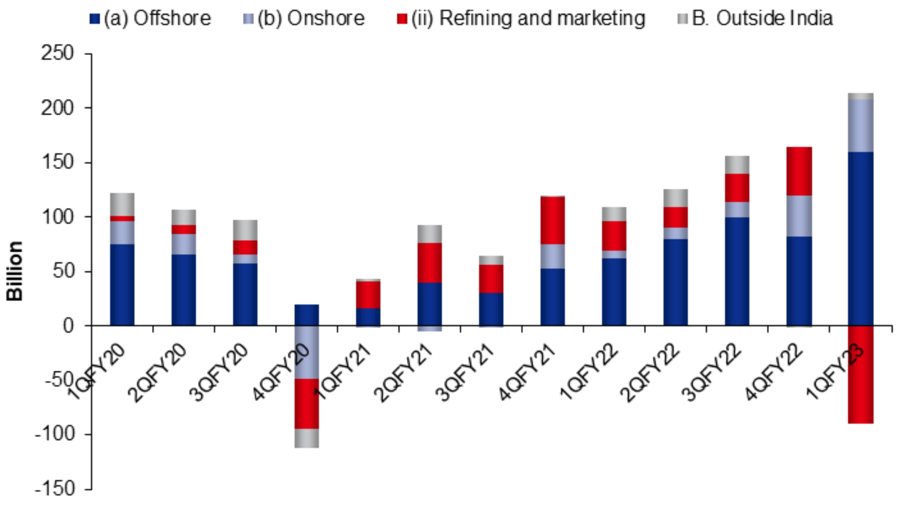
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 40: Segmental revenue in 1QFY23 stood at Rs2,035.3bn, up 70.4% qoq



SOURCE: INCRED RESEARCH, COMPANY REPORTS

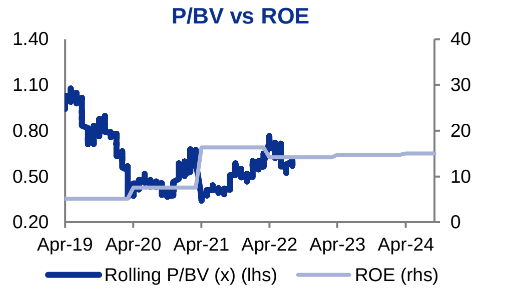
Figure 41: Segmental EBIT in 1QFY23 - refining and marketing margin fell by 430% yoy and 298.3% qoq

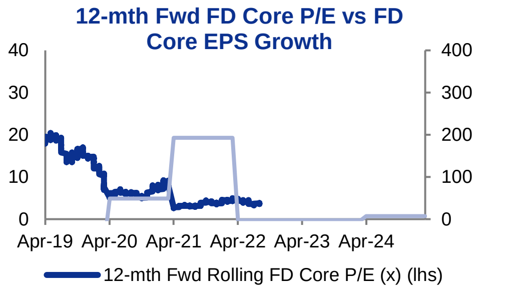


SOURCE: INCRED RESEARCH, COMPANY REPORTS

InCred Equities

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	**3,040,010**	**5,317,619**	**4,814,722**	**4,577,294**	**4,558,231**
Gross Profit	**566,016**	**857,668**	**977,295**	**975,907**	**956,844**
Operating EBITDA	**494,661**	**798,737**	**909,291**	**904,903**	**887,840**
Depreciation And Amortisation	(246,197)	(268,832)	(264,991)	(281,396)	(255,809)
Operating EBIT	**248,464**	**529,905**	**644,300**	**623,507**	**632,032**
Financial Income/(Expense)	(50,790)	(56,960)	(66,638)	(66,307)	(52,313)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	93,230	74,376	71,733	74,775	69,524
Profit Before Tax (pre-EI)	**290,904**	**547,321**	**649,395**	**631,975**	**649,242**
Exceptional Items					
Pre-tax Profit	**290,904**	**547,321**	**649,395**	**631,975**	**649,242**
Taxation	(87,661)	(47,971)	(176,201)	(163,414)	(137,205)
Exceptional Income - post-tax					
Profit After Tax	**203,243**	**499,350**	**473,194**	**468,560**	**512,038**
Minority Interests	(50,948)	(38,724)	(30,488)	(38,053)	(28,074)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	10,193	14,639	20,645	21,578	1,708
Net Profit	**162,488**	**475,266**	**463,351**	**452,085**	**485,672**
Recurring Net Profit	162,488	475,266	463,351	452,085	485,672
Fully Diluted Recurring Net Profit	**162,488**	**475,266**	**463,351**	**452,085**	**485,672**

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	494,661	798,737	909,291	904,903	887,840
Cash Flow from Invt. & Assoc.	93,230	74,376	71,733	74,775	69,524
Change In Working Capital	44,365	70,365	(43,246)	21,139	67,199
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(7,656)	(75,768)	9,736	8,527	(115,962)
Other Operating Cashflow	(16,216)	9,256	14,692	19,266	19,266
Net Interest (Paid)/Received	(50,790)	(56,960)	(66,638)	(66,307)	(52,313)
Tax Paid	(87,661)	(47,971)	(176,201)	(163,414)	(137,205)
Cashflow From Operations	**469,933**	**772,035**	**719,367**	**798,888**	**738,349**
Capex	(417,488)	(479,737)	(484,734)	(458,634)	(401,634)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(105,371)	(59,365)	(55,100)	(55,099)	(331,388)
Other Investing Cashflow					
Cash Flow From Investing	**(522,859)**	**(539,102)**	**(539,834)**	**(513,733)**	**(733,023)**
Debt Raised/(repaid)	44,938	54,033	(30,105)	(32,445)	(407,744)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(22,015)	(114,481)	(213,236)	(129,577)	(125,803)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	**22,922**	**(60,448)**	**(243,341)**	**(162,021)**	**(533,547)**
Total Cash Generated	(30,004)	172,485	(63,808)	123,133	(528,221)
Free Cashflow To Equity	**(7,988)**	**286,965**	**149,428**	**252,710**	**(402,418)**
Free Cashflow To Firm	**(2,136)**	**289,893**	**246,170**	**351,462**	**57,640**

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	126,099	450,964	401,750	543,128	495,294
Total Debtors	185,788	218,941	207,851	196,847	157,224
Inventories	445,733	446,130	428,198	414,148	415,012
Total Other Current Assets	426,147	445,728	462,883	480,197	400,026
Total Current Assets	**1,183,767**	**1,561,763**	**1,500,681**	**1,634,320**	**1,467,556**
Fixed Assets	3,026,350	4,102,915	3,355,339	3,475,753	2,945,007
Total Investments	781,161	840,526	895,627	950,726	1,282,114
Intangible Assets	135,386	135,386	135,386	135,386	12,108
Total Other Non-Current Assets					
Total Non-current Assets	**3,942,897**	**5,078,828**	**4,386,352**	**4,561,865**	**4,239,229**
Short-term Debt	306,576	277,596	213,739	200,042	219,711
Current Portion of Long-Term Debt					
Total Creditors	810,873	934,368	879,254	892,652	843,712
Other Current Liabilities					
Total Current Liabilities	**1,117,449**	**1,211,964**	**1,092,993**	**1,092,695**	**1,063,424**
Total Long-term Debt	1,025,294	1,108,307	1,142,059	1,123,311	695,898
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	**1,025,294**	**1,108,307**	**1,142,059**	**1,123,311**	**695,898**
Total Provisions	557,953	482,186	491,923	500,449	381,696
Total Liabilities	**2,700,696**	**2,802,457**	**2,726,974**	**2,716,455**	**2,141,017**
Shareholders Equity	2,209,811	3,612,772	2,914,539	3,211,869	3,271,056
Minority Interests	216,158	225,361	245,519	267,860	294,710
Total Equity	**2,425,969**	**3,838,133**	**3,160,059**	**3,479,729**	**3,565,766**

Key Ratios

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(23.4%)	74.9%	(9.5%)	(4.9%)	(0.4%)
Operating EBITDA Growth	(12.2%)	61.5%	13.8%	(0.5%)	(1.9%)
Operating EBITDA Margin	16.3%	15.0%	18.9%	19.8%	19.5%
Net Cash Per Share (Rs)	(95.85)	(74.32)	(75.84)	(62.02)	(33.41)
BVPS (Rs)	175.66	287.18	231.68	255.31	260.01
Gross Interest Cover	4.89	9.30	9.67	9.40	12.08
Effective Tax Rate	30.1%	8.8%	27.1%	25.9%	21.1%
Net Dividend Payout Ratio	27.9%	37.1%	32.6%	27.8%	25.9%
Accounts Receivables Days	18.09	13.89	16.18	16.14	14.18
Inventory Days	57.26	36.49	41.58	42.69	42.02
Accounts Payables Days	109.24	71.41	86.25	89.79	87.99
ROIC (%)	5.5%	9.0%	13.0%	12.2%	15.3%
ROCE (%)	8.4%	12.4%	13.7%	13.9%	14.2%
Return On Average Assets	5.1%	9.5%	8.7%	8.9%	9.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

India

ADD *(no change)*

Consensus ratings*:	Buy 16 Hold 2 Sell 2
Current price:	Rs185
Target price:	Rs261
Previous target:	Rs265
Up/downside:	41.1%
InCred Research / Consensus:	5.4%
Reuters:	
Bloomberg:	OINL IN
Market cap:	US$2,762m
	Rs200,561m
Average daily turnover:	US$12.9m
	Rs936.8m
Current shares o/s:	1,084.4m
Free float:	43.3%

**Source: Bloomberg*

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.4)	(20.4)	10.0
Relative (%)	(10.2)	(27.1)	4.3

Major shareholders	% held
Government of India	56.7
LIC	11.9
Indian Oil	4.9

Oil India

Treads the path of increasing production

- Oil India is an undervalued stock in India's energy sector. Government policy uncertainty led to a severe derating of the stock.
- Recent government actions indicate that Oil India can make US$65-70/bbl realization, and we build in US$65/bbl in our earnings estimates.
- The stock trades at 3.8x FY23F EPS with a dividend yield of 7.5%. With long-term crude oil prices to remain in an uptrend, Oil India is an attractive value pick. Retain Add rating.

Brent crude oil prices unlikely to fall below US$80-85/bbl

Geopolitics, lack of investment in oil assets, dwindling strategic petroleum reserves (SPR) as well as the Organization of the Petroleum Exporting Countries or OPEC's own financial condition indicates that Brent crude oil prices are unlikely to remain below US$80-85/bbl for a long time. Hence, the odds are in favour of Oil India. Media frenzy and unwarranted investor activism has led to a steep decline in investment in oil assets. Companies are delivering fat dividends, but not investing enough. In fact, Saudi Arabia's oil major Aramco in its 1HCY22 presentation said that given the current rate of investments, global crude oil production capacity can decline to ~95mbbl by 2025F. There isn't going to be any revolution in clean energy by that time and hence, crude oil prices will rise. In between, there can be many factors like release of SPR, US President Joe Biden's statements and what not, but the trajectory for crude oil is up from this level.

Oil India presents attractive opportunity to play crude oil Bull cycle

While government policy will always remain an overhang and hence the full value of the stock may never be realized, recent/past events indicate that government is happy letting Oil India make around US$65-70/bbl. Oil India is investing in oil exploration but to be on the conservative side, we have valued only the proven reserves of the state-owned company. Any fresh discoveries in oil or gas will be a further positive. We have built in 22.91mt /23.48 and 23.08mt oil and condensate production in our FY23F/24F/25F earnings estimates, respectively.

Reiterate Add rating on the stock

We reiterate Add rating on Oil India with a slightly lower target price of Rs261 (from Rs265 earlier). We have used the following assumptions to value the stock: 1) We are bullish on crude oil and see Brent crude price staying still at its current US$100/bbl level and with the incorporation of windfall tax, we have assumed long-term realization of US$65/bbl. 2) Numaligarh Refinery or NRL has shown robust earnings, doubling its quarterly numbers on a yoy basis, and we believe gross refining margin or GRM will remain near US$17-25/bbl. 3) Oil India's one-year forward P/E trades at 3.8x against the historical average of 7.2x. Downside risk to our estimates and target price is the complete collapse of crude oil price to below US$60/bbl and NRL's GRM slipping below US$10/bbl.

Analyst(s)

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Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	176,295	217,899	349,381	342,377	355,644
Operating EBITDA (Rsm)	57,533	105,004	120,968	110,302	117,146
Net Profit (Rsm)	35,279	56,319	67,004	61,721	59,173
Core EPS (Rs)	32.5	51.9	61.8	56.9	54.6
Core EPS Growth	(25.0%)	59.6%	19.0%	(7.9%)	(4.1%)
FD Core P/E (x)	5.68	3.56	2.99	3.25	3.39
DPS (Rs)	5.0	12.0	14.0	12.0	12.0
Dividend Yield	2.70%	6.49%	7.57%	6.49%	6.49%
EV/EBITDA (x)	2.37	1.10	1.35	1.95	2.24
P/FCFE (x)	(16.70)	14.57	21.30	7.44	6.28
Net Gearing	64.1%	42.6%	47.6%	53.5%	56.3%
P/BV (x)	0.85	0.72	0.62	0.55	0.48
ROE	15.1%	21.9%	22.3%	17.9%	15.1%
% Change In Core EPS Estimates			25.33%	42.11%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Treads the path of increasing production

Oil India's oil & gas production to remain steady

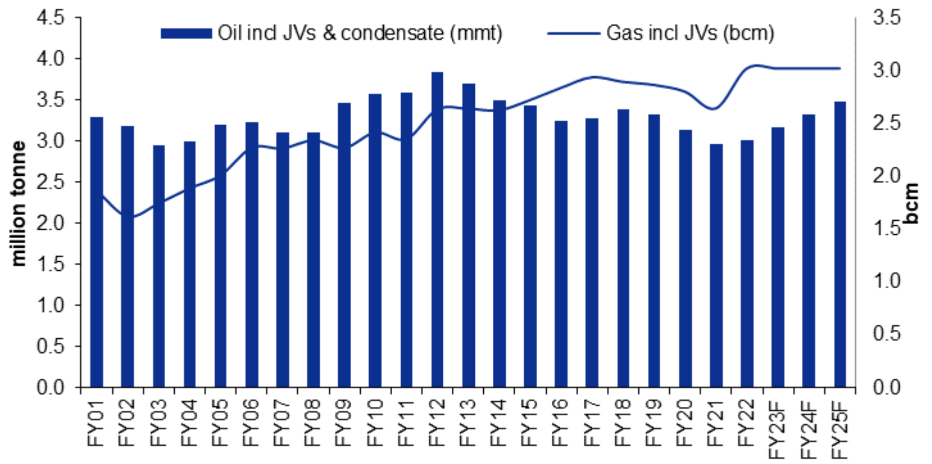
Oil India has seen a significant rise in gas production and oil output. We expect the company's oil production to stay around 3-3.2mt and gas production to remain steady at 2.5-2.8bcm. Oil India's target oil production is 4.1mt and gas output at around 5bcm by FY24F-25F. However, we are not building in any new oil source in our production estimates.

Planned capex at Rs43bn, of which Rs12bn invested in 1QFY23

Approx US$25-30/bbl will be impacted in realization due to windfall tax and our assumption of Brent crude oil price unlikely to slip below US$80-85/bbl. We expect the trend will continue to remain around US$95-100/bbl, which leads to a realization of US$65/bbl on a long-term basis. Downside risk occurs only when crude oil price and GRM collapse below US$60/bbl and US$10/bbl, respectively, which is unlikely to happen.

Capex to drive the increase in oil and gas production of parent company

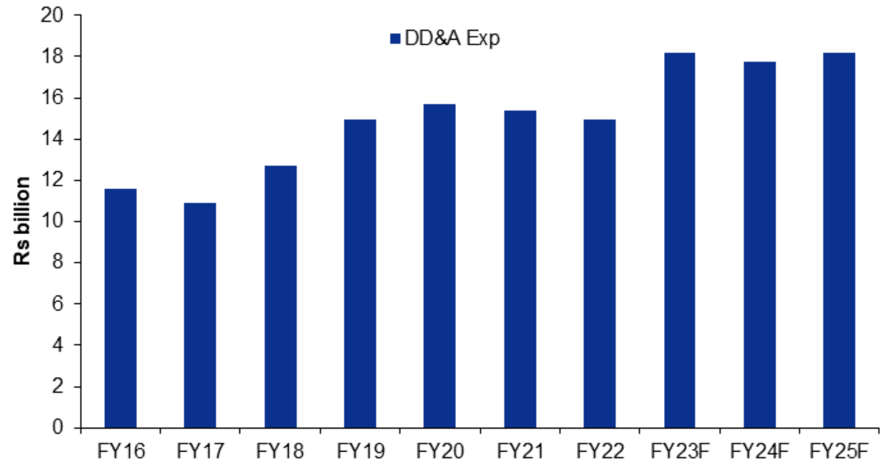
Figure 42: We expect Oil India's oil & gas production to remain steady



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Expect a rise in DD&A expenditure going ahead

Figure 43: DD&A expenditure to increase going ahead



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Incremental oil volume will be able to garner full spot price ➤

As per the Government of India or GoI's notification, incremental oil production over FY22 will not be subject to windfall tax cut and hence, incremental volume over FY22 will be able to garner full realization of US$80/bbl.

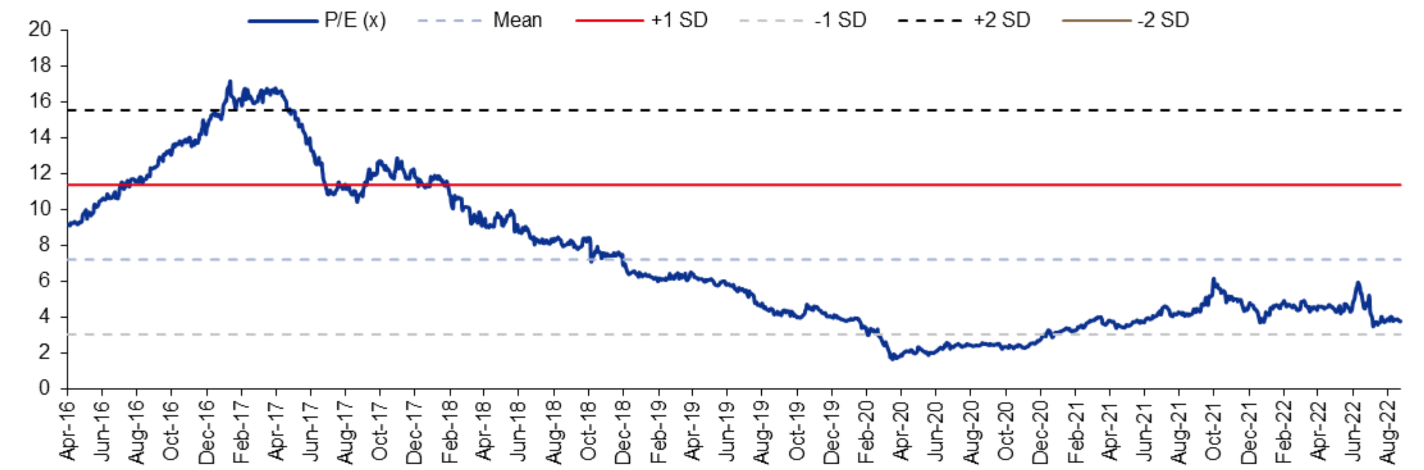
We believe NRL's core GRM will continue to remain around US$17-20/bbl level ➤

Market doesn't feel the current GRM will sustain as the present scenario never occurred in last 50 years, but we believe it will sustain for next three years and the GRM will continue to remain at US$17-20/bbl level for the next three-to-four years. However, there are multiple factors which will keep GRM on a strong mode.

- GoI has imposed export tax on gasoline, diesel, and ATF (aviation turbine fuel). The tax will impact diesel the most, and Indian refiners are one of the biggest producers of diesel in global market.
- We believe the decline in Russian crude oil pumping to Europe has impacted the CIS and Europe naphtha demand by 7%. Naphtha normally trades at par with crude oil and, in our view, when it bounces back to being at par with crude oil, it will add US$2/bbl to GRM of Indian companies.
- In a below-par equity internal rate of return or IRR (8%) scenario, a basic complexity refinery needs US$16-17/bbl GRM. While it's a consensus fact that global refinery capacity is in shortage, many question the sustainability of GRM and what is the optimal level of GRM. We have tried to answer this question by assuming 8% project IRR scenario.

Valuation and analysis

Figure 44: One-year forward P/E trades at 3.8x FY23F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 45: One-year forward P/BV trades at 0.7x FY23F

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 46: We have valued Oil India on net present value or NPV basis with a target price of Rs261

	Rsm	Rs/share
DCF value of domestic proved reserves	2,72,125	251
Net cash	-1,29,343	-119
NRL stake at BV (Rs/share)	77,812	72
IOC stake at discounted market value	44,190	41
Mozambique valuation	18,080	17
Russian acquisitions - at cost	0	0
Total	**2,82,864**	**261**

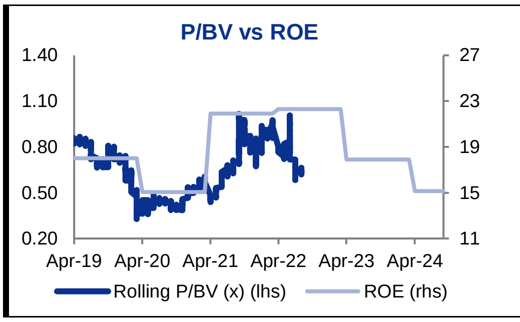
SOURCE: INCRED RESEARCH, COMPANY REPORTS

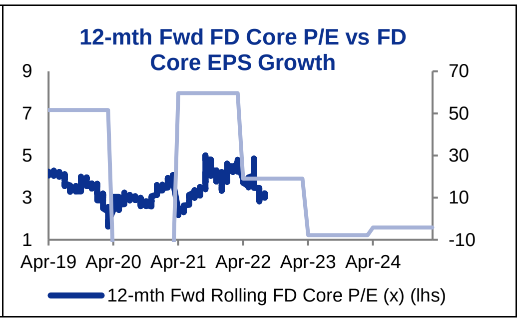
1) We see Brent crude oil price staying still and trading not lesser than US$65-$70/bbl. We have assumed US$65/bbl long-term realization for Oil India even as our Brent crude oil price assumption remains at US$65/bbl vs. spot Brent price of US$97/bbl.

Downside risk to our estimates and target price is the complete collapse of crude oil price to below US$60/bbl and NRL's GRM slipping below US$10/bbl.

InCred Equities

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	**176,295**	**217,899**	**349,381**	**342,377**	**355,644**
Gross Profit	**74,562**	**116,421**	**132,953**	**122,266**	**129,100**
Operating EBITDA	**57,533**	**105,004**	**120,968**	**110,302**	**117,146**
Depreciation And Amortisation	(18,954)	(18,245)	(21,074)	(20,642)	(21,168)
Operating EBIT	**38,579**	**86,759**	**99,894**	**89,660**	**95,978**
Financial Income/(Expense)	(6,605)	(9,401)	(8,694)	(8,006)	(8,006)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	6,431	11,426	8,814	8,970	9,040
Profit Before Tax (pre-EI)	**38,405**	**88,784**	**100,014**	**90,625**	**97,012**
Exceptional Items					
Pre-tax Profit	**38,405**	**88,784**	**100,014**	**90,625**	**97,012**
Taxation	(2,227)	(22,710)	(27,078)	(24,661)	(26,270)
Exceptional Income - post-tax					
Profit After Tax	**36,178**	**66,074**	**72,936**	**65,964**	**70,742**
Minority Interests	(6,181)	(10,873)	(13,478)	(10,974)	(11,568)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	5,282	1,119	7,546	6,731	
Net Profit	**35,279**	**56,319**	**67,004**	**61,721**	**59,173**
Recurring Net Profit	35,279	56,319	67,004	61,721	59,173
Fully Diluted Recurring Net Profit	**35,279**	**56,319**	**67,004**	**61,721**	**59,173**

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	57,533	105,004	120,968	110,302	117,146
Cash Flow from Invt. & Assoc.	6,431	11,426	8,814	8,970	9,040
Change In Working Capital	(95,695)	9,333	(6,328)	(6,580)	(8,106)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,272	(342)	215	196	208
Other Operating Cashflow	(7,131)	934	343	1,065	1,065
Net Interest (Paid)/Received	(6,605)	(9,401)	(8,694)	(8,006)	(8,006)
Tax Paid	(436)	(24,201)	(26,863)	(24,465)	(26,062)
Cashflow From Operations	**(43,631)**	**92,752**	**88,455**	**81,482**	**85,286**
Capex	(37,967)	(59,540)	(115,540)	(115,540)	(115,540)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	2,963	(5,301)	(5,700)	(6,200)	(5,000)
Other Investing Cashflow					
Cash Flow From Investing	**(35,004)**	**(64,841)**	**(121,240)**	**(121,740)**	**(120,540)**
Debt Raised/(repaid)	66,627	(14,147)	42,200	67,200	67,200
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(20,472)	(11,657)	(15,127)	(13,447)	(13,013)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	**46,155**	**(25,804)**	**27,073**	**53,753**	**54,187**
Total Cash Generated	(32,480)	2,107	(5,713)	13,495	18,933
Free Cashflow To Equity	**(12,008)**	**13,764**	**9,415**	**26,942**	**31,946**
Free Cashflow To Firm	**(72,030)**	**37,313**	**(24,092)**	**(32,252)**	**(27,248)**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	34,980	50,570	50,338	68,679	92,435
Total Debtors	18,556	22,317	22,807	22,372	23,390
Inventories	32,216	38,275	38,211	38,859	39,894
Total Other Current Assets	40,089	27,278	33,858	40,438	47,018
Total Current Assets	**125,841**	**138,440**	**145,214**	**170,348**	**202,738**
Fixed Assets	182,078	211,736	299,217	387,152	474,569
Total Investments	234,904	240,205	245,905	252,105	257,105
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	**416,982**	**451,941**	**545,122**	**639,257**	**731,674**
Short-term Debt	43,005	25,001	1	1	1
Current Portion of Long-Term Debt					
Total Creditors	61,477	68,617	69,295	69,507	70,035
Other Current Liabilities					
Total Current Liabilities	**104,482**	**93,617**	**69,295**	**69,508**	**70,035**
Total Long-term Debt	151,055	154,913	222,113	289,313	356,513
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	**151,055**	**154,913**	**222,113**	**289,313**	**356,513**
Total Provisions	39,189	38,049	38,264	38,460	38,668
Total Liabilities	**294,726**	**286,579**	**329,672**	**397,280**	**465,216**
Shareholders Equity	236,664	277,646	323,578	366,722	414,483
Minority Interests	11,433	26,156	37,087	45,603	54,713
Total Equity	**248,097**	**303,802**	**360,664**	**412,325**	**469,196**

Key Ratios

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(5.3%)	23.6%	60.3%	(2.0%)	3.9%
Operating EBITDA Growth	5.9%	82.5%	15.2%	(8.8%)	6.2%
Operating EBITDA Margin	32.6%	48.2%	34.6%	32.2%	32.9%
Net Cash Per Share (Rs)	(146.70)	(119.28)	(158.41)	(203.46)	(243.52)
BVPS (Rs)	218.24	256.04	298.39	338.18	382.22
Gross Interest Cover	5.84	9.23	11.49	11.20	11.99
Effective Tax Rate	5.8%	25.6%	27.1%	27.2%	27.1%
Net Dividend Payout Ratio	15.4%	23.1%	22.7%	21.1%	22.0%
Accounts Receivables Days	34.76	34.23	23.57	24.08	23.48
Inventory Days	112.75	126.77	64.50	63.90	63.44
Accounts Payables Days	370.86	233.96	116.29	115.08	112.41
ROIC (%)	13.6%	28.1%	23.0%	16.0%	13.9%
ROCE (%)	10.3%	19.8%	19.2%	14.6%	13.2%
Return On Average Assets	8.4%	13.1%	13.6%	10.5%	8.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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