

# Oil & Gas, Chemical & Telecom Sector

Institutional Equity Research

Results Preview | 7 January 2022

## OMC's to Lead the Show; CGD's Take a Pause

We expect sectoral earnings to be impacted in 3QFY22E due to: (1) rally in Brent crude prices to US\$79.43/bbl during the quarter (up 78% YoY and up 9% QoQ); (2) 110% rise in spot LNG price to US\$35.9/mmbtu with major recovery in Singapore benchmark GRM (US\$6.11/bbl); and (3) 1% QoQ fall in India's total gas consumption 3QFY22TD. We expect an increase in the cost of gas per unit basis for City Gas Distribution (CGD) companies due to (1) higher crude-linked LNG prices and (2) higher spot LNG prices. However, the total sales volume of CGD players is expected to improve sequentially on faster rollout of the vaccination drive and reopening of schools, colleges, and offices. We expect the gas companies to continue to perform better (except GUJGA). GAIL is likely to witness improved gas/LNG marketing margins, with improved price realization of the LPG & Petrochemical segments due to higher oil prices, which augur well for the company. BPCL's EBITDA is expected to increase due to a higher refining margin, higher crude throughput, and super-normal net marketing margin for petrol and diesel.

### Bharat Petroleum Corporation (BPCL) – Improved GRM, Supernormal Net Marketing Margin, and Very Minimal Inventory Loss

BPCL is expected to post 13% QoQ increase in EBITDA due to a growth in oil products sales volume, increase in crude refinery throughput, and improved refining margins to US\$5.93/bbl (including inventory loss of US\$0.2/bbl). However, crude prices have inched down from US\$79/bbl (2QFY22 period end) to ~US\$77/bbl (3QFY22 period end), which will lead to a very minimal inventory loss of ~US\$0.2/bbl. During the quarter, BPCL was able to pass on a product price increase to consumers, which led to supernormal net marketing margins for diesel/petrol. We expect BPCL's reported GRM to come in at ~US\$5.93/bbl, while its net marketing margin for diesel and petrol will be Rs4.94/liter (up 12% QoQ) and Rs1.15/liter (up 92% QoQ) for the period.

### GAIL (GAIL) - Proxy Play on Higher Crude Prices

**Gas Transmission:** We expect GAIL's gas transmission volume to decline by 3% QoQ in 3QFY22E due to 12% QoQ decline in India's LNG consumption in 3QFY22TD. We believe the costly spot LNG consumption has dropped during the quarter. Spot LNG/Mid-term LNG volume had contributed 7%/6% of the total gas transmission volume of GAIL in 2QFY22. **Natural Gas Trading:** Landed US HH

LNG at an average price of ~US\$10.2/mmbtu is lower than the average spot LNG price of US\$35.9/mmbtu, and in line with crude-linked average LNG price of US\$10.5/mmbtu. We believe GAIL's US LNG non-contracted volume would earn a higher trading margin and could continue to increase margin in the scenario of higher crude prices, with higher spot LNG prices. We believe GAIL will post US\$0.5/mmbtu gas trading EBITDA (up 7% QoQ). **Petrochemicals:** We expect 100% utilization at the production levels. Due to higher PE prices, EBITDA is seen at Rs7.2bn (up 49% QoQ). **LPG & OLHC:** Despite rising LPG prices in line with crude prices, GAIL would not reap the full benefits, as it faced a rich gas supply problem for LPG production in 3QFY22. We expect GAIL to post EBITDA of Rs36.9bn (up 96% YoY and up 6% QoQ) and net profit of Rs27.9bn (up 88% YoY and down 2% QoQ) in 3QFY22E.

### Indraprastha Gas (IGL) – APM Gas Under-Allocation Continues; Record CNG Vehicle Conversions

Total sales volume of Indraprastha Gas (IGL) is likely to rise by 2% QoQ in 3QFY22 due to the reopening of schools, colleges and offices in Delhi and the National Capital Region (NCR). While its CNG sales volume is likely to increase by 3% from 2QFY22, on the basis of higher CNG vehicle conversion rates @ 15k per month. APM gas under-allocation for CNG and PNG households continued during 3QFY22, and we believe any shortfall of the APM gas supplies would be replaced by costly spot LNG, which will lead to an increase in gas costs per unit on a QoQ basis. IGL increased PNG Household/CNG price by Rs2.5 per scm/Rs7.8 per kg in 3QFY22 to improve the price realization sequentially. We expect the company's net sales to increase by 30% QoQ to Rs23.8bn, while its EBITDA/scm is likely to moderate to Rs7.8 in 3QFY22E.

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## Gujarat Gas (GUJGA) – Multi-Year High Spot LNG Prices to Drag EBITDA/scm Sharply Lower

During 3QFY22, Asian spot LNG prices were on an average of US\$35.9/mmbtu, while touching a multi-year high of US\$48.3/mmbtu on the back of 1) delay in the commissioning of Nord Stream-2 gas pipelines; 2) colder than normal winter in Europe; and 3) European gas inventory levels remained below the 5-year average. We expect the gas cost per unit for GUJGA to increase by 63% QoQ. This will lead to a decline in EBITDA per scm to Rs2.3 only in 3QFY22. GUJGA has increased PNG Industrial/CNG price by Rs19 per scm/ Rs11.3 per kg in 3QFY22 respectively to improve the price realization. Higher prices of PNG industrial to lead to a de-growth in PNG industrial sales volume; we expect the company will post 3% QoQ de-growth in total volume to 11.1mmscmd in 3QFY22. We expect the company's net sales to increase by 43% QoQ to Rs51.8bn, while its EBITDA is likely to decline by 44% QoQ to Rs2.3bn in 3QFY22E.

## Mahanagar Gas (MAHGL) – Likely Improvement In EBITDA/scm

The total sales volume of Mahanagar Gas (MAHGL) is likely to increase by 4% QoQ in 3QFY22E due to reopening in Mumbai and suburban areas. MAHGL increased CNG/PNG price by Rs11.1/kg and Rs7.6/scm in 3QFY22 respectively, which will lead to an improvement in overall price realization. However, an upward revision in APM gas prices to increase MAHGL's gas cost by 66% QoQ. We expect MAHGL to report ~Rs10.7/scm EBITDA in 3QFY22E (vs. Rs10.5/scm in 2QFY22), while its net profit is seen at Rs2.2bn (up 8% QoQ).

## Petronet LNG (PLNG) – Dahej/Kochi Utilization Seen at 90%/19%

Petronet LNG (PLNG) is likely to report a total re-gas volume of 2091tbu (down 13% QoQ and down 11% YoY). According to Bloomberg data, the re-gas volume of the Dahej terminal would be 1971tbu (down 12% QoQ and down 11% YoY), mainly due to 1) multi-year high Asian Spot LNG prices dragged India's LNG demand; 2) GAIL re-gasified LNG of 501tbu (up 21% YoY) at Dabhol terminal and 3) sharply lower LNG consumption by the power sector. We expect Kochi terminal to post lower utilization on the back of higher spot LNG prices (lack of a long-term LNG contract). We expect PLNG to post EBITDA of Rs10.2bn (down 21% QoQ and down 24% YoY) and report Rs6.2bn net profit (down 24% QoQ and down 29% YoY) in 3QFY22E.

## Gujarat State Petronet (GUJS) – Lower Offtake by Power Plants & Refinery on Higher Spot LNG Prices

Gujarat State Petronet (GUJS) is likely to have a total gas transmission volume of 32.8mmscmd (down 17% YoY and down 13% QoQ) in 3QFY22E. The transmission volume is likely to decline to 32.8mmscmd on the back of lower offtake of spot LNG by power plants and refinery. We expect the company to post EBITDA of Rs3.3bn (down 17% YoY and down 14% QoQ) and net profit of Rs2.1bn (down 17% YoY and down 38% QoQ) in 3QFY22E.

## Castrol (CSTRL) – Sequential Recovery in Lubricants Volume

According to PPAC data, India's lubricant and grease consumption increased by 11% QoQ in 4QCY21TD. The price realization is expected to improve on the back of a price hike across segments to cope with higher base oil prices. Castrol's revenue is likely to grow by 13% QoQ, while its EBITDA is expected to grow by 4% QoQ to Rs2.7bn.

**Our View:** India's gas consumption, which has witnessed 2.3% CAGR over FY17-FY21, is expected to clock 9% CAGR over FY21-FY24E, largely on account of: (1) upcoming fertilizer capacities (6.5MMTPA), which are expected to consume ~12mmscmd of gas; (2) commencement of CGD in >228 new geographical areas; and (3) new refining and petrochemical capacity. India's gas production is also expected to increase by ~35mmscmd over FY21-FY24E with the commissioning of new LNG terminals (~20MMTPA) in the next 3 years. We remain constructively positive on CGD business, and Gujarat Gas and IGL remain our top picks owing to decent volume growth visibility over the next 3 years.

## SRF (SRF) – Healthy Performance to Continue

The refrigerants business will continue to benefit from higher price realizations and a healthy demand outlook. Specialty chemicals segment to perform better on the back of demand from agrochemicals and pharmaceuticals. Packaging films business (PFB) is likely to benefit from a pick-up in demand, while technical textiles business (TTB) is likely to benefit from capacity closures in China. We expect SRF to post a healthy revenue of ~Rs30.6bn and EBITDA is likely to be at ~Rs7.6bn, as increased raw material prices are passed on to the consumer. EBITDA margin will show a tad decline of ~170bps YoY because of headwinds seen due to input cost and freight cost. It is likely to report a PAT of ~Rs4.4bn.

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## Aarti Industries (ARTO) – Steady Growth

Besides the normal monsoon, better crop yields along with the government's push to increase farmers income bode well for the agro-chemical industry, which indirectly helps ARTO in its demand from the agro-chemical segment. We expect the specialty chemical segment of the company to grow by 42% YoY. With the economy reviving, we expect there will be a volume push from discretionary sectors, which account for ~40% of the revenue, followed by a resilient demand from non-discretionary sectors such as agrochemicals and pharmaceuticals, which account for ~60% of its revenue. Pharmaceutical business to show sustained growth and is expected to continue to grow by 28% YoY. ARTO's revenue is expected to grow by 35% YoY to Rs16.1bn, while its PAT is expected to grow by 13% YoY to Rs1.9bn in 3QFY22E.

**Our View:** Indian specialty chemicals companies delivered a resilient performance in FY21 and the industry is set to grow to US\$40bn by FY25E. "China+1" strategy is the key catalyst for global firms to turn towards India. The situation has changed in the wake of Covid, as several downstream MNCs that used to import bulk of their chemical requirements from China are contemplating to supplement this supply from elsewhere and thus reduce the dependence on China. This is a positive trigger for the Indian specialty chemicals players. Considering the long-term structural tailwind for the specialty chemicals sector in India, Aarti Industries and SRF remain our top picks.

## Indus Tower (BHIN) – Healthy Tower Addition

We expect a healthy tower addition in 3QFY22 due to no major pandemic restrictions and a sizeable decline in Covid cases. Tenancy addition is expected to gain momentum led by the additional spectrum buyout in Mar'21, as well as the incremental subscribers' addition by Bharti Airtel in 3QFY22. We expect Indus Tower's revenue to rise by 1% QoQ and 1% YoY to Rs69.5bn, while EBITDA is seen at ~Rs37.8bn (up 2% YoY and up 1% QoQ). Operating costs are expected to increase, mainly due to a significant increase in diesel prices. PAT is expected to rise by 15% YoY to ~Rs 15.6bn, as energy reimbursement percolates directly to PAT.

**Our View:** We expect India's telecom tower companies to face headwinds in the next 2 years led by: (1) very minimal capex on the tower side, as public launch of 5G will take more than a year; and (2) likelihood of the tower companies becoming mere infrastructure providers, as the incremental capex of the telcos will be incurred towards software upgradation only. Thus, the linear tenancy is unlikely to witness any meaningful upside in the next 2 years. We maintain our SELL rating on Indus Tower.

**Our Top Picks: GAIL, IGL, Gujarat Gas, SRF and Aarti Industries**

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**Exhibit 1: Quarterly Estimates**

| (Rs mn)          | Sales     |          |         |           |         | EBITDA  |        |         |        |         |
|------------------|-----------|----------|---------|-----------|---------|---------|--------|---------|--------|---------|
|                  | 3QFY22E   | 3QFY21   | YoY (%) | 2QFY22    | QoQ (%) | 3QFY22E | 3QFY21 | YoY (%) | 2QFY22 | QoQ (%) |
| GAIL             | 2,10,295  | 1,54,568 | 36.1    | 2,15,153  | (2.3)   | 36,976  | 19,195 | 92.6    | 34,751 | 6.4     |
| Petronet LNG     | 1,01,985  | 73,282   | 39.2    | 1,08,131  | (5.7)   | 10,213  | 13,353 | (23.5)  | 12,969 | (21.3)  |
| BPCL             | 10,67,642 | 8,65,800 | 23.3    | 10,16,317 | 5.1     | 50,454  | 43,058 | 17.2    | 44,777 | 12.7    |
| Mahanagar Gas    | 11,262    | 6,664    | 69.0    | 8,301     | 35.7    | 3,199   | 3,167  | 1.0     | 3,018  | 6.0     |
| IGL              | 23,778    | 14,462   | 64.4    | 18,312    | 29.9    | 5,241   | 5,007  | 4.7     | 5,302  | (1.1)   |
| GUJGA            | 51,804    | 28,294   | 83.1    | 36,145    | 43.3    | 2,339   | 6,148  | (62.0)  | 4,210  | (44.4)  |
| GSPL             | 5,325     | 5,808    | (8.3)   | 5,885     | (9.5)   | 3,287   | 3,984  | (17.5)  | 3,806  | (13.6)  |
| Aarti Industries | 16,059    | 11,868   | 35.3    | 15,516    | 3.5     | 3,283   | 2,850  | 15.2    | 3,098  | 6.0     |
| SRF              | 30,581    | 21,464   | 42.5    | 28,390    | 7.7     | 7,553   | 5,661  | 33.4    | 6,750  | 11.9    |
| Castrol          | 12,096    | 9,352    | 29.3    | 10,732    | 12.7    | 2,728   | 2,576  | 5.9     | 2,625  | 3.9     |
| Indus Tower      | 70,028    | 68,417   | 2.4     | 69,692    | 0.5     | 37,831  | 37,136 | 1.9     | 37,332 | 1.3     |

|                  | PBT (Rs mn) |        |         |        |         | PAT (Rs mn) |        |         |        |         |
|------------------|-------------|--------|---------|--------|---------|-------------|--------|---------|--------|---------|
|                  | 3QFY22E     | 3QFY21 | YoY (%) | 2QFY22 | QoQ (%) | 3QFY22E     | 3QFY21 | YoY (%) | 2QFY22 | QoQ (%) |
| GAIL             | 35,981      | 18,677 | 92.7    | 36,823 | (2.3)   | 27,975      | 14,873 | 88.1    | 28,630 | (2.3)   |
| Petronet LNG     | 8,343       | 11,724 | (28.8)  | 11,055 | (24.5)  | 6,243       | 8,785  | (28.9)  | 8,230  | (24.1)  |
| BPCL             | 41,570      | 45,757 | (9.2)   | 35,961 | 15.6    | 31,107      | 27,776 | 12.0    | 26,941 | 15.5    |
| Mahanagar Gas    | 2,955       | 2,913  | 1.4     | 2,751  | 7.4     | 2,211       | 2,172  | 1.8     | 2,043  | 8.2     |
| IGL              | 4,705       | 4,485  | 4.9     | 5,246  | (10.3)  | 3,521       | 3,349  | 5.1     | 4,005  | (12.1)  |
| GUJGA            | 1,456       | 5,239  | (72.2)  | 3,343  | (56.4)  | 1,088       | 3,922  | (72.3)  | 2,491  | (56.3)  |
| GSPL             | 2,734       | 3,328  | (17.8)  | 4,133  | (33.8)  | 2,046       | 2,475  | (17.3)  | 3,304  | (38.1)  |
| Aarti Industries | 2,393       | 2,094  | 14.2    | 2,208  | 8.4     | 1,914       | 1,692  | 13.1    | 1,761  | 8.7     |
| SRF              | 6,128       | 4,428  | 38.4    | 5,324  | 15.1    | 4,402       | 3,243  | 35.8    | 3,825  | 15.1    |
| Castrol          | 2,603       | 2,498  | 4.2     | 2,499  | 4.2     | 1,952       | 1,877  | 4.0     | 1,859  | 5.0     |
| Indus Tower      | 20,397      | 18,378 | 11.0    | 20,334 | 0.3     | 15,633      | 13,600 | 14.9    | 15,585 | 0.3     |

Source: RSec Research

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## Oil & Gas Prices Trend - Macro-Focused Charts

Exhibit 2: Brent Oil Prices Quarterly Trend

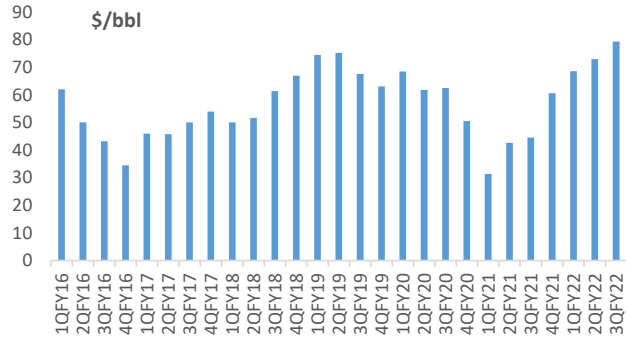


Exhibit 3: WTI Oil Prices Quarterly Trend

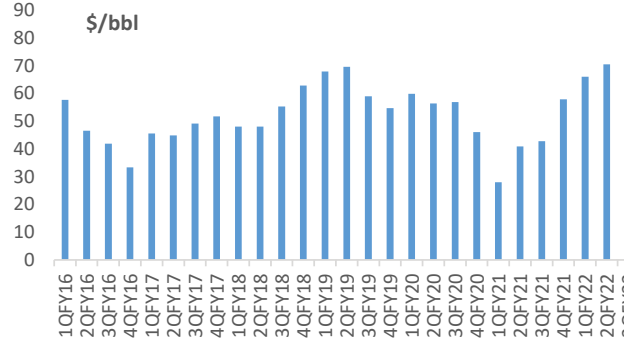
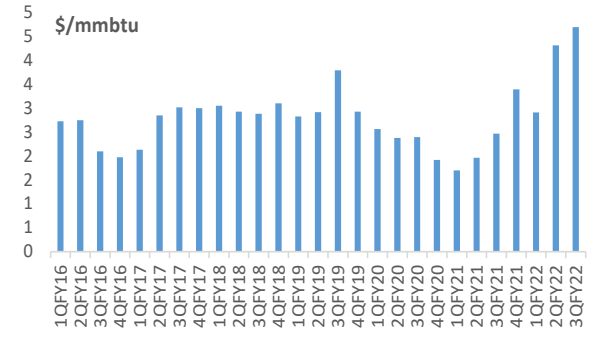


Exhibit 4: Henry Hub Gas Prices Quarterly Trend



## Oil Product Crack Trends - Macro-Focused Charts

Exhibit 5: Gasoline (Petrol) cracks Quarterly Trend

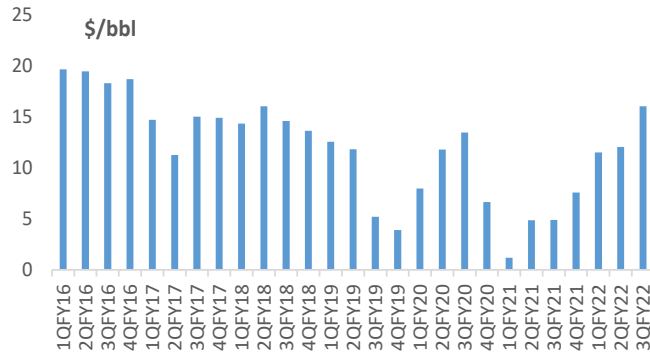


Exhibit 6: Diesel cracks Quarterly Trend

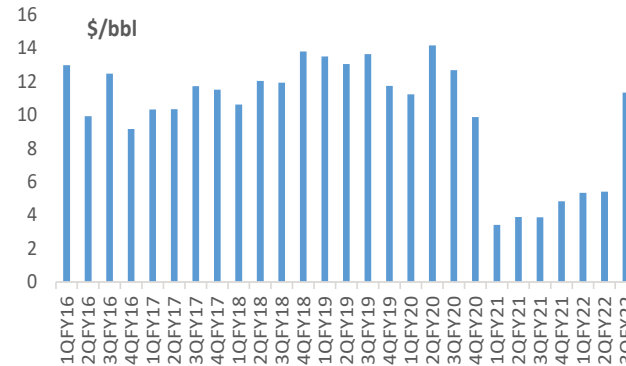
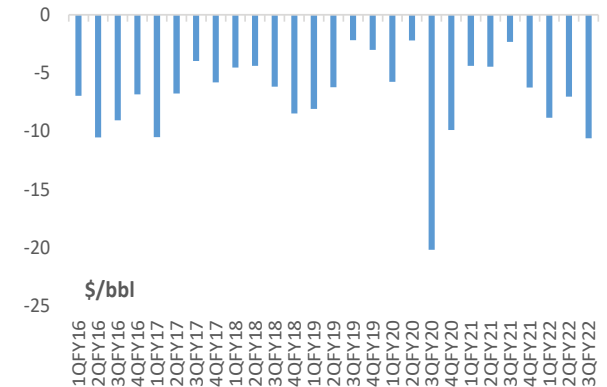


Exhibit 7: Fuel Oil cracks Quarterly Trend



Source: Bloomberg, RSec Research

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## Oil Product Crack Trends - Macro-Focus Chart

Exhibit 8: Jet/Kero cracks Quarterly Trend

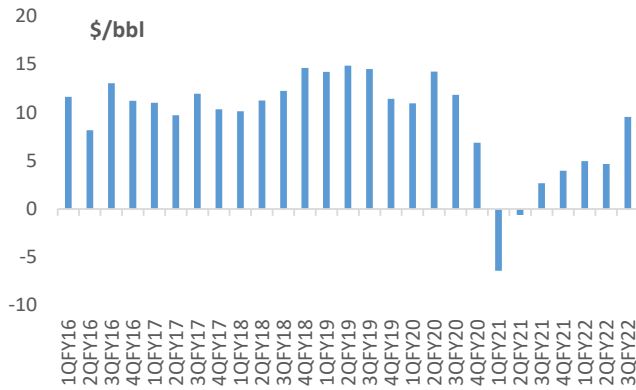


Exhibit 9: Napththa cracks Quarterly Trend

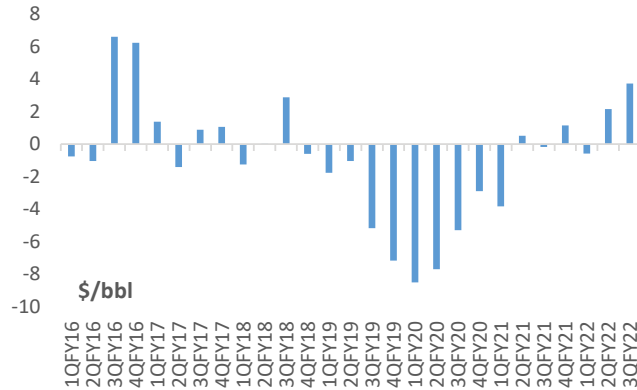
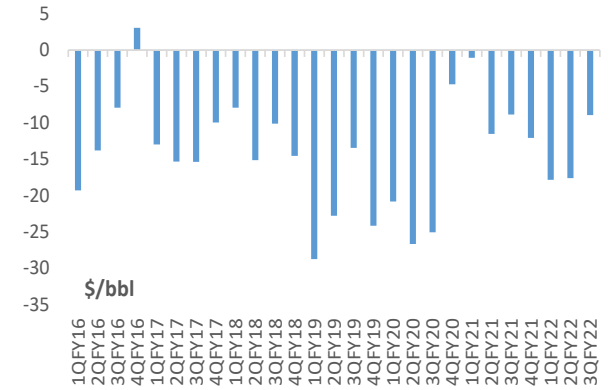


Exhibit 10: LPG cracks Quarterly Trend



## Crude Spread - Macro-Focus Chart

Exhibit 11: Brent - Dubai crude price differentials

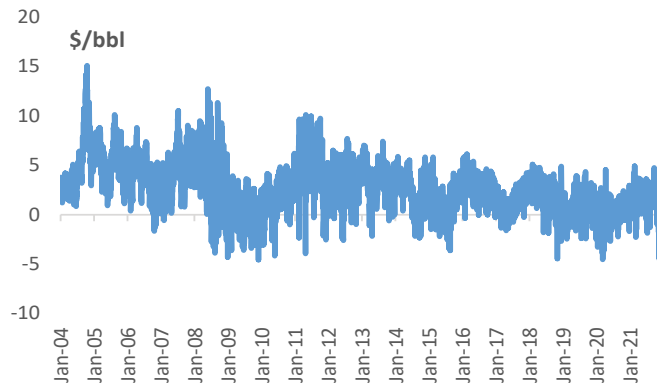


Exhibit 12: Brent - Dubai crude price differentials

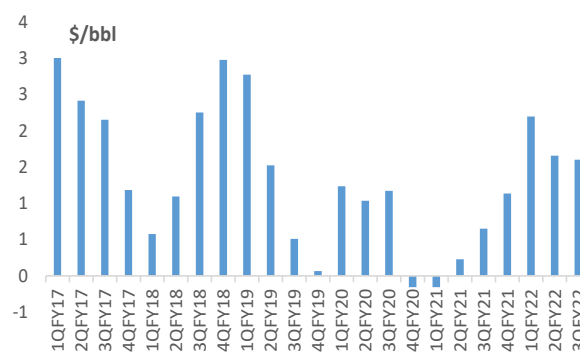
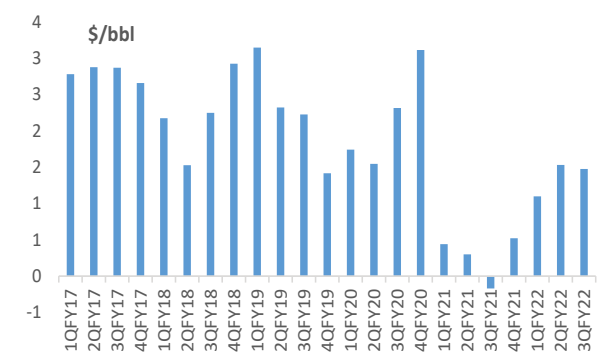


Exhibit 13: Arab Light - Arab Heavy crude price differentials



Source: Bloomberg, Reuters, RSec Research

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## Gas Charts

Exhibit 14: India's Domestic Gas consumption

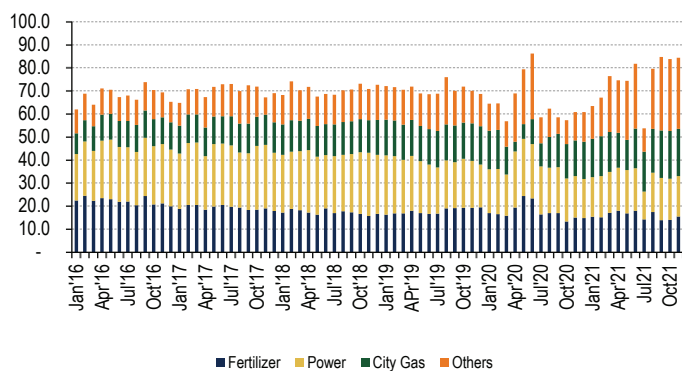


Exhibit 15: India's Imported gas consumption

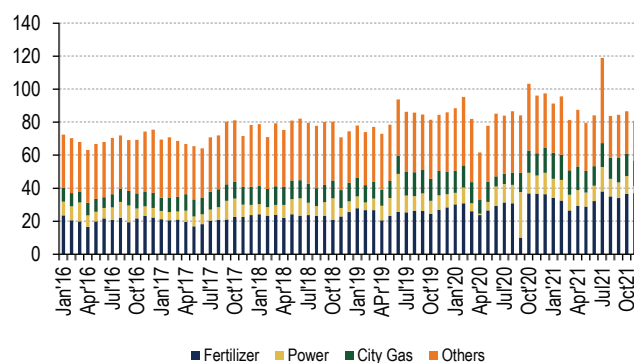


Exhibit 16: Net Marketing Margins of IOCL on Diesel



## Margins

Exhibit 17: Net Marketing Margins of IOCL on Petrol

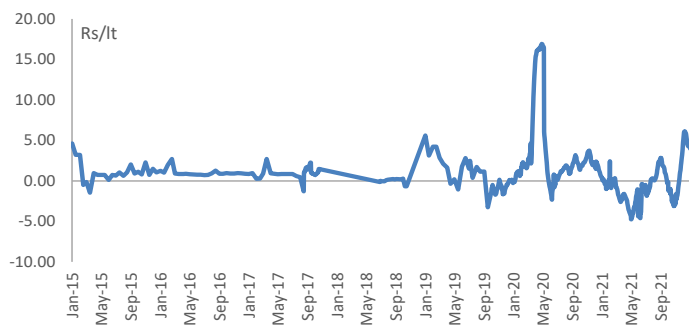


Exhibit 18: LPG - Domestic Gas price spread (\$/toone)

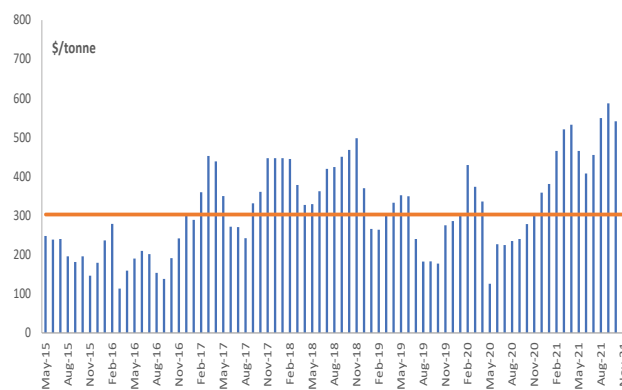
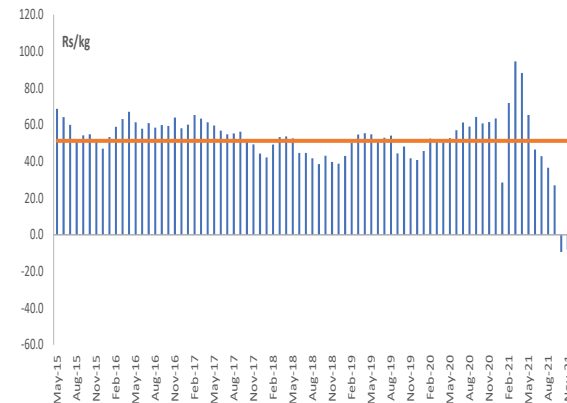


Exhibit 19: GAIL's Petrochemical Indicator (PE - Spot LNG prices in Rs/kg)



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**Exhibit 20: Oil & Gas - 3QFY22 Results Preview**

| Company (Rs mn)      | 3QFY22E   | 3QFY21   | YoY (%) | 2QFY22    | QoQ (%) | Comments  |
|----------------------|-----------|----------|---------|-----------|---------|---|
| <b>GAIL</b>          |           |          |         |           |         |   |
| Revenue              | 2,10,295  | 1,54,568 | 36.1    | 2,15,153  | (2.3)   | GAIL's gas transmission volume to decline by 3% QoQ in 3QFY22E due to 12% QoQ decline in India's LNG consumption in 3QFY22TD  |
| EBITDA               | 36,976    | 19,195   | 92.6    | 34,751    | 6.4     | Expecting 100% utilization at production levels for Petrochemicals.   |
| PBT                  | 35,981    | 18,677   | 92.7    | 36,823    | (2.3)   |   |
| PAT                  | 27,975    | 14,873   | 88.1    | 28,630    | (2.3)   |   |
| <b>Petronet LNG</b>  |           |          |         |           |         |   |
| Revenue              | 1,01,985  | 73,282   | 39.2    | 1,08,131  | (5.7)   | Likely to report total re-gas volume of 209tbtu (-11% YoY & -13% QoQ) due to higher spot LNG prices & lower consumption of LNG by private sector  |
| EBITDA               | 10,213    | 13,353   | (23.5)  | 12,969    | (21.3)  | The re-gas volume of the Dahej terminal would be 197tbtu (down 12% QoQ and down 11% YoY), mainly due to 1) multi-year high Asian Spot LNG prices dragged India's LNG demand; 2) GAIL re-gasified LNG of 50tbtu (up 21% YoY) at Dabhol terminal and 3) sharply lower LNG consumption by the power sector |
| PBT                  | 8,343     | 11,724   | (28.8)  | 11,055    | (24.5)  |   |
| PAT                  | 6,243     | 8,785    | (28.9)  | 8,230     | (24.1)  |   |
| <b>BPCL</b>          |           |          |         |           |         |   |
| Revenue              | 10,67,642 | 8,65,800 | 23.3    | 10,16,317 | 5.1     | Higher EBITDA on the back of growth seen in oil product sales volume, crude refinery throughput and improving refinery margins  |
| EBITDA               | 50,454    | 43,058   | 17.2    | 44,777    | 12.7    | Reported GRM to be at ~US\$5.93/bbl, while its net marketing margin for diesel and petrol to be at Rs4.94/liter and Rs1.15/liter in 3QFY22E   |
| PBT                  | 41,570    | 45,757   | (9.2)   | 35,961    | 15.6    |   |
| PAT                  | 31,107    | 27,776   | 12.0    | 26,941    | 15.5    |   |
| <b>Mahanagar Gas</b> |           |          |         |           |         |   |
| Revenue              | 11,262    | 6,664    | 69.0    | 8,301     | 35.7    | Total sales volume is likely to increase by 4% QoQ in 3QFY22E, due to reopening of commercial activities in Mumbai and suburban areas   |
| EBITDA               | 3,199     | 3,167    | 1.0     | 3,018     | 6.0     | Increased CNG/PNG price shall lead to improvement in overall price realization. However, upward revision in APM gas prices to increase MAHGL's gas cost by 66% QoQ.   |
| PBT                  | 2,955     | 2,913    | 1.4     | 2,751     | 7.4     |   |
| PAT                  | 2,211     | 2,172    | 1.8     | 2,043     | 8.2     |   |

Continued...



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**Oil & Gas - 3QFY22 Results Preview**

| Company (Rs mn) | 3QFY22E | 3QFY21 | YoY (%) | 2QFY22 | QoQ (%) | Comments   |
|-----------------|---------|--------|---------|--------|---------|--|
| <b>IGL</b>      |         |        |         |        |         |  |
| Revenue         | 23,778  | 14,462 | 64.4    | 18,312 | 29.9    | Total sales volume of Indraprastha Gas (IGL) is likely to rise by 2% QoQ in 3QFY22 due to the reopening of schools, colleges and offices in Delhi and the National Capital Area (NCR)      |
| EBITDA          | 5,241   | 5,007  | 4.7     | 5,302  | (1.1)   | Shortfall of the APM gas supplies would be replaced by costly spot LNG will lead to an increase in gas costs per unit on a QoQ basis   |
| PBT             | 4,705   | 4,485  | 4.9     | 5,246  | (10.3)  |  |
| PAT             | 3,521   | 3,349  | 5.1     | 4,005  | (12.1)  |  |
| <b>GUJGA</b>    |         |        |         |        |         |  |
| Revenue         | 51,804  | 28,294 | 83.1    | 36,145 | 43.3    | Increased in PNG Industrial/CNG price in 3QFY22E respectively to improve price realization. However higher prices will lead to a 3% QoQ de-growth in total volume to 11.1mmscmd in 3QFY22E |
| EBITDA          | 2,339   | 6,148  | (62.0)  | 4,210  | (44.4)  | Cost of gas to increase by 63% QoQ, leading to a decline in EBITDA/scm to Rs2.3/scm in 3QFY22E   |
| PBT             | 1,456   | 5,239  | (72.2)  | 3,343  | (56.4)  |  |
| PAT             | 1,088   | 3,922  | (72.3)  | 2,491  | (56.3)  |  |
| <b>GSPL</b>     |         |        |         |        |         |  |
| Revenue         | 5,325   | 5,808  | (8.3)   | 5,885  | (9.5)   | GUJS is likely to post total gas transmission volume of 32.8mmscmd (down 17% YoY and down 13% QoQ) in 3QFY22E  |
| EBITDA          | 3,287   | 3,984  | (17.5)  | 3,806  | (13.6)  | Lower offtake of spot LNG by power producers impacted transmission volume  |
| PBT             | 2,734   | 3,328  | (17.8)  | 4,133  | (33.8)  |  |
| PAT             | 2,046   | 2,475  | (17.3)  | 3,304  | (38.1)  |  |
| <b>Castrol</b>  |         |        |         |        |         |  |
| Revenue         | 12,096  | 9,352  | 29.3    | 10,732 | 12.7    | India's lubricant and grease consumption increased by 11% QoQ in 4QCY21TD  |
| EBITDA          | 2,728   | 2,576  | 5.9     | 2,625  | 3.9     | Price realization is expected to improve on the back of price hike to cope up with increase in the base oil prices.  |
| PBT             | 2,603   | 2,498  | 4.2     | 2,499  | 4.2     |  |
| PAT             | 1,952   | 1,877  | 4.0     | 1,859  | 5.0     |  |

Continued...

# Oil & Gas, Chemical & Telecom Sector

Institutional Equity Research

Results Preview | 7 January 2022

**Chemicals - 3QFY22 Results Preview**

| Company (Rs mn)         | 3QFY22E | 3QFY21 | YoY (%) | 2QFY22 | QoQ (%) | Comments   |
|-------------------------|---------|--------|---------|--------|---------|--|
| <b>Aarti Industries</b> |         |        |         |        |         |  |
| Revenue                 | 16,059  | 11,868 | 35.3    | 15,516 | 3.5     | Normal monsoon, better crop yields along with government's push to increase farmers income bodes well for Agro-chemical Industry, which indirectly helps ARTO in its demand from Agro-chemical segment |
| EBITDA                  | 3,283   | 2,850  | 15.2    | 3,098  | 6.0     | Specialty chemicals to grow by 42% YoY, while its pharma business is expected to grow by 28% YoY   |
| PBT                     | 2,393   | 2,094  | 14.2    | 2,208  | 8.4     |  |
| PAT                     | 1,914   | 1,692  | 13.1    | 1,761  | 8.7     |  |
| <b>SRF</b>              |         |        |         |        |         |  |
| Revenue                 | 30,581  | 21,464 | 42.5    | 28,390 | 7.7     | Refrigerants, specialty chemicals, packaging business and technical textiles expected to perform well  |
| EBITDA                  | 7,553   | 5,661  | 33.4    | 6,750  | 11.9    | EBITDA to witness sustained increase as input prices are passed on the consumers, however EBITDA margins to witness tad decline YoY  |
| PBT                     | 6,128   | 4,428  | 38.4    | 5,324  | 15.1    |  |
| PAT                     | 4,402   | 3,243  | 35.8    | 3,825  | 15.1    |  |

*Continued...*

# Oil & Gas, Chemical & Telecom Sector

Institutional Equity Research

Results Preview | 7 January 2022

**Telecom - 3QFY22 Results Preview**

| Company (Rs mn)    | 3QFY22E | 3QFY21 | YoY (%) | 2QFY22 | QoQ (%) | Comments   |
|--------------------|---------|--------|---------|--------|---------|--|
| <b>Indus Tower</b> |         |        |         |        |         |  |
| Revenue            | 70,028  | 68,417 | 2.4     | 69,692 | 0.5     | We expect a healthy tower addition in 3QFY22 due to no major restrictions and a sizeable decline in COVID-19 cases |
| EBITDA             | 37,831  | 37,136 | 1.9     | 37,332 | 1.3     |  |
| PBT                | 20,397  | 18,378 | 11.0    | 20,334 | 0.3     |  |
| PAT                | 15,633  | 13,600 | 14.9    | 15,585 | 0.3     |  |

Source: RSec Research

## Change in Ratings

We have changed our rating system and included **HOLD** recommendation. We have **BUY, HOLD and SELL** recommendation now.

We have also shifted to **1-Year Target Price** from **2-Year Target Price**.

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