



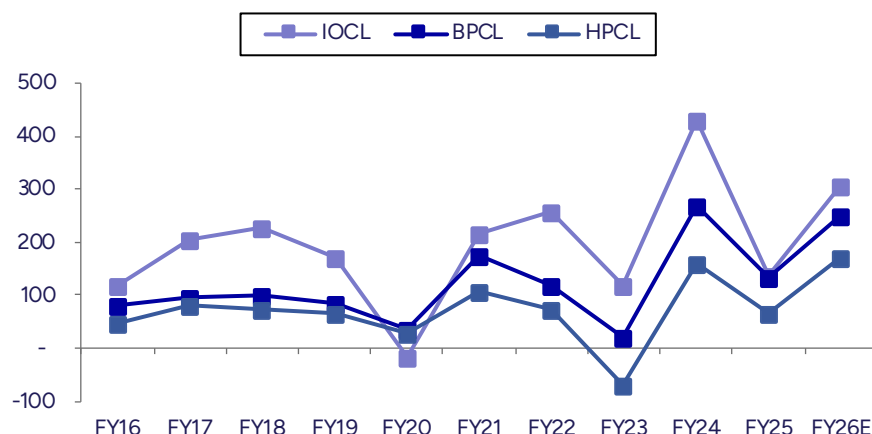
It's Belle Epoque[^] for the OMCs!

Heightened global geo-political turbulence, depreciating rupee, combined with concerns of excise duty hike and its absorption by the Oil Marketing Companies (OMCs) resulted in their stock prices nosediving by 3-15% over the past month. After all, if history is anything to go by, the OMCs have never made good profits consistently. So, after a handsome FY26E, despite under-recoveries on LPG, would they be allowed to mint in FY27E as well?

Gross marketing margin on petrol and diesel stand at Rs11.7/lit and Rs6.6/lit currently. If we assume that the impact of Brent at USD65/bbl and Rs/USD at 92 is not getting reflected completely, these would be shaved off by say Rs2-3/lit. Hence, if Brent continues to hover at USD65/bbl, the probability of an excise hike more than Rs2/lit on petrol and diesel is low.

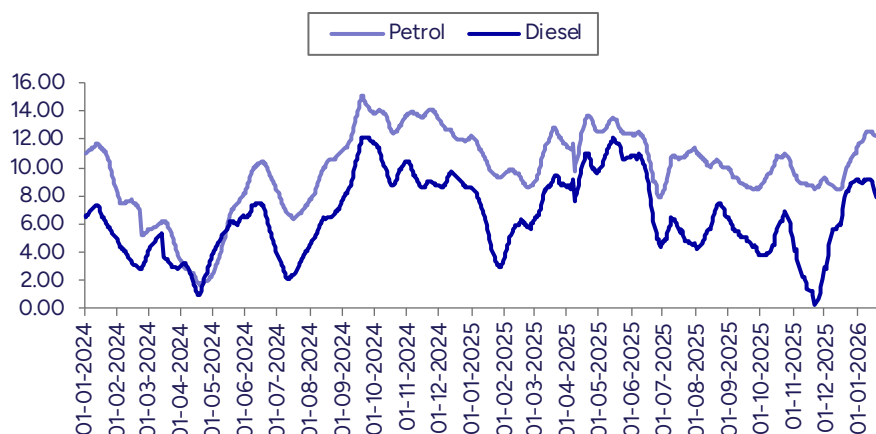
However, post the correction, HPCL for example is trading at ~1x FY28 PBV. At this valuation, considering that no more upward shocks are coming for Brent and excise hike would be on expected lines, we believe that HPCL is enjoying its Belle Epoque and makes for a good buy! Both other stocks are high on capex while HPCL would also have the benefit of reduction in debt as its projects are coming to an end.

Exhibit 1: Consolidated PAT of the OMCs (Rs bn)



Source: Company, PL

Exhibit 2: Gross marketing margin on petrol and diesel

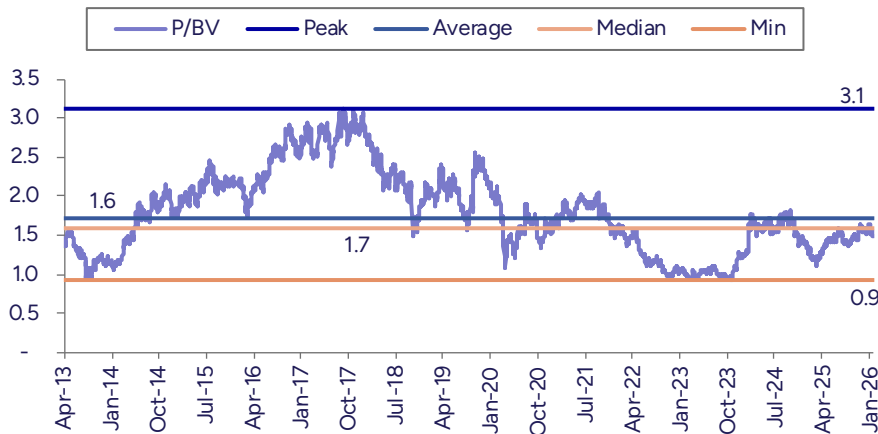


Source: Industry, PL

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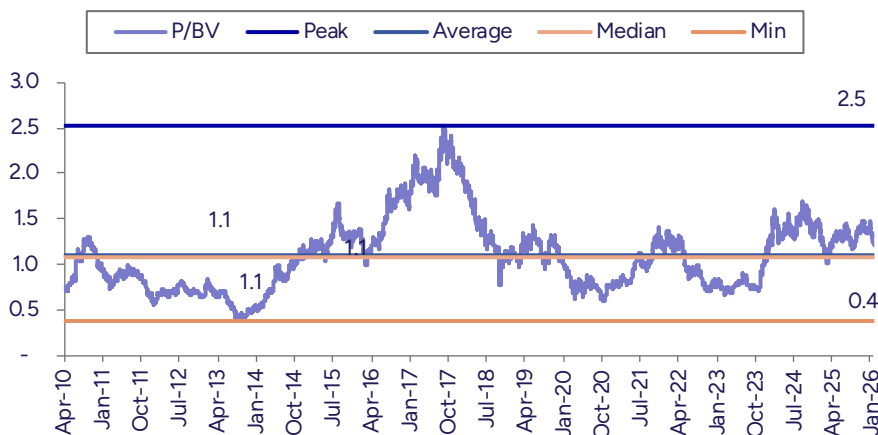
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Exhibit 3: Long term P/BV - BPCL



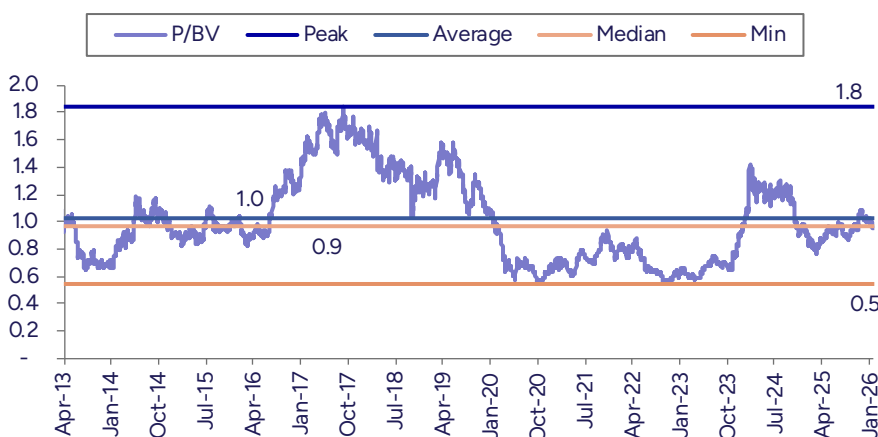
Source: Company, PL

Exhibit 4: Long term P/BV - HPCL



Source: Company, PL

Exhibit 5: Long term P/BV - IOCL



Source: Company, PL

[^]La Belle Epoque or The Beautiful Era refers to the European history post Franco-Prussian war of 1871 till the outbreak of the First World War (1914). The period was full of peace, prosperity and innovations.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	401	375
2	Bharat Petroleum Corporation	Accumulate	381	349
3	Bharti Airtel	Accumulate	2,259	2,113
4	Clean Science and Technology	Hold	892	865
5	Deepak Nitrite	Hold	1,729	1,626
6	Fine Organic Industries	BUY	5,103	4,274
7	GAIL (India)	BUY	202	169
8	Gujarat Fluorochemicals	Hold	3,639	3,485
9	Gujarat Gas	Accumulate	422	399
10	Gujarat State Petronet	Hold	296	303
11	Hindustan Petroleum Corporation	Accumulate	457	428
12	Indian Oil Corporation	Accumulate	175	164
13	Indraprastha Gas	Hold	196	190
14	Jubilant Ingrevia	Hold	755	744
15	Laxmi Organic Industries	Reduce	153	162
16	Mahanagar Gas	BUY	1,356	1,074
17	Mangalore Refinery & Petrochemicals	Accumulate	162	151
18	Navin Fluorine International	Accumulate	6,722	5,751
19	NOCIL	Hold	152	148
20	Oil & Natural Gas Corporation	BUY	307	242
21	Oil India	BUY	538	426
22	Petronet LNG	Hold	281	295
23	Reliance Industries	BUY	1,683	1,458
24	SRF	Hold	2,894	2,883
25	Vinati Organics	BUY	1,887	1,615

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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