

OIL & GAS

12 June 2020

Petroleum consumption surges 47% in May

- India's petroleum product consumption surged 47% MoM (-21% YoY) to 14.6mmt in May'20 as fuels across segments exhibited resurgent growth in tandem with the Indian economy's emergence from the world's strictest lockdown.
- A YoY comparison still shows weak demand trends for all petroleum products, except LPG (+13% YoY). The latter is possibly due to the oil minister's announcement of free LPG cylinder distribution to the poor.
- Petrol and diesel consumption stood at 1.8mmt (+82% MoM, -35% YoY) and 5.5 mmt (+69% MoM, -29% YoY) respectively in May. ATF consumption was at 0.1mmt (+98% MoM, -84% YoY) – this remains the worst hit fuel with demand only at ~18% of normal levels.
- Demand for fuel oil (+61% MoM, -3% YoY), bitumen (+192% MoM, -14% YoY) and pet coke (+34% MoM, +4% YoY) showed marked MoM improvement as refinery operations gathered pace.
- India's power and energy demand, which had nosedived, are also returning to pre-lockdown levels faster than expected – electricity consumption is currently at 100 Billion Units (BU) vs. the five-year average of 107bu and refineries are operating at >80% capacity.
- Based on [IOCL's recent Covid-19 update](#), the earnings outlook for OMCs' marketing business remains stable as they have begun taking daily price revisions. We prefer IOCL, HPCL and BPCL, in that order, considering both valuations and benefits from a staggered easing of the lockdown across states.

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KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
IOCL IN	88	200	BUY
BPCL IN	373	470	BUY
HPCL IN	211	340	BUY

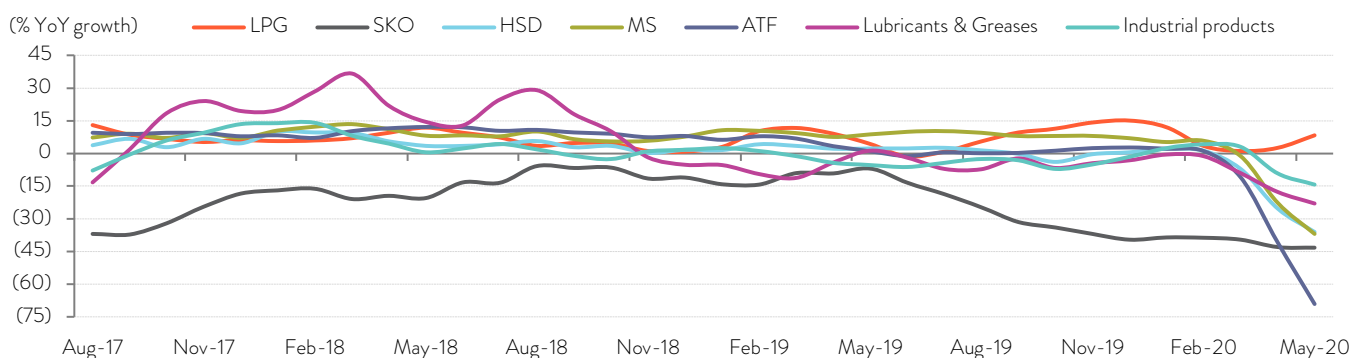
Price & Target in Rupees

PETRO PRODUCT CONSUMPTION

('000 mt)	May'20	YoY (%)	FY20	YoY (%)
LPG	2,317	12.6	26,366	5.9
SKO	181	(32.4)	2,397	(30.7)
HSD	5,495	(29.4)	82,579	(1.0)
MS	1,769	(35.3)	29,976	6.0
Naphtha	1,084	(0.1)	14,436	0.7
ATF	111	(84.1)	8,000	(3.8)
LDO	69	40.4	596	5.3
Lubes & Greases	255	(17.2)	3,959	(8.1)
FO & LSHS	479	(3.4)	6,512	(6.4)
Bitumen	571	(13.5)	6,747	(5.5)
Petcoke	1,523	3.7	22,086	(1.9)
Others	792	(21.2)	10,189	13.2
Total	14,646	(21.3)	212,788	0.4

Source: PPAC

FIG 1 – QUARTERLY ROLLING CONSUMPTION GROWTH FOR PETROLEUM PRODUCTS



Source: PPAC, BOBCAPS Research

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