

## Pressure on cyclical earnings

**Cyclical business fundamentals aggravated in Q3FY20 – Singapore GRMs crashed to US\$ 1.63/bbl (-75% QoQ), and petrochemical cracks declined ~20% QoQ. However, earnings for RIL and OMCs could still improve on higher complex GRMs and some improvement in marketing margins. Upstream PSU profitability could be impacted on the domestic gas price cut, despite stable Oil prices (+1% QoQ). Sustained low spot LNG prices at ~US\$5/mmbtu levels (+10% QoQ) could lift volumes for all gas utilities.**

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**GRMs crash:** Singapore GRMs averaged US\$ 1.63/bbl for Q3FY20 due to crash in fuel oil spreads to -US\$19/bbl (from -US\$0.5/bbl QoQ), while light distillate cracks remained under pressure. However, upside from IMO led impact seems to have faded, as Diesel cracks (~US\$14\$/bbl) still look some distance away from levels anticipated post IMO (>US\$20/bbl), and risks from a global economic slowdown look potent enough to restrict further upsides on diesel cracks. We prefer to wait until Q4FY20 before raising our long-term GRM estimates.

**Slowdown concerns visible in petrochemicals:** Per unit polymer and polyester margins have been trending lower, by ~25% QoQ in Q3FY20. A visible slowdown in industrial activity across China, Europe and the US has hurt petrochemical product demand. Consequently, we expect RIL's integrated petchem margins to fall ~10% QoQ. GAIL's petchem margins for the quarter could be affected by lower PE prices (down ~11% QoQ).

**LNG prices remain muted:** Spot LNG prices, although have marginally recovered to ~US\$5/mmbtu (+10% QoQ) in Q3, continue to expand the gap with long-term LNG volumes from Qatar (averaging ~US\$ 9/mmbtu). Gas demand across segments continue to improve (India consumption expected to improve by ~5mmscmd QoQ), which could imply gains on both margins and volumes across gas utilities.

**Cyclicals offer value:** We expect marketing margins to remain flattish QoQ for all three OMCs despite. Among OMCs, we prefer IOCL and HPCL, given improvement in marketing business valuations (post privatization roadmap for BPCL) and GRM recovery. RIL remains the primary beneficiary of IMO, and hence offers value if GRMs were to surge above our estimates.

## KEY RECOMMENDATIONS

Ticker	Rating
RIL IN	BUY
ONGC IN	BUY
GAIL IN	BUY
PLNG IN	BUY
GUJGA IN	BUY



**FIG 1 – BOBCAPS ENERGY UNIVERSE: Q3FY20 PREVIEW**

Company (Rs mn)	Net Sales			EBITDA			PAT		
	Q3FY20E	YoY (%)	QoQ (%)	Q3FY20E	YoY (%)	QoQ (%)	Q3FY20E	YoY (%)	QoQ (%)
Reliance Industries	1,558,823	(0.3)	5.0	244,472	14.7	10.4	122,421	18.0	7.8
Indian Oil Corp	1,126,947	(19.5)	0.9	35,983	(0.3)	0.7	3,822	(46.7)	(32.2)
Bharat Petroleum Corp	1,837,435	132.1	(6.7)	23,157	214.0	9.9	13,354	9.6	11.3
Hindustan Petroleum Corp	702,806	(2.1)	16.0	24,419	267.1	20.4	11,310	356.9	7.5
Oil & Natural Gas Corp	241,517	(12.8)	(1.4)	124,643	(24.8)	(6.2)	51,503	(37.7)	(17.8)
Oil India	32,363	(7.9)	0.7	15,189	(0.2)	22.2	7,223	(41.4)	15.2
GAIL	202,254	2.2	12.1	17,544	(34.4)	12.3	11,418	(32.1)	7.3
Petronet LNG	81,852	(18.9)	(12.6)	10,656	25.6	(8.2)	6,417	13.5	(45.4)
Indraprastha Gas	16,977	12.5	0.3	3,841	20.8	(2.2)	2,686	35.7	(29.5)
Mahanagar Gas	7,818	3.9	(0.2)	2,598	8.6	(5.0)	1,813	22.2	(29.7)
Gujarat State Petronet	6,052	33.4	(4.8)	4,073	15.3	(6.8)	2,528	45.7	(44.4)
Gujarat Gas	24,648	16.4	(1.9)	3,222	0.3	(13.1)	1,544	(0.9)	(70.1)

Source: BOBCAPS Research

**FIG 2 – BOBCAPS ENERGY UNIVERSE: VALUATION SUMMARY**

Company	Rating	TP (Rs)	Upside (%)	EPS (Rs)			PE (x)			ROE (%)		
				FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
RIL	BUY	1,860	22.8	73.8	106.9	142.5	20.5	14.2	10.6	11.2	14.4	16.5
IOCL	BUY	240	96.7	20.4	23.8	25.8	6.0	5.1	4.7	16.5	18.4	18.8
BPCL	REDUCE	490	6.5	49.2	48.7	51.7	9.4	9.5	8.9	21.8	19.2	18.4
HPCL	BUY	365	50.8	43.6	41.9	50.9	5.5	5.8	4.8	20.6	17.9	19.7
ONGC	BUY	210	69.4	23.6	28.1	32.3	5.3	4.4	3.8	12.9	14.3	15.2
OINL	BUY	260	68.8	32.5	37.4	39.9	4.7	4.1	3.9	12.3	13.3	13.3
GAIL	BUY	160	29.0	12.5	13.8	13.7	9.9	9.0	9.0	12.6	13.0	12.1
PLNG	BUY	400	48.1	21.7	23.8	25.3	12.4	11.4	10.7	29.9	28.9	27.0
IGL	BUY	455	9.1	16.3	19.0	23.2	25.6	21.9	18.0	23.3	22.2	22.1
MAHGL	SELL	890	(13.9)	79.3	82.5	85.5	13.0	12.5	12.1	30.4	28.2	26.1
GUJS	BUY	350	59.1	18.4	18.0	21.1	11.9	12.2	10.4	17.3	14.8	15.5
GUJGA	BUY	280	7.7	16.7	16.1	17.6	15.6	16.1	14.8	44.2	36.5	38.5

Source: BOBCAPS Research

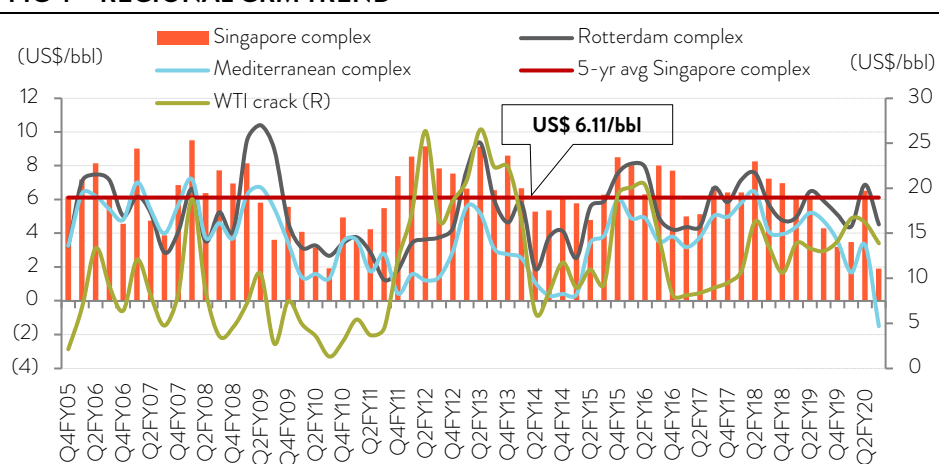
## Key macro trends

**FIG 3 – MONTHLY GRM AND PRODUCT PRICE MOVEMENT**

(US\$/bbl)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Rotterdam Complex	4.23	5.91	(28.40)	6.85	(38.27)	5.15	5.79	(10.99)
Singapore Complex	1.63	4.30	(62.12)	6.52	(75.01)	3.87	5.49	(29.50)
Mediterranean Complex	(2.04)	4.72	-	3.26	-	0.99	4.78	(79.27)
WTI Crack	13.49	13.03	3.49	16.13	(16.36)	15.42	13.41	14.97
<b>Product Spreads</b>								
LPG	(21.98)	(25.09)	12.39	(28.99)	24.18	(26.53)	(24.97)	(6.23)
Petrol	8.14	5.40	50.60	7.89	3.11	7.24	8.17	(11.34)
Naphtha	(2.35)	(3.07)	23.57	(7.87)	70.15	(6.48)	(2.00)	(223.49)
Jet Kero	13.86	17.02	(18.56)	15.75	(11.98)	13.92	15.64	(10.95)
Diesel	14.22	14.86	(4.32)	15.34	(7.32)	13.96	14.62	(4.52)
Fuel Oil	(19.81)	0.51	-	(0.57)	-	(8.07)	(3.23)	(149.86)
<b>Crude Prices &amp; Spreads</b>								
Brent	62.49	76.69	(18.51)	61.86	1.02	64.23	72.96	(11.96)
Indian Crude Basket	62.08	75.89	(18.20)	61.43	1.04	63.76	71.51	(10.84)
Arab Light Heavy	2.32	2.34	(0.79)	1.53	51.11	1.87	2.81	(33.47)
Dubai - Arab Heavy	(1.21)	0.51	-	(1.11)	-	(0.83)	1.15	-
Currency - INR USD	71.22	70.70	0.73	70.43	1.12	70.40	67.42	4.43

Source: Bloomberg, BOBCAPS Research

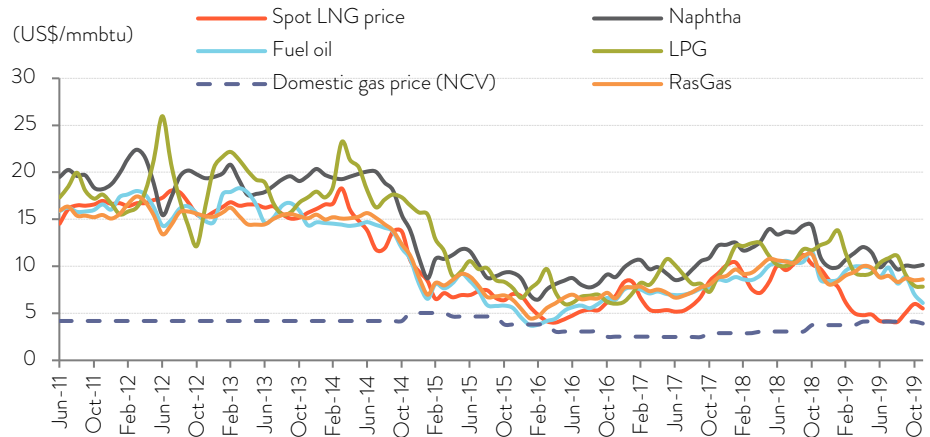
### GRMs trending well below five-year averages

**FIG 4 – REGIONAL GRM TREND**


Source: Reuters, BOBCAPS Research

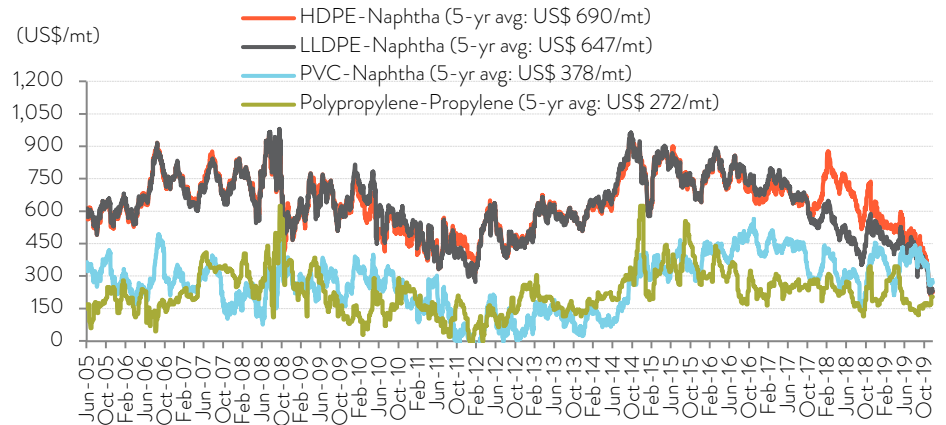
Spot LNG prices remain muted in Q3, while the gap with alternates fuels expanded on stable oil prices

FIG 5 – LNG PRICES AGAINST ALTERNATIVES



Source: Bloomberg, BOBCAPS Research

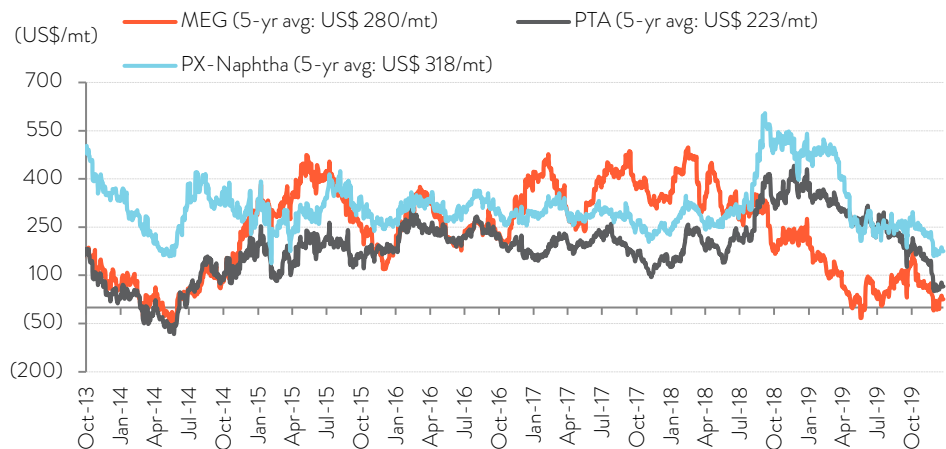
FIG 6 – POLYMER SPREADS – HDPE/LLDPE/PP/PVC



Source: Bloomberg, BOBCAPS Research

Both polymer and polyester cracks fell in Q3; decline in polyester chain steeper on slowing global industrial activity

FIG 7 – POLYESTER INTERMEDIARY SPREADS – PX/PTA/MEG



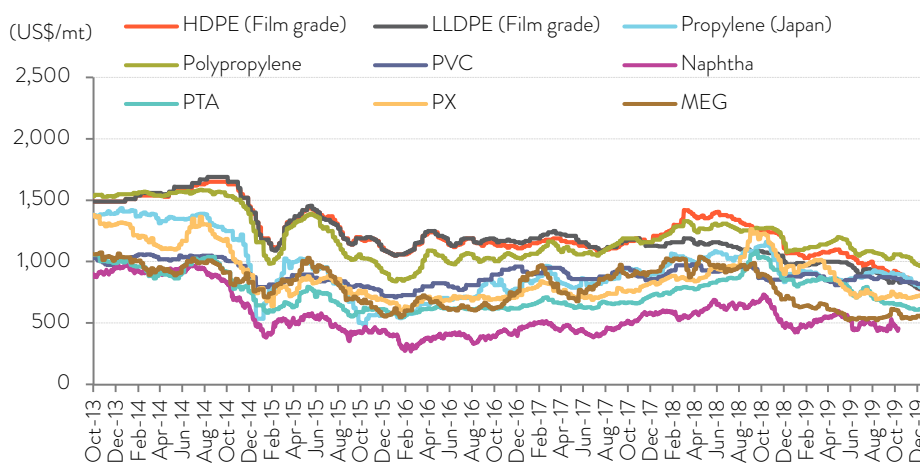
Source: Bloomberg, BOBCAPS Research

**FIG 8 – PETROCHEMICAL PRODUCT CRACKS**

(US\$/MT)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Naphtha Prices	506	648	(21.90)	478	5.8	503.7	616.4	(18.28)
HDPE Naphtha	334	680	(50.95)	472	(29.36)	445.4	723.7	(38.45)
LLDPE Naphtha	310	462	(32.93)	417	(25.69)	391.1	523.9	(25.35)
Propylene Naphtha	335	407	(17.74)	427	(21.51)	364.9	422.4	(13.61)
Polypropylene - Propylene	172	211	(18.64)	155	11.33	202.7	235.6	(13.97)

Source: Bloomberg, BOBCAPS Research

**FIG 9 – PRODUCT PRICES**



Source: Bloomberg, BOBCAPS Research

## Q3FY20: Company-wise expectations

### Reliance Industries (RIL)

#### Q3FY20E highlights

- Consolidated earnings and EBITDA expected to increase to Rs 122bn (+18% YoY, +7.8% QoQ) and Rs 244bn (+14.7% YoY, +10.4% QoQ) respectively on higher earnings from refining, retail and Jio segments.
- GRMs estimated to improve to US\$ 10.7/bbl (+23.0% YoY, +13.8% QoQ), due to favorable movement in key product spreads, zero fuel oil production and some inventory gain on rise in closing crude prices QoQ.
- Refining EBIT forecast to increase to Rs 67bn (+31.6% YoY) on higher GRMs and rise in crude throughput following planned shutdown in Q2FY20.
- Petchem EBIT likely to come under significant pressure due to sharp decline in polymer and polyester product cracks, declining to Rs 58bn (-29% YoY)
- RJio EBIT projected to improve to Rs 41bn (+24% QoQ) on ~23mn net subscriber additions and ARPU of Rs 130 (+8.3% QoQ).
- Retail business earnings growth to remain muted QoQ, in line with macro trends across India. EBIT estimated at Rs 20.5bn (+35.6% YoY, +0.7% QoQ)

#### What to watch for

- GRM outlook ahead of IMO regulations
- Updates on commissioning of petcoke gasifiers
- Clarity on InvIT valuations for Jio's fibre assets

**FIG 10 – RIL Q3FY20 PREVIEW (CONSOLIDATED)**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	1,558,823	1,563,970	(0.3)	1,485,260	5.0	4,613,843	4,284,760	7.7
EBITDA	244,472	213,170	14.7	221,520	10.4	679,142	630,860	7.7
EBITDA margin (%)	15.7	13.6	-	14.9	-	14.7	14.7	-
<b>Adj. PAT</b>	<b>122,421</b>	<b>103,760</b>	<b>18.0</b>	<b>113,520</b>	<b>7.8</b>	<b>336,811</b>	<b>294,100</b>	<b>14.5</b>
<b>Adj. EPS (Rs)</b>	<b>19.3</b>	<b>17.5</b>	<b>10.4</b>	<b>17.9</b>	<b>7.9</b>	<b>56.9</b>	<b>49.6</b>	<b>14.6</b>
<b>GRMs (US\$/bbl)</b>	<b>10.7</b>	<b>8.7</b>	<b>23.0</b>	<b>9.4</b>	<b>13.8</b>	<b>9.7</b>	<b>9.5</b>	<b>2.4</b>
Refining throughput (mmt)	17.7	17.5	1.1	16.7	6.0	51.9	51.8	0.2
Petrochemical production (mmt)	9.9	9.2	7.6	9.9	-	28.5	27.8	2.5

Source: BOBCAPS Research

## Oil marketing companies (IOCL, BPCL and HPCL)

### Q3FY20E highlights

- Earnings expected to surge for all three OMCs on improvement in GRMs, while marketing earnings remain flattish QoQ
- Higher oil prices in Q3FY20 vs. Q2 may translate into inventory gains, on higher closing oil price (up ~US\$ 6/bbl over Q3). GRMs for OMCs may trend at par with Singapore GRMs.
- Marketing margins to remain flattish QoQ.

### What to watch for

- GRM outlook for Paradip, Bhatinda and Bina refineries post IMO regulations

**FIG 11 – IOCL: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	1,126,947	1,399,689	(19.5)	1,116,897	0.9	3,558,969	4,014,786	(11.4)
EBITDA	35,983	36,101	(0.3)	35,722	0.7	155,205	229,479	(32.4)
EBITDA margin (%)	3.19	2.58	-	3.20	-	4.36	5.72	-
<b>Adj. PAT</b>	<b>3,822</b>	<b>7,168</b>	<b>(46.7)</b>	<b>5,634</b>	<b>(32.2)</b>	<b>45,418</b>	<b>107,949</b>	<b>(57.9)</b>
<b>Adj. EPS (Rs)</b>	<b>0.4</b>	<b>0.8</b>	<b>(46.3)</b>	<b>0.6</b>	<b>(32.2)</b>	<b>4.8</b>	<b>11.4</b>	<b>(57.6)</b>
<b>GRMS (US\$/bbl)</b>	<b>1.0</b>	<b>1.2</b>	<b>(13.0)</b>	<b>1.3</b>	<b>(21.9)</b>	<b>2.0</b>	<b>5.8</b>	<b>(66.0)</b>
Throughput (mmt)	17.5	19.0	(7.6)	17.5	-	52.4	54.5	(3.8)
Market sales (mmt)	21.8	21.6	1.0	21.4	1.7	64.8	63.6	1.8
Pipeline throughput (mmt)	23.3	23.1	1.0	21.75	7.2	67.0	67.3	(0.5)
Petrochemical volumes (mmt)	0.53	0.67	(21.4)	0.53	-	1.58	1.97	(19.7)

Source: BOBCAPS Research

**FIG 12 – BPCL: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	749,222	791,688	(5.4)	643,408	16.4	2,155,809	2,231,574	(3.4)
EBITDA	19,629	7,374	166.2	23,749	(17.3)	65,177	70,320	(7.3)
EBITDA margin (%)	2.6	0.9	-	3.7	-	3.0	3.2	-
<b>PAT (adj.)</b>	<b>9,477</b>	<b>12,187</b>	<b>(22.2)</b>	<b>11,281</b>	<b>(16.0)</b>	<b>37,312</b>	<b>40,071</b>	<b>(6.9)</b>
<b>Adj. EPS (Rs)</b>	<b>4.82</b>	<b>6.20</b>	<b>(22.2)</b>	<b>5.74</b>	<b>(16.0)</b>	<b>18.97</b>	<b>20.37</b>	<b>(6.9)</b>
<b>Reported GRMs (US\$/bbl)</b>	<b>2.00</b>	<b>2.78</b>	<b>(28.1)</b>	<b>3.38</b>	<b>(40.8)</b>	<b>2.46</b>	<b>5.25</b>	<b>(53.1)</b>
Refining throughput (mmt)	7.66	7.49	2.3	7.66	-	22.77	22.88	(0.5)
Market sales (mmt)	10.61	11.46	(7.4)	10.81	(1.8)	31.97	32.46	(1.5)

Source: BOBCAPS Research

**FIG 13 – HPCL: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	702,806	718,139	(2.1)	605,728	16.0	2,015,639	2,063,523	(2.3)
EBITDA	24,419	6,652	267.1	20,284	20.4	39,841	53,688	(25.8)
EBITDA margin (%)	3.5	0.9	-	3.3	-	2.0	2.6	-
Adj. PAT	11,310	2,476	356.9	10,523	7.5	10,017	30,587	(67.3)
<b>Adj. EPS (Rs)</b>	<b>7.4</b>	<b>1.6</b>	<b>356.7</b>	<b>6.9</b>	<b>7.5</b>	<b>19.6</b>	<b>20.1</b>	<b>(2.1)</b>
<b>Reported GRMs (US\$/bbl)</b>	<b>1.5</b>	<b>3.7</b>	<b>(59.7)</b>	<b>2.8</b>	<b>(47.0)</b>	<b>1.7</b>	<b>5.2</b>	<b>(67.4)</b>
Refining throughput (mmt)	4.6	4.6	-	4.6	-	13.0	13.8	(5.8)
Market sales (mmt)	9.8	9.7	1.0	9.4	4.7	29.3	28.6	2.5
Pipeline throughput (mmt)	5.1	5.2	(3.3)	5.1	-	15.4	15.9	(3.0)

Source: BOBCAPS Research

## ONGC

### Q3FY20E highlights

- Earnings expected to decline sequentially to Rs 51.5bn (-38% YoY, -18% QoQ) on higher operating expenses (estimated at ~US\$ 7.5/bbl from US\$ 6.98/bbl in Q2FY20) and lower domestic gas prices.
- Oil & gas production estimated to decline to 12.2mmtoe (-4% YoY) with oil holding at 6.1mmt and gas output slipping to 6.1bcm (-9% YoY).

### What to watch for

- Management guidance on oil and gas production over FY20/FY21
- OVL's earnings and production outlook for FY20/FY21

**FIG 14 – ONGC: Q3FY20 PREVIEW (STANDALONE)**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	241,517	276,941	(12.8)	244,926	(1.4)	749,907	828,961	(9.5)
EBITDA	124,643	165,708	(24.8)	132,900	(6.2)	406,401	470,916	(13.7)
EBITDA margin (%)	51.6	59.8	-	54.3	-	54.2	56.8	-
Adj. PAT	51,503	82,627	(37.7)	62,631	(17.8)	160,042	226,712	(29.4)
<b>Adj. EPS (Rs)</b>	<b>4.1</b>	<b>6.4</b>	<b>(36.4)</b>	<b>5.0</b>	<b>(17.8)</b>	<b>12.7</b>	<b>17.7</b>	<b>(28.0)</b>

Source: BOBCAPS Research

**FIG 15 – PRODUCTION AND SALES TREND**

	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
<b>Production</b>								
Oil (mmt)	6.1	6.0	1.5	5.8	4.9	17.8	18.3	(2.7)
Gas (bcm)	6.1	6.7	(8.8)	6.3	(2.7)	18.8	19.3	(2.4)
<b>Total (mmtoe)</b>	<b>12.2</b>	<b>12.7</b>	<b>(3.9)</b>	<b>12.1</b>	<b>1.0</b>	<b>36.6</b>	<b>37.6</b>	<b>(2.5)</b>
<b>Sales</b>								
Oil (mmt)	5.5	5.4	2.6	5.4	2.1	16.2	16.6	(2.7)
Gas (bcm)	4.7	5.3	(10.8)	4.9	(3.4)	14.7	15.3	(3.9)
<b>Total (mmtoe)</b>	<b>10.3</b>	<b>10.7</b>	<b>(4.0)</b>	<b>10.3</b>	<b>(0.6)</b>	<b>30.9</b>	<b>31.9</b>	<b>(3.3)</b>

Source: BOBCAPS Research



## Oil India (OINL)

### Q3FY20E highlights

- Earnings expected to decline to Rs 4.6bn (-41% YoY) on lower oil prices (-18% YoY).
- EBITDA remains Rs 15.2bn (flat YoY) on lower operating costs

### What to watch for

- Production outlook for FY21
- Updates on projects in Mozambique, Venezuela and Russia

**FIG 16 – OINL: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	32,363	35,140	(7.9)	32,136	0.7	98,233	106,481	(7.7)
EBITDA	15,189	15,215	(0.2)	12,429	22.2	42,530	44,045	(3.4)
EBITDA margin (%)	46.9	43.3	-	38.7	-	43.3	41.4	-
Adj. PAT	7,223	12,335	(41.4)	6,272	15.2	21,125	27,987	(24.5)
<b>Adj. EPS (Rs)</b>	<b>6.7</b>	<b>10.9</b>	<b>(38.7)</b>	<b>5.8</b>	<b>15.2</b>	<b>19.5</b>	<b>24.7</b>	<b>(21.0)</b>

Source: BOBCAPS Research

**FIG 17 – PRODUCTION AND SALES TREND**

	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
<b>Production</b>								
Oil (mmt)	0.82	0.84	(2.6)	0.82	-	2.45	2.54	(3.7)
Gas (bcm)	0.75	0.73	2.0	0.75	-	2.21	2.16	2.0
<b>Total (mmtoe)</b>	<b>1.56</b>	<b>1.57</b>	<b>(0.4)</b>	<b>1.56</b>	<b>-</b>	<b>4.65</b>	<b>4.70</b>	<b>(1.5)</b>
<b>Sales</b>								
Oil (mmt)	0.79	0.81	(2.9)	0.79	-	2.37	2.46	(3.5)
Gas (bcm)	0.66	0.65	2.3	0.66	-	1.94	1.89	2.5
<b>Total (mmtoe)</b>	<b>1.45</b>	<b>1.46</b>	<b>(0.6)</b>	<b>1.45</b>	<b>-</b>	<b>4.31</b>	<b>4.34</b>	<b>(0.9)</b>

Source: BOBCAPS Research

## GAIL

### Q3FY20E highlights

- Gas transmission/trading volumes forecast at 115mmcmd/105mmcmd (+5.8% QoQ/+11.3% QoQ)
- Expect increase in LPG earnings due to 12% QoQ rise in realisations
- The above gains would be partly offset by lower petchem realisations which is likely to shrink to US\$ 850/mt (-11% QoQ) amidst lower PE margins and

higher LNG prices. Petchem production to be at 200k mt (-12% QoQ) due to some seasonal decline.

- Overall EBITDA projected to improve 12.3% QoQ on gains from gas marketing and LPG production segments.

### What to watch for

- Hive-off of gas pipeline assets

**FIG 18 – GAIL: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	202,254	197,890	2.2	180,399	12.1	565,759	563,629	0.4
EBITDA	17,544	26,735	(34.4)	15,627	12.3	55,760	78,710	(29.2)
EBITDA margin (%)	8.7	13.5	-	8.7	-	9.9	14.0	-
PAT (adjusted)	11,418	16,812	(32.1)	10,643	7.3	34,935	49,034	(28.8)
<b>Adjusted EPS (Rs)</b>	<b>2.5</b>	<b>3.7</b>	<b>(32.1)</b>	<b>2.4</b>	<b>7.3</b>	<b>7.7</b>	<b>10.9</b>	<b>(28.8)</b>

Source: Company, BOBCAPS Research

**FIG 19 – VOLUME TREND**

	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
<b>Natural Gas transmission</b>								
Volume (mmscmd)	115.00	107.70	6.8	108.70	5.8	109.70	106.88	2.6
Realisation (Rs/scm)	1.40	1.49	(5.8)	1.41	(1.1)	1.45	1.45	0.2
<b>LPG transmission</b>								
Volume ('000 MT)	990	1,036	(4.4)	999	(0.9)	2,816	2,952	(4.6)
Realisation (Rs/MT)	1,613	1,486	8.6	1,613	-	1,618	1,515	6.8
<b>Natural Gas trading</b>								
Volume (mmscmd)	105.37	96.00	9.8	94.70	11.3	98.87	96.45	2.5
Realisation (Rs/scm)	18.38	18.34	0.2	17.32	6.1	17.76	17.30	2.7
<b>Petrochemicals</b>								
Volume ('000 MT)	200	173	15.6	228	(12.3)	564	534	5.6
Gross Realisation (US\$/MT)	850	1,227	(30.7)	960	(11.4)	995	1,295	(23.1)
<b>LPG and Liquid HC</b>								
Volume ('000 MT)	329	342	(3.8)	329	-	954	994	(4.0)
Realisation (US\$/MT)	440	587	(25.0)	395	11.5	464	549	(15.6)

Source: Company, BOBCAPS Research

## Petronet LNG (PLNG)

### Q3FY20E highlights

- Volumes estimated to decline QoQ to 244tbtu (+20.8% YoY, -2.4% QoQ) considering some seasonal slowdown and restart of Dabhol terminal post monsoon.
- EBITDA forecast at Rs 10.7bn (+25.6% YoY, -8.2% QoQ).

- Service volumes projected to rise to 132tbtu (+57% YoY, +2.3% QoQ) due to continued trend of spot LNG prices remaining lower than R-LNG that may affect the long-term contracts

### What to watch for

- Updates on Tellurian LNG deal
- Updates on commissioning of Kochi-Mangalore gas pipeline (suppose to start by Mar'20).

**FIG 20 – PLNG: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	81,852	100,977	(18.9)	93,612	(12.6)	261,598	300,122	(12.8)
EBITDA	10,656	8,481	25.6	11,605	(8.2)	32,500	26,662	21.9
EBITDA margin (%)	13.0	8.4	-	12.4	-	12.4	8.9	-
EBITDA margin (Rs/mmbtu)	43.7	42.0	4.0	46.4	(5.9)	45.1	41.7	8.2
Blended margin (Rs/mmbtu)	50.5	49.4	2.1	53.5	(5.7)	52.3	49.0	6.7
Adj. PAT	6,417	5,653	13.5	11,752	(45.4)	23,771	17,152	38.6
<b>Adj. EPS (Rs)</b>	<b>4.3</b>	<b>3.8</b>	<b>13.5</b>	<b>7.8</b>	<b>(45.4)</b>	<b>15.8</b>	<b>11.4</b>	<b>38.6</b>

Source: Company, BOBCAPS Research

**FIG 21 – VOLUME TRENDS**

Volumes (tbtu)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Long-term contract	105.0	114.0	(7.9)	114.0	(7.9)	326.0	354.0	(7.9)
Spot	7.0	4.0	73.7	7.0	-	20.0	16.3	23.1
Regasification services	132.0	84.0	57.1	129.0	2.3	374.0	269.0	39.0
<b>Total volumes</b>	<b>244.0</b>	<b>202.0</b>	<b>20.8</b>	<b>250.0</b>	<b>(2.4)</b>	<b>720.0</b>	<b>639.3</b>	<b>12.6</b>

Source: Company, BOBCAPS Research

## Indraprastha Gas (IGL)

### Q3FY20E highlights

- Earnings expected to be at Rs 2.7bn (+36% YoY, -30% QoQ)
- Volume growth traction likely to continue (600mmscm; +11% YoY, -1% QoQ). CNG volumes estimated to improve by 11% YoY and PNG by 9.3% owing to low domestic prices (~US\$ 3.5/mmbtu).
- Per unit EBITDA to decline QoQ at Rs 6.4/scm (+9.3% YoY, -1.3% QoQ)

### What to watch for

- Outlook on volumes from new areas

**FIG 22 – IGL: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	16,977	15,084	12.5	16,925	0.3	49,533	42,173	17.5
EBITDA	3,841	3,179	20.8	3,926	(2.2)	11,223	9,209	21.9
EBITDA (Rs/scm)	6.4	5.9	9.3	6.5	(1.3)	6.6	5.8	13.3
EBITDA margin (%)	22.6	21.1	-	23.2	-	22.7	21.8	-
Adj. PAT	2,686	1,980	35.7	3,810	(29.5)	8,551	5,612	52.4
<b>Adj. EPS (Rs)</b>	<b>3.8</b>	<b>2.8</b>	<b>35.7</b>	<b>5.4</b>	<b>(29.5)</b>	<b>61.1</b>	<b>8.0</b>	<b>661.8</b>

Source: Company, BOBCAPS Research

**FIG 23 – VOLUME TREND**

	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
CNG Volumes (mn kg)	323	291	11.0	320	0.9	948	854	11.0
PNG Volume (mmscm)	151	138	9.3	152	(0.8)	448	403	11.1
Industrial/Commercial	70	61	14.0	73	(4.7)	211	183	15.0
Domestic	35	31	13.8	33	6.9	99	85	16.8
Natural Gas	46	46	0.0	46	-	138	135	2.2
<b>Total Volume (mmscm)</b>	<b>600</b>	<b>543</b>	<b>10.5</b>	<b>605</b>	<b>(0.9)</b>	<b>1,711</b>	<b>1,590</b>	<b>7.6</b>
<b>Total Volume (mmscmd)</b>	<b>6.52</b>	<b>5.90</b>	<b>10.5</b>	<b>6.58</b>	<b>(0.9)</b>	<b>18.80</b>	<b>5.78</b>	<b>225.2</b>

Source: Company, BOBCAPS Research

## Mahanagar Gas (MAHGL)

### Q3FY20E highlights

- Volume growth to be muted at 1.9% YoY and 0.6% QoQ coming in at 278mmscm due to a high base and slowdown in the addition or conversion rate of CNG vehicles. CNG volumes estimated at 203mmscm (+1.5% YoY, +0.1% QoQ) and PNG at 75mmscm (+3% YoY, +1.9% QoQ).
- Gross spreads set to decline QoQ at Rs 14.2/scm (-3.6%) due to increase in spot LNG prices (>US\$5/mmbtu) which is ~14% of the volume mix.
- Per unit EBITDA estimated at Rs 9.4/scm (+6.6% YoY, -5.6% QoQ).

### What to watch for

- Outlook on expansion in Raigad.

**FIG 24 – MAHGL: Q3FY20 PREVIEW**

(Rs. mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	7,818	7,527	3.9	7,836	(0.2)	23,228	20,685	12.3
EBITDA	2,598	2,391	8.6	2,734	(5.0)	9,375	6,715	39.6
EBITDA margin (%)	33.2	31.8	-	34.9	-	40.4	32.5	-
EBITDA (Rs/scm)	9.4	8.8	6.6	9.9	(5.6)	11.4	8.3	36.7
Adj. PAT	1,813	1,483	22.2	2,706	(33.0)	5,925	4,129	43.5
<b>Adj. EPS (Rs)</b>	<b>18.3</b>	<b>15.0</b>	<b>22.2</b>	<b>27.4</b>	<b>(33.0)</b>	<b>59.8</b>	<b>41.8</b>	<b>43.2</b>

Source: Company, BOBCAPS Research

**FIG 25 – VOLUME TREND**

	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
CNG Volume (mmscm)	203	200	1.5	203	0.1	602	593	1.5
PNG Volume (mmscm)	75	73	3.0	73	1.9	221	213	4.0
Industrial/Commercial	38	37	1.0	38	(2.3)	113	111	1.9
Domestic	37	36	5.0	35	6.6	109	102	6.3
<b>Total Volume (mmscm)</b>	<b>278</b>	<b>273</b>	<b>1.9</b>	<b>276</b>	<b>0.6</b>	<b>824</b>	<b>806</b>	<b>2.2</b>
<b>Total Volume (mmscmd)</b>	<b>3.02</b>	<b>2.96</b>	<b>1.9</b>	<b>3.00</b>	<b>0.6</b>	<b>3.00</b>	<b>2.93</b>	<b>2.2</b>

Source: Company, BOBCAPS Research

## Gujarat State Petronet (GUJS)

### Q3FY20E highlights

- Volumes likely to be muted at 39mmscmd (-0.5% QoQ) as Morbi is operating at full capacity (~6.2 mmscmd) and some seasonal slowdown could be an added factor.
- EBITDA to decline QoQ at Rs 4bn (-7% QoQ) on lower realization assumption as tariffs in QFY20 seemed exceptionally higher.

### What to watch for

- Outlook on volumes post commissioning of RIL's petcoke gasification project and offtake by power segment.

**FIG 26 – GUJS: Q3FY20 PREVIEW**

Y/E March (Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20E	9MFY19	YoY (%)
Net sales	6,052	4,538	33.4	6,356	(4.8)	17,512	14,434	21.3
EBITDA	4,073	3,532	15.3	4,371	(6.8)	12,442	12,133	2.5
EBITDA margin (%)	67.3	77.8	-	68.8	-	71.1	84.1	-
PAT (adjusted)	2,528	1,736	45.7	4,549	(44.4)	10,105	6,413	57.6
<b>EPS (Rs)</b>	<b>4.48</b>	<b>3.08</b>	<b>45.7</b>	<b>8.06</b>	<b>(44.4)</b>	<b>17.92</b>	<b>11.37</b>	<b>57.6</b>
<b>Volumes (mmscm)</b>	<b>3,588</b>	<b>3,168</b>	<b>13.3</b>	<b>3,605</b>	<b>(0.5)</b>	<b>10,707</b>	<b>9,705</b>	<b>10.3</b>
<b>Volumes (mmscmd)</b>	<b>39.0</b>	<b>34.4</b>	<b>13.3</b>	<b>39.2</b>	<b>(0.5)</b>	<b>39.0</b>	<b>35.3</b>	<b>10.5</b>
Tariffs (Rs/scm)*	1.65	1.41	17.0	1.72	(4.3)	1.42	1.41	1.0

Source: Company, BOBCAPS Research. Note: \*Tariffs not comparable YoY, as revision of tariffs in Q3FY19 carry adjustments for Q1 FY19 as well

## Gujarat Gas (GUJGA)

### Q3FY20E highlights

- EBITDA/scm expected to be under pressure (at Rs 4/scm, -7.3% QoQ) mainly due to higher spot LNG prices.

- Volumes to remain subdued QoQ at 9.2mmscmd (9.3mmscmd in Q2FY20) as we build in full capacity utilization at Morbi.

### What to watch for

- Outlook on expansion into new geographical areas and capex allocation

**FIG 27 – GUJGA: Q3FY20 PREVIEW**

(Rs mn)	Q3FY20E	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	24,648	21,174	16.4	25,129	(1.9)	75,923	58,469	29.9
EBITDA	3,222	3,212	0.3	3,706	(13.1)	11,593	7,305	58.7
EBITDA (Rs/scm)	4.0	5.3	(25.0)	4.3	(7.3)	5.5	4.0	38.5
EBITDA margin (%)	13.1	15.2	-	14.7	-	15.3	12.5	-
Adj. PAT (Rs)	1,544	1,559	(0.9)	5,173	(70.1)	9,054	3,184	184.4
<b>Adj. EPS (Rs)</b>	<b>2.2</b>	<b>2.3</b>	<b>(0.9)</b>	<b>7.5</b>	<b>(70.1)</b>	<b>13.2</b>	<b>4.6</b>	<b>184.4</b>
<b>Volumes (mmscmd)</b>	<b>9.2</b>	<b>6.6</b>	<b>39.8</b>	<b>9.3</b>	<b>(1.9)</b>	<b>7.6</b>	<b>6.7</b>	<b>14.6</b>

Source: Company, BOBCAPS Research

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