

● OIL & GAS: Q1 PREVIEW

Earnings of OMCs likely to surge

ONGC expected to be in red; steep EPS fall likely for CGD players; GAIL, PLNG, GSPL to see more moderate decline

KEY TRENDS IN the oil & gas sector in Q1FY21 were: (i) Dubai and Brent crude were down 53-54% y-o-y at \$31-32/bbl; (ii) domestic gas price was at its 10-year low of \$2.7/mmmbtu; (iii) Reuters' Singapore gross refining margin (GRM) was in the red at minus \$0.9/bbl; (iv) auto fuel net marketing margin was at an all-time high of ₹6.13/l; (v) auto fuel consumption was down 33% y-o-y and total product consumption down 26% y-o-y due to lockdown; and (vi) lockdown has meant gas consumption by city gas distribution (CGD) is down sharply while fall in gas transmission and LNG imports is more modest. We estimate strong earnings growth for OMCs but loss for ONGC, steep earnings fall for CGD players and more moderate earnings fall for GAIL, Petronet LNG (PLNG) and GSPL.

51-298% y-o-y surge in OMCs' EPS

We estimate 51%, 237% and 298% y-o-y surge in Q1FY21e EPS of IOC, BPCL and HPCL, respectively driven by: (i) record net marketing margin of ₹6.13/l; (ii) product inventory gain of ₹5.5-8.5 bn vs loss or smaller gain in Q1FY20; (iii) 2.1-9.3x y-o-y surge in GRM to \$5.9-6.9/bbl for BPCL and HPCL; and (iv) decline in tax rate to 25.17% for IOC and HPCL. IOC's GRM is estimated to be down 9% y-o-y at \$4.3/bbl. OMC GRMs are estimated to be boosted by discounts of \$3.4-3.6/bbl on crude vs Dubai and crude inventory gain of \$0.6/bbl for BPCL and HPCL (\$0.1/bbl loss for IOC).



ONGC to be in the red

We estimate ONGC to be in the red in Q1FY21e due to decline in realisation on oil by 54%, gas by 29% and value added products by 28-55% y-o-y.

GAIL's Q1 EPS to be down 40% y-o-y

We estimate GAIL's Q1FY21e EPS to be down 40% y-o-y, hit by 46-65% y-o-y fall in LPG production, and gas marketing Ebitda and petrochemical Ebitda in the red. Gas marketing Ebitda

We estimate Q1FY21e EPS of MGL, IGL and GGL being down by

₹1.70, ₹1.07 and ₹1.07 y-o-y, respectively, hit by 59%, 63% and 56% y-o-y decline in volumes

being lower than our estimate of ₹3 bn, or in the red, is not ruled out. Gas transmission and marketing volumes are estimated to be down 10-12% y-o-y, and petrochemicals and LPG by 6-7%.

PLNG's EPS to be down 40% y-o-y: PLNG's Q1 recurring EPS is estimated to fall by 40% y-o-y, hit by 26% y-o-y fall in Dahej regas volumes (73% utilisation).

61-78% y-o-y fall in EPS of CGD players

We estimate Q1FY21e EPS of MGL, IGL and GGL being down by 61%, 64% and 78% y-o-y respectively hit by 59%, 63% and 56% y-o-y decline in volumes. Ebitda margin is estimated to be up 9% y-o-y for IGL, down 2% y-o-y for MGL and down 14% y-o-y for GGL. We estimate GSPL's Q1 EPS to be down 18% y-o-y, hit by 15% y-o-y decline in gas transmission volumes.

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Q1FY21e result preview

₹/share	Recurring standalone EPS		
	Q1FY21e	Y-o-Y (%)	Q-o-Q (%)
HPCL	21.2	298%	NM
BPCL	15.6	237%	NM
IOC	5.1	51%	135%
ONGC	(0.2)	NM	NM
GAIL	1.7	-40%	-66%
PLNG	2.2	-40%	-7%
GSPL	3.0	-18%	-25%
GGL	0.7	-78%	-79%
IGL	1.1	-64%	-69%
MGL	6.8	-61%	-60%

Source: IFCI research