

RESEARCH
OIL & GAS

Takeaways from global LNG channel checks

Daily macro indicators

Indicator	2-Jan	3-Jan	Chg (%)
US 10Y yield (%)	3.93	3.92	(1bps)
India 10Y yield (%)	7.21	7.22	1bps
USD/INR	83.32	83.29	0.0
Brent Crude (US\$/bbl)	75.9	78.3	3.1
Dow	37,715	37,430	(0.8)
Hang Seng	16,789	16,646	(0.8)
Sensex	71,892	71,357	(0.7)
India FII (US\$ mn)	1-Jan	2-Jan	Chg (\$ mn)
FII-D	10.4	114.0	103.6
FII-E	30.4	191.4	161.0

Source: Bank of Baroda Economics Research

SUMMARY
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- Global LNG prices showing initial signs of easing; improved availability likely to make the fuel competitive for Indian buyers
- Worldwide LNG supply on track to improve 12% over two years and close to 40% by 2030
- We highlight GUJS (BUY, TP Rs 370) and IGL (BUY, TP Rs 550) as key beneficiaries of potential improvement in India's gas consumption

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04 January 2024

Takeaways from global LNG channel checks

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- **We highlight GUJS (BUY, TP Rs 370) and IGL (BUY, TP Rs 550) as key beneficiaries of potential improvement in India's gas consumption**

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We summarise key takeaways from our channel checks with global LNG experts.

Spot LNG prices likely to return to ~US\$ 10 post European winter: Muted LNG prices during Europe's winter season have paved the way for a modest price zone ahead. However, prices are not likely to go below the sustainable floor of US\$ 7-8/MMBtu given breakeven considerations for US LNG. Higher China consumption at lower prices and/or potential supply disruptions due to the Gaza conflict are key upside risks.

Contract LNG prices starting to normalise...: New long-term LNG contract price slopes to crude are retracting to 12.0-12.5% (from highs of 13.5%) for long-term and even more for medium-term contracts. However, this is unlikely to dip to previous lows of 10-11% seen during the Covid period.

...with planned material ramp-up of supply: Given planned global capacity additions of ~50mmtpa over CY24-CY25, ~50mmtpa in CY26 and another ~50mmtpa over CY27-CY28, LNG supply is likely to improve ~40% by CY30. Industry experts see a distinct possibility of supply surprising on the upside in CY24 as several developers have accelerated implementation amid recent tightness in LNG markets.

Read-across for gas transmission players: The availability of competitive LNG has the potential to increase gas consumption and transportation volumes in India from FY25, in our view. **GUJS** (BUY, TP Rs 370) is significantly levered to LNG volumes with connectivity to five terminals on the Gujarat coast.

Read-across for PLNG: We believe **PLNG** (HOLD, TP Rs 220) is poised to benefit from higher utilisation of its regasification terminals and an increase in contract volumes with Qatar following contract extension. However, it may face difficulties securing a floating storage regas unit (FSRU) for its proposed Gopalpur RLNG terminal.

Read-across for CGD players: The city gas distribution (CGD) sector can benefit from higher demand growth upon improved availability of competitive LNG. We highlight our BUY on **IGL** (TP Rs 550).

Recommendation snapshot

Ticker	Price	Target	Rating
GUJS IN	334	370	BUY
IGL IN	424	550	BUY
PLNG IN	232	220	HOLD

Price & Target in Rupees | Price as of 4 Jan 2024



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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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