

OIL & GAS

11 May 2020

Petroleum consumption plunges in April

Signs of economic slowdown

- India's petroleum product consumption plunged 46% YoY (-38% MoM) to 10mmt in Apr'20, as all fuels except LPG saw severe demand erosion. Fuel consumption during Mar'20, when travel restrictions had begun across states, was at 16mmt.
- Diesel consumption at 3.2mmt (-56% YoY, -42% MoM) was less affected than petrol at 1mmt (-60% YoY, -55% MoM), perhaps due to the government easing restrictions on economic activity in a few states and the fact that diesel sees the largest consumption among fuels in the country.
- LPG was the only fuel at 2.1mmt (+12% YoY, -8% MoM) to witness double-digit consumption growth YoY – possibly due to the oil minister's announcement last month about giving free LPG cylinders to the poor.
- ATF was worst hit at 0.056mmt (-91% YoY, -88% QoQ) given the travel ban on both domestic and international fronts.
- Offtake of other fuels slipped as well – petcoke (-50% YoY), bitumen (-72% YoY), fuel oil (-40% YoY) and lubricants (-17% YoY).

Implications

- Given the recent hike in excise duties and slowdown in volume growth, the earnings outlook for OMCs' marketing business remains cloudy.
- We prefer IOCL, HPCL and BPCL, in that order, on valuations, and benefits from staggered easing of economic lockdown in phases across states. IOCL also offers one the best dividend yields (>13%).

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KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
IOCL IN	75	200	BUY
BPCL IN	315	470	BUY
HPCL IN	192	340	BUY

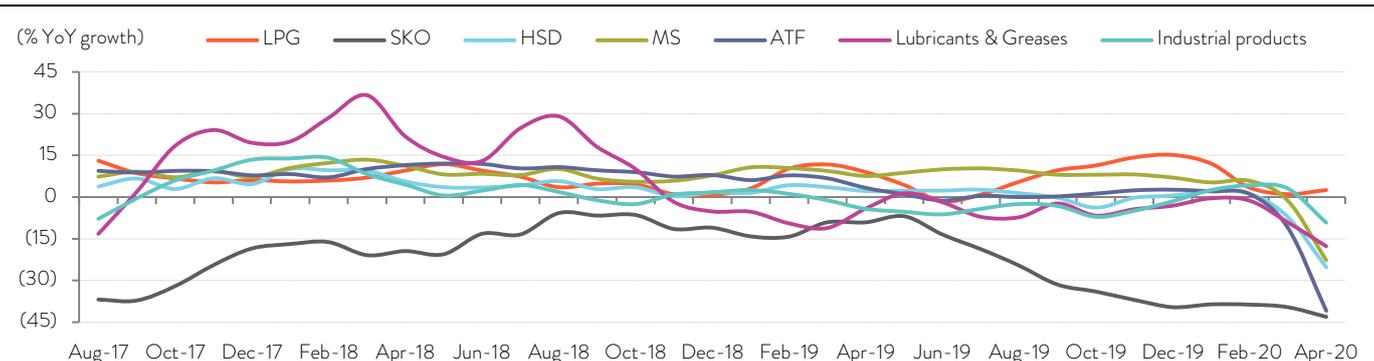
Price & Target in Rupees

PETRO PRODUCT CONSUMPTION

('000 mt)	Apr'20	YoY (%)	FY20	YoY (%)
LPG	2,132	12.2	26,366	5.9
SKO	129	(49.3)	2,397	(30.7)
HSD	3,250	(55.6)	82,579	(1.0)
MS	973	(60.4)	29,976	6.0
Naphtha	859	(9.4)	14,436	0.7
ATF	56	(91.3)	8,000	(3.8)
LDO	28	(38.6)	596	5.3
Lubes & Greases	212	(16.9)	3,959	(8.1)
FO & LSHS	297	(40.3)	6,512	(6.4)
Bitumen	196	(71.7)	6,747	(5.5)
Petcoke	1,135	(49.6)	22,086	(1.9)
Others	662	(36.6)	10,189	13.2
Total	9,929	(45.8)	212,788	0.4

Source: PPAC

FIG 1 – MONTHLY CONSUMPTION GROWTH



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