

## OIL &amp; GAS

13 November 2020

### Petroleum demand soars for first time since lockdown

- India's petroleum product consumption jumped 15% MoM (+2% YoY) to 17.8mmt in October as fuels across segments exhibited resurgent growth in tandem with the Indian economy's emergence from the world's strictest lockdown.
- A YoY comparison shows strong demand trends for all major petroleum products except ATF (-50% YoY). The latter is because the airlines are not yet operating at normal capacity.
- Petrol and diesel consumption stood at 2.7mmt (+8% MoM, +4.5% YoY) and 7mmt (+27% MoM, +7.5% YoY) respectively in Oct'20. ATF offtake was at 0.4mmt (+98% MoM, -50% YoY) – this remains the worst hit fuel but demand has risen to 51% of normal levels (as against an average of 25% since the start of FY20).
- Demand for fuel oil (+9% MoM, +13% YoY), bitumen (+49% MoM, +58% YoY) and pet coke (+4% MoM, -22% YoY) showed marked MoM improvement as refinery operations and construction activities gathered pace. Consumption of naphtha, a petrochemical feedstock, soared to 1.3mmt (+14% MoM, +17% YoY). LPG, the only fuel that grew even during the lockdown period, rose to 2.4mmt (+3% YoY, +7% MoM).
- Based on OMCs' earnings commentary, the outlook on marketing margins looks robust. With volume growth recovery likely from H2FY21, this outlook improves even further. Expected announcement of the BPCL divestment would provide additional impetus to a rerating for IOCL and HPCL.

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#### KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
IOCL IN	84.7	170	BUY
BPCL IN	393	480	BUY
HPCL IN	215	440	BUY

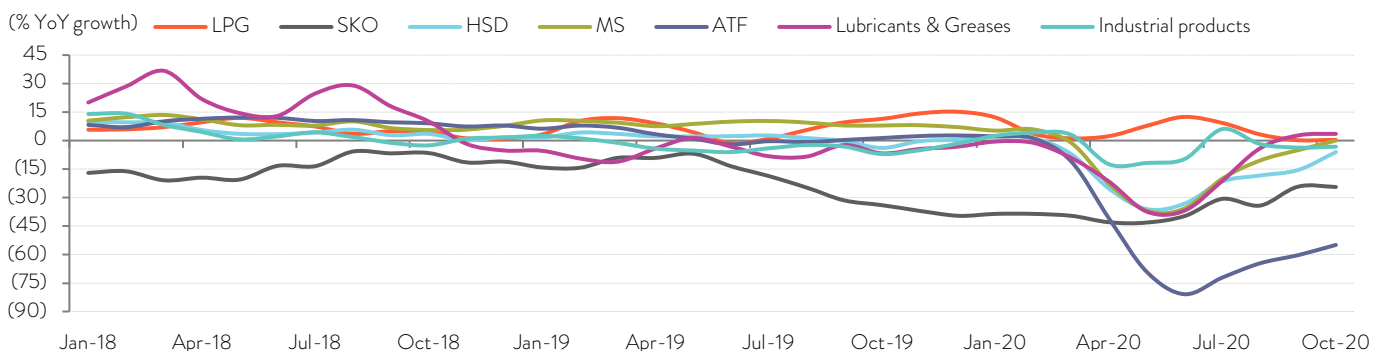
Price &amp; Target in Rupees

#### PETRO PRODUCT CONSUMPTION

('000 mt)	Oct'20	YoY (%)	H1FY21	YoY (%)
LPG	2,422	2.6	13,278	5.8
SKO	139	(18.3)	928	(33.0)
HSD	6,994	7.5	30,896	(25.2)
MS	2,654	4.5	12,117	(20.8)
Naphtha	1,299	17.1	6,577	2.8
ATF	355	(49.7)	1,190	(70.5)
LDO	69	42.9	343	6.4
Lubes & Greases	316	5.9	1,572	(16.4)
FO & LSHS	532	13.2	2,791	(8.5)
Bitumen	662	58.3	2,684	(5.8)
Petcoke	1,394	(22.2)	9,064	(5.5)
Others	941	(4.8)	4,930	(18.9)
<b>Total</b>	<b>17,777</b>	<b>2.1</b>	<b>86,370</b>	<b>(17.6)</b>

Source: PPAC

#### FIG 1 – QUARTERLY ROLLING CONSUMPTION GROWTH FOR PETROLEUM PRODUCTS



Source: PPAC, BOBCAPS Research

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**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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