

OIL & GAS

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V-shaped recovery in LNG imports

LNG imports rebound: Natural gas consumption in May increased to 157mmscmd (+7% YoY, +21% MoM). Barring CGD (18.7mmscmd, -27% YoY) and power (30mmscmd, -10% YoY), offtake surged across sectors, viz. fertiliser (50.7mmscmd, +27% YoY), refineries (27.7mmscmd, +37% YoY) and petrochemicals (12mmscmd, +22% YoY). This reflects a V-shaped recovery in the gas utilities segment as the government eases restrictions on businesses and industries. The trend is in line with expectations highlighted in our recent [Model Portfolio update](#).

Fertiliser and refinery segment consumption surges: Fertiliser, the largest consumer of R-LNG in India, clocked a 14% YoY rise in LNG imports to 26.4mmscmd. Although the power and refinery segments – the second and third largest consumers of natural gas in India – saw a decline in R-LNG consumption, their domestic gas offtake increased by 10% (24.9mmscmd) and 246% YoY (10.7mmscmd) respectively.

Domestic gas production declines: Gas production slipped 16% YoY to 74.2mmscmd during May, with the biggest decline of 38% YoY to 8.6mmscmd seen from private players. ONGC and Oil India also reduced production to 58.3mmscmd (-16% YoY) and 7.4mmscmd (-1% YoY) respectively. Despite recent optimistic management commentary from both companies on gas production in the next couple of years, we do not estimate any increase in domestic gas output due to unfavourable economics at current low gas prices.

FIG 1 – GAS CONSUMPTION

(mmscmd)	May'20	May'19	YoY (%)	Apr'20	MoM (%)	FY21YTD	FY20YTD	YoY (%)
Fertiliser	50.7	40.0	26.7	43.0	18.0	46.8	39.2	19.4
Power	30.1	33.4	(10.0)	25.3	19.0	27.7	33.0	(16.1)
CGD	18.7	25.6	(27.1)	12.7	47.1	15.7	25.5	(38.5)
Other industrials:	57.6	48.2	19.6	49.4	16.7	53.5	48.3	10.8
Refineries	27.7	20.2	36.8	24.4	13.6	26.0	20.3	28.4
Petrochemicals	12.0	9.9	21.6	7.0	70.6	9.5	10.0	(4.5)
Miscellaneous	18.0	18.1	(0.7)	18.0	(0.2)	18.0	18.1	(0.5)
Total	157.1	147.3	6.7	130.3	20.5	143.7	146.0	(1.6)

Source: PPAC, BOBCAPS Research

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KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
GAIL IN	104	150	BUY
PLNG IN	262	305	BUY
IGL IN	445	420	SELL
MAHGL IN	1,047	710	SELL
GUJS IN	225	310	BUY
GUJGA IN	324	335	BUY

Price & Target in Rupees

GAS CONSUMPTION

(mmscmd)	May'20	May'19	YoY (%)
Fertiliser			
Domestic	24.3	16.9	43.8
R-LNG	26.4	23.1	14.3
Total	50.7	40.0	26.7
Power			
Domestic	24.9	22.6	10.2
R-LNG	5.2	10.8	(51.9)
Total	30.1	33.4	(10.0)
CGD			
Domestic	6.3	15.2	(58.6)
R-LNG	12.4	10.4	19.2
Total	18.7	25.6	(27.1)
Other Industrials			
Domestic	23.8	14.1	68.8
R-LNG	33.8	34.1	(0.9)
Total	57.6	48.2	19.6
Total Consumption	157.1	147.3	6.7
Total R-LNG	77.8	78.4	(0.8)
Total Domestic	79.3	68.9	15.2

Source: PPAC, BOBCAPS Research



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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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