

OIL & GAS

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Mar'20 natural gas consumption slips

Consumption gains pre-crisis pared in March: Natural gas consumption in Q4FY20 increased a mere 2.6% YoY to 150mmscmd as offtake inched up across sectors and power demand dropped – CGD (28.6mmscmd, +10% YoY), other industrials (50.6mmscmd, +8.2% YoY) and fertiliser (45.4mmscmd, +4% YoY). Power sector consumption slowed to 26mmscmd (-14% YoY). CGD was the biggest swing factor, improving by 2.6mmscmd YoY during the quarter. However, the economic shutdown curtailed gas consumption in the month of March to ~139mmscmd vs. the average of 156.2mmscmd for Jan-Feb'20.

Offtake from fertiliser, power and CGD dip: Fertiliser, power and CGD demand in Mar'20 declined by 5.4mmscmd, 5mmscmd and 5.3mmscmd YoY respectively, far below the average consumption registered during Jan'20 and Feb'20. Refineries and petrochemicals were less affected with offtake down by 0.3mmscmd on average from both sectors in March.

Domestic gas production declines: Gas production slipped 8% YoY to 83mmscmd during Mar'20, with the biggest decline of 30% YoY to 10.1mmscmd seen with private players. ONGC and OILN also reduced production on average during Q4FY20 at 65.5 mmscmd (-6% YoY) and 7mmscmd (-5% YoY) respectively. This trend would worsen in Q1FY21 given disruptions in demand due to the economic slowdown.

FIG 1 – GAS CONSUMPTION

(mmscmd)	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	FY20	FY19	YoY (%)
Fertiliser	45.4	43.7	3.9	45.7	(0.8)	43.9	41.3	6.4
Power	25.9	30.1	(14.1)	28.4	(8.7)	30.3	32.5	(6.8)
CGD	28.6	26.0	9.9	30.1	(5.0)	28.6	25.3	13.4
Other industrials:	50.5	46.7	8.2	49.9	1.3	50.4	48.7	3.6
Refineries	22.9	18.5	23.7	21.5	6.3	21.3	19.3	10.7
Petrochemicals	9.7	9.4	2.9	9.3	4.3	9.7	9.3	5.1
Miscellaneous	18.0	18.8	(4.3)	19.1	(5.9)	19.3	20.1	(4.0)
Total	150.4	146.5	2.6	154.1	(2.4)	153.2	147.7	3.7

Source: PPAC, BOBCAPS Research

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KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
GAIL IN	94	140	BUY
PLNG IN	233	330	BUY
IGL IN	469	433	BUY
MAHGL IN	895	750	ADD
GUJS IN	195	275	BUY
GUJGA IN	235	265	BUY

Price & Target in Rupees

GAS CONSUMPTION

(mmscmd)	Mar'20	Mar'19	YoY (%)
Fertiliser			
Domestic	15.9	19.3	(17.7)
R-LNG	25.9	24.3	6.6
Total	41.8	43.6	(4.1)
Power			
Domestic	17.8	22.0	(19.3)
R-LNG	4.8	6.4	(25.1)
Total	22.6	28.5	(20.6)
CGD			
Domestic	12.1	15.2	(20.3)
R-LNG	12.9	10.2	27.3
Total	25.1	25.4	(1.3)
Other Industrials			
Domestic	11.0	15.2	(27.4)
R-LNG	38.2	31.9	19.9
Total	49.2	47.0	4.7
Total Consumption	138.6	144.5	(4.0)
Total R-LNG	81.9	72.7	12.5
Total Domestic	56.8	71.7	(20.8)

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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