

## GRMs rise but economic slowdown weighs on cyclicals

**Cyclical business fundamentals showed mixed trends in Q2FY20 – Singapore GRMs surged to US\$ 6.5/bbl (+88% QoQ), while petrochemical cracks declined ~10% QoQ. We see improved earnings for RIL and OMCs on the back of higher GRMs and some improvement in marketing margins. Lower oil prices (-10% QoQ) could hit upstream PSU profitability, while the domestic gas price cut in October will aggravate earnings pressure. Sustained low spot LNG prices (-4.3% QoQ) could lift volumes and margins for all gas utilities.**

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

**GRMs improve:** Singapore GRMs averaged US\$ 6.5/bbl for Q2FY20 due to expansion in middle distillate cracks, while light distillate cracks remained under pressure. Margins have broken above the five-year average (~US\$ 6.33) and may sustain at current levels in anticipation of IMO-led demand disruption. Diesel cracks (~US\$ 15/bbl) still look some distance away from levels anticipated post IMO (>US\$ 20/bbl), and risks from a global economic slowdown look potent enough to restrict further upsides on diesel cracks. We prefer to wait until Q4FY20 before raising our long-term GRM estimates.

**Slowdown concerns visible in petrochemicals:** Per unit polymer and polyester margins have been trending lower, by ~10% QoQ in Q2FY20. A visible slowdown in industrial activity across China, Europe and the US has hurt petrochemical product demand. Consequently, we expect RIL's integrated petchem margins to fall ~10% QoQ. GAIL's petchem margins for the quarter could be affected by lower PE prices (down ~11% QoQ).

**LNG prices remain muted:** Spot LNG prices continue to trend lower, declining to US\$ 4.4/mmbtu (-4.3% QoQ), maintaining the gap with long-term LNG (volumes from Qatar averaged at ~US\$ 9/mmbtu). This has led to improved demand for gas across segments, with consumption up ~10mmscmd QoQ, implying gains on both margins and volumes across gas utilities.

**Cyclicals offer value:** Marketing margins to remain flattish QoQ for all three OMCs despite mixed trends in petrol (+11% QoQ) and diesel (-12% QoQ) margins. Among OMCs, we prefer IOCL and HPCL, given improvement in marketing business valuations (post privatisation roadmap for BPCL) and GRM recovery. RIL remains the primary beneficiary of IMO, and hence offers value if GRMs were to surge above our estimates.

### KEY RECOMMENDATIONS

Ticker	Rating
RIL IN	BUY
HPCL IN	BUY
ONGC IN	BUY
GAIL IN	BUY
PLNG IN	BUY
GUJGA IN	BUY



**FIG 1 – BOBCAPS ENERGY UNIVERSE: Q2FY20 PREVIEW**

Company (Rs mn)	Net Sales			EBITDA			PAT		
	Q2FY20E	YoY (%)	QoQ (%)	Q2FY20E	YoY (%)	QoQ (%)	Q2FY20E	YoY (%)	QoQ (%)
Reliance Industries	15,58,823	8.8	(0.7)	2,26,038	7.1	6.0	115,824	21.3	14.2
Indian Oil Corp	11,69,381	(11.4)	(11.1)	1,01,040	49.4	21.0	48,229	48.5	34.1
Bharat Petroleum Corp	19,68,954	172.4	(0.1)	21,070	(12.9)	6.9	11,998	(1.6)	8.0
Hindustan Petroleum Corp	7,46,945	11.1	5.6	27,729	53.1	103.1	19,033	74.3	134.7
Oil & Natural Gas Corp	2,42,082	(13.5)	(8.8)	1,24,334	(21.3)	(17.7)	55,460	(32.9)	(6.1)
Oil India	31,434	(16.0)	(6.8)	11,265	(23.6)	(16.8)	6,931	(19.6)	10.9
GAIL (India)	1,97,255	3.0	7.7	23,981	(14.2)	6.2	17,758	(3.0)	37.9
Petronet LNG	87,413	(18.7)	1.5	11,802	33.5	15.3	7,724	37.2	37.9
Indraprastha Gas	16,975	19.4	7.7	3,701	20.2	3.3	2,863	52.9	31.1
Mahanagar Gas	7,436	6.8	(1.8)	3,027	36.7	9.3	2,301	68.8	46.2
Gujarat State Petronet	5,221	(12.7)	1.9	4,062	(21.3)	1.0	2,649	(18.1)	28.5
Gujarat Gas	25,420	29.4	(2.8)	4,120	156.3	(11.7)	2,639	542.4	12.9

Source: BOBCAPS Research

**FIG 2 – BOBCAPS ENERGY UNIVERSE: VALUATION SUMMARY**

Company	Rating	TP (Rs)	Upside (%)	EPS (Rs)			PE (x)			ROE (%)		
				FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
RIL	BUY	1,500	11	81.5	108.3	142.4	16.6	12.5	9.5	11.6	15.0	18.4
IOCL	BUY	265	85	23.2	25.5	28.1	6.3	5.7	5.2	18.7	19.6	20.1
BPCL	ADD	535	10	49.2	52.0	55.3	9.9	9.4	8.8	21.8	20.5	19.5
HPCL	BUY	400	29	43.6	45.3	55.3	7.1	6.9	5.6	20.6	19.3	21.1
ONGC	BUY	200	55	24.9	30.0	34.4	5.2	4.3	3.8	13.6	15.1	15.9
OINL	BUY	260	74	34.4	38.0	40.5	4.3	3.9	3.7	12.2	12.7	12.7
GAIL	BUY	200	60	13.5	14.9	15.8	9.3	8.5	8.0	13.6	14.0	13.8
PLNG	BUY	380	48	19.4	22.2	25.2	13.3	11.6	10.2	26.9	27.4	27.4
IGL	BUY	455	22	16.3	19.0	23.2	22.9	19.6	16.1	23.3	22.2	22.1
MAHGL	ADD	1,020	11	74.8	80.0	83.1	12.3	11.5	11.1	28.8	27.5	25.6
GUJS	BUY	280	32	17.9	18.3	21.3	11.8	11.6	9.9	17.0	15.4	15.9
GUJGA	BUY	270	58	13.1	16.4	17.9	13.1	10.4	9.6	36.9	41.2	42.3

Source: BOBCAPS Research

## Key macro trends

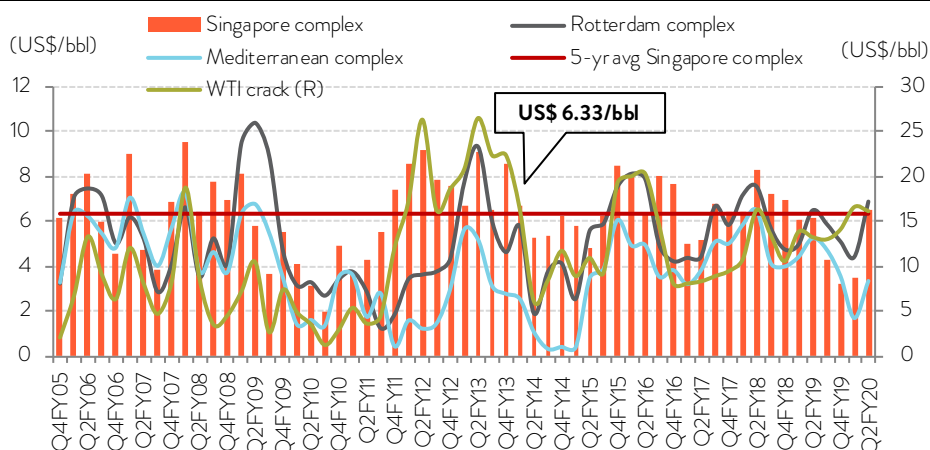
**FIG 3 – MONTHLY GRM AND PRODUCT PRICE MOVEMENT**

(US\$/bbl)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Rotterdam Complex	6.9	6.5	5.7	4.4	56.8	5.6	5.7	(1.9)
Singapore Complex	6.5	6.1	6.5	3.5	87.7	5.0	6.1	(18.0)
Mediterranean Complex	3.3	5.2	(37.4)	1.7	87.1	2.5	4.8	(47.8)
WTI Crack	16.1	13.3	21.1	16.7	(3.2)	16.4	13.6	20.5
<b>Product Spreads</b>								
LPG	(29.0)	(22.5)	(28.9)	(28.6)	(1.3)	(28.8)	(24.9)	(15.6)
Petrol	7.9	9.4	(15.9)	5.7	38.3	6.8	9.6	(28.8)
Naphtha	(7.9)	(1.4)	(461.2)	(9.2)	14.5	(8.5)	(1.5)	(482.5)
Jet Kero	15.7	14.5	8.5	12.2	29.4	14.0	14.9	(6.6)
Diesel	15.3	14.3	7.1	12.3	24.5	13.8	14.5	(4.6)
Fuel Oil	(0.6)	(4.1)	86.0	(3.8)	85.1	(2.2)	(5.1)	56.7
<b>Crude Prices &amp; Spreads</b>								
Brent	61.9	75.1	(17.7)	68.3	(9.5)	65.1	71.1	(8.4)
Indian Crude Basket	61.4	73.4	(16.3)	67.8	(9.3)	64.6	69.3	(6.8)
Arab Light Heavy	1.5	3.1	(51.1)	1.7	(12.4)	1.6	3.0	(46.0)
Dubai - Arab Heavy	(1.1)	1.6	(168.7)	(0.2)	585.8	(0.6)	1.5	(143.2)
Currency - INR USD	70.4	67.1	4.9	69.6	1.3	70.0	65.8	6.4
<b>Spot LNG (US\$/mmbtu)</b>								
	4.4	10.4	(57.5)	4.6	(4.3)	4.5	9.5	(52.3)

Source: Bloomberg, BOBCAPS Research

**Singapore GRMs have finally crossed the 5Y average mark**

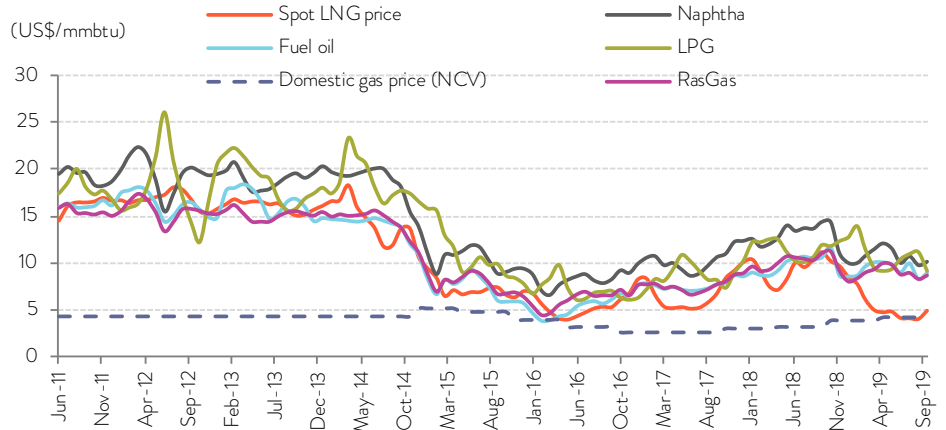
**FIG 4 – REGIONAL GRM TREND**



Source: Reuters, BOBCAPS Research

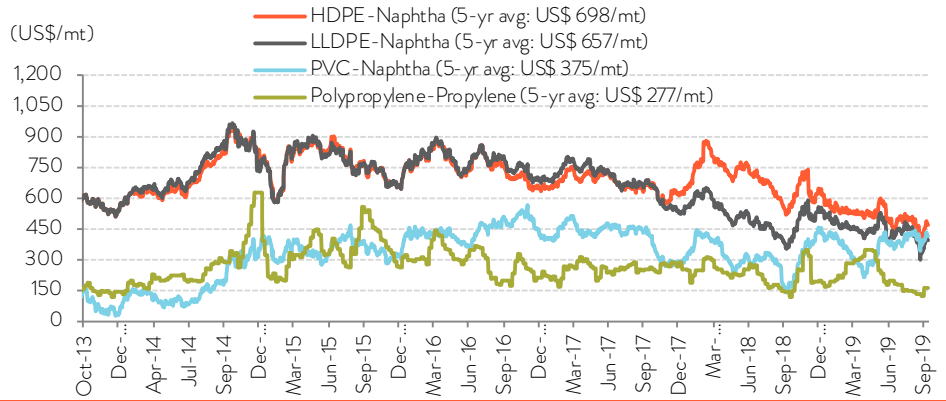
Spot LNG prices stayed muted in Q2 as the gap with alternates fuels narrowed a bit due to the fall in oil prices

FIG 5 – LNG PRICES AGAINST ALTERNATIVES



Source: Bloomberg, BOBCAPS Research

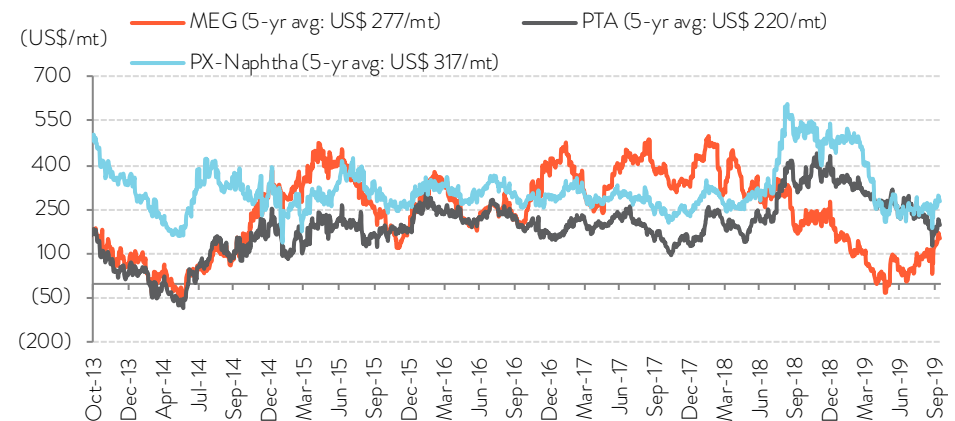
FIG 6 – POLYMER SPREADS – HDPE/LLDPE/PP/PVC



Source: Bloomberg, BOBCAPS Research

Both polymer and polyester cracks fell in Q2; decline in polyester chain steeper on slowing global industrial activity

FIG 7 – POLYESTER INTERMEDIARY SPREADS – PX/PTA/MEG



Source: Bloomberg, BOBCAPS Research

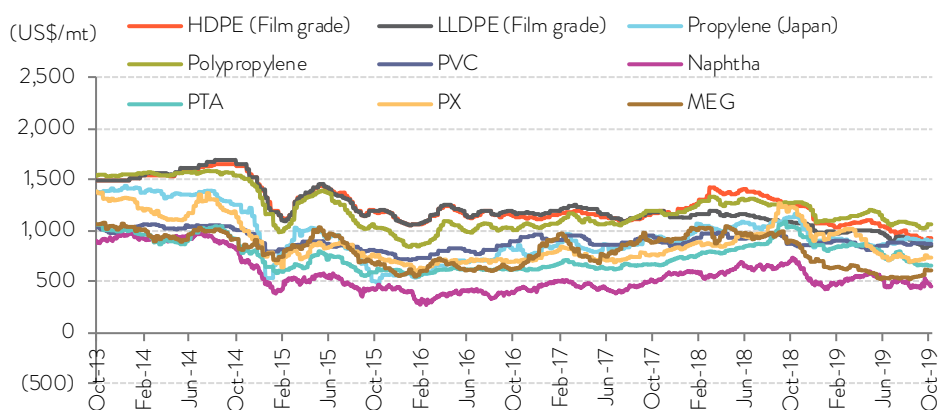
**FIG 8 – PETROCHEMICAL PRODUCT CRACKS**

(US\$/MT)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
Naphtha Prices	478	631	(24.2)	527	(9.3)	502.7	600.8	(16.3)
HDPE Naphtha	472	744	(36.5)	530	(10.9)	501.2	745.4	(32.8)
LLDPE Naphtha	417	519	(19.7)	447	(6.8)	431.8	555.0	(22.2)
Propylene Naphtha	427	416	2.6	333	28.3	379.8	429.9	(11.7)
Polypropylene - Propylene	155	236	(34.6)	282	(45.1)	218.1	247.7	(12.0)

Source: Bloomberg, BOBCAPS Research

**Product prices declined in Q2, closely tracking the fall in oil prices**

**FIG 9 – PRODUCT PRICES**



Source: Bloomberg, BOBCAPS Research

## Q2FY20: Company-wise expectations

### Reliance Industries (RIL)

#### Q2FY20E highlights

- Consolidated earnings and EBITDA expected to increase to Rs 115.8bn (+21% YoY, +14% QoQ) and Rs 226.1bn (+5% YoY, +4% QoQ) respectively on higher earnings from refining, retail and Jio segments  
  
GRMs estimated to improve to US\$ 10.5/bbl (+10.5% YoY, +30% QoQ), though spreads over Singapore GRMs could contract to US\$ 4/bbl (from ~US\$ 4.5 over the last three quarters) due to increase in FO spreads and further decline in light-heavy spreads. Refining EBIT forecast to increase to Rs 60bn (+13% YoY)
- Petchem EBIT likely to come under significant pressure from lower polymer and polyester product cracks, declining to Rs 59bn (-27% YoY)
- RJio EBIT projected to improve to Rs 33bn (+60% QoQ) on ~23mn net subscriber additions and ARPU of Rs 122 (flat QoQ).
- Retail business earnings growth to witness a slowdown, in line with macro trends across India. EBIT estimated at Rs 15bn (+18% YoY, -17% QoQ)

#### What to watch for

- GRM outlook ahead of IMO regulations
- Updates on commissioning of petcoke gasifiers
- Clarity on InvIT valuations for Jio's fibre assets

**FIG 10 – RIL Q2FY20 PREVIEW (CONSOLIDATED)**

(Rs mn)	Q2FY20A	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	15,58,823	14,33,230	8.8	15,69,760	(0.7)	31,28,583	27,20,790	15.0
EBITDA	2,26,038	2,11,080	7.1	2,13,150	6.0	4,39,188	4,17,690	5.1
EBITDA margin (%)	14.5	14.7	-	13.6	-	14.0	15.4	-
Adj. PAT	1,15,824	95,490	21.3	1,01,410	14.2	2,17,234	1,90,340	14.1
<b>Adj. EPS (Rs)</b>	<b>18.3</b>	<b>16.1</b>	<b>13.5</b>	<b>17.1</b>	<b>6.8</b>	<b>36.7</b>	<b>32.1</b>	<b>14.1</b>
<b>GRMs (US\$/bbl)</b>	<b>10.5</b>	<b>9.5</b>	<b>10.5</b>	<b>8.1</b>	<b>29.6</b>	<b>8.7</b>	<b>10.0</b>	<b>(13.4)</b>
Refining throughput (mmt)	17.5	17.7	(1.1)	17.5	-	35.0	34.3	2.0
Petrochemical production (mmt)	8.7	9.4	(7.4)	8.7	-	17.4	18.6	(6.5)

Source: BOBCAPS Research

## Oil marketing companies (IOCL, BPCL and HPCL)

### Q2FY20E highlights

- Earnings expected to surge for all three OMCs on improvement in GRMs, while marketing earnings remain flattish QoQ
- Lower oil prices in Q2FY20 vs. Q1 may translate into inventory losses due to the lower closing oil price (down ~US\$ 6/bbl over Q1). GRMs for OMCs thus expected to trend below Singapore GRMs, except for IOCL due to improved performance at its Paradip refinery
- Marketing margins to remain flattish QoQ for all three OMCs despite mixed trends in petrol (+11% QoQ) and diesel (-12% QoQ) margins

### What to watch for

- GRM outlook for Paradip, Bhatinda and Bina refineries ahead of IMO regulations

**FIG 11 – IOCL: Q2FY20 PREVIEW**

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	11,69,381	13,20,348	(11.4)	13,15,125	(11.1)	24,84,506	26,15,098	(5.0)
EBITDA	1,01,040	67,620	49.4	83,500	21.0	1,84,540	1,93,378	(4.6)
EBITDA margin (%)	8.64	5.12	-	6.35	-	7.43	7.39	-
<b>Adj. PAT</b>	<b>48,229</b>	<b>32,469</b>	<b>48.5</b>	<b>35,961</b>	<b>34.1</b>	<b>84,190</b>	<b>1,00,781</b>	<b>(16.5)</b>
<b>Adj. EPS (Rs)</b>	<b>5.1</b>	<b>3.4</b>	<b>48.5</b>	<b>3.8</b>	<b>33.2</b>	<b>8.9</b>	<b>10.6</b>	<b>(16.5)</b>
<b>GRMS (US\$/bbl)</b>	<b>7.0</b>	<b>6.8</b>	<b>3.1</b>	<b>4.7</b>	<b>49.3</b>	<b>5.8</b>	<b>8.5</b>	<b>(30.8)</b>
Throughput (mmt)	17.3	17.8	(2.9)	17.3	-	34.6	35.5	(2.5)
Market sales (mmt)	19.9	20.4	(2.3)	21.6	(7.8)	41.5	42.1	(1.3)
Pipeline throughput (mmt)	20.7	21.4	(3.0)	21.90	(5.4)	42.6	44.2	(3.6)
Petrochemical volumes (mmt)	0.53	0.66	(20.2)	0.53	-	1.05	1.30	(18.9)

Source: BOBCAPS Research

**FIG 12 – BPCL: Q2FY20 PREVIEW**

(Rsmn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	8,54,857	7,22,918	18.3	7,63,179	12.0	16,18,037	14,39,886	12.4
EBITDA	26,422	24,194	9.2	21,799	21.2	48,220	62,947	(23.4)
EBITDA margin (%)	3.1	3.3	-	2.9	-	3.0	4.4	-
PAT (adj.)	15,964	12,187	31.0	10,751	48.5	26,715	35,120	(23.9)
<b>Adj. EPS (Rs)</b>	<b>8.12</b>	<b>6.20</b>	<b>31.0</b>	<b>5.47</b>	<b>48.5</b>	<b>13.58</b>	<b>17.86</b>	<b>(23.9)</b>
<b>Reported GRMs (US\$/bbl)</b>	<b>4.50</b>	<b>5.57</b>	<b>(19.2)</b>	<b>2.81</b>	<b>60.1</b>	<b>3.30</b>	<b>6.52</b>	<b>(49.3)</b>
Refining throughput (mmt)	7.45	7.57	(1.6)	7.45	-	14.90	15.31	(2.7)
Market sales (mmt)	10.41	10.59	(1.7)	11.34	(8.2)	21.75	21.87	(0.5)

Source: BOBCAPS Research

**FIG 13 – HPCL: Q2FY20 PREVIEW (STANDALONE)**

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	7,46,945	6,72,069	11.1	7,07,105	5.6	14,54,050	13,45,384	8.1
EBITDA	27,729	18,109	53.1	13,655	103.1	40,635	47,042	(13.6)
EBITDA margin (%)	3.7	2.7	-	1.9	-	2.8	3.5	-
Adj. PAT	19,033	10,920	74.3	8,110	134.7	23,609	28,112	(16.0)
<b>Adj. EPS (Rs)</b>	<b>12.5</b>	<b>7.2</b>	<b>74.2</b>	<b>5.3</b>	<b>134.7</b>	<b>17.8</b>	<b>18.4</b>	<b>(3.5)</b>
<b>Reported GRMs (US\$/bbl)</b>	<b>6.0</b>	<b>4.8</b>	<b>24.7</b>	<b>0.8</b>	<b>700.0</b>	<b>3.4</b>	<b>5.9</b>	<b>(43.1)</b>
Refining throughput (mmt)	4.8	4.8	0.8	3.9	22.4	8.7	9.3	(6.0)
Market sales (mmt)	9.2	9.1	1.0	10.1	(8.5)	19.3	18.9	2.4
Pipeline throughput (mmt)	5.3	5.3	1.7	5.3	-	10.7	10.7	(0.2)

Source: BOBCAPS Research

## ONGC

### Q2FY20E highlights

- Earnings expected to decline sequentially to Rs 55.5bn (-33% YoY, -6% QoQ) on lower oil prices and higher operating expenses (estimated at ~US\$ 8/bbl from US\$ 7.04/bbl in Q1FY20)
- Oil & gas production estimated to dip slightly to 12.4mmtoe (-0.5% YoY) with oil holding at 6.08mmt and gas output slipping to 6.30bcm (-1.1%)

### What to watch for

- Management guidance on oil and gas production over FY20/FY21
- OVL's earnings and production outlook for FY20/FY21

**FIG 14 – ONGC: Q2FY20 PREVIEW (STANDALONE)**

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	2,42,082	2,79,892	(13.5)	2,65,547	(8.8)	5,06,642	5,52,020	(8.2)
EBITDA	1,24,334	1,57,887	(21.3)	1,51,120	(17.7)	2,74,326	3,05,208	(10.1)
EBITDA margin (%)	51.4	56.4	-	56.9	-	54.1	55.3	-
Adj. PAT	55,460	82,646	(32.9)	59,043	(6.1)	1,13,237	1,44,085	(21.4)
<b>Adj. EPS (Rs)</b>	<b>4.3</b>	<b>6.4</b>	<b>(32.9)</b>	<b>4.6</b>	<b>(6.1)</b>	<b>8.8</b>	<b>11.2</b>	<b>(21.4)</b>

Source: BOBCAPS Research

**FIG 15 – PRODUCTION AND SALES TREND**

	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
<b>Production</b>								
Oil (mmt)	6.08	6.08	0.05	5.9	3.6	11.6	12.3	(5.7)
Gas (bcm)	6.30	6.37	(1.07)	6.4	(1.8)	12.7	12.6	1.2
<b>Total (mmtoe)</b>	<b>12.38</b>	<b>12.45</b>	<b>(0.5)</b>	<b>12.3</b>	<b>0.8</b>	<b>24.3</b>	<b>24.9</b>	<b>(2.2)</b>
<b>Sales</b>								
Oil (mmt)	5.5	5.5	0.2	5.3	3.6	10.8	11.3	(4.5)
Gas (bcm)	4.9	5.0	(2.8)	5.0	(1.8)	9.9	9.9	(0.4)
<b>Total (mmtoe)</b>	<b>10.4</b>	<b>10.5</b>	<b>(1.3)</b>	<b>10.3</b>	<b>1.0</b>	<b>20.7</b>	<b>21.2</b>	<b>(2.6)</b>

Source: BOBCAPS Research



## Oil India (OINL)

### Q2FY20E highlights

- Earnings expected to rise to Rs 7bn (+11% QoQ) due to lower tax rates
- EBITDA to decline to Rs 11.3bn (-17% QoQ) on lower oil prices and flattish production

### What to watch for

- Production outlook for FY21
- Updates on projects in Mozambique, Venezuela and Russia

FIG 16 – OINL: Q2FY20 PREVIEW

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	31,434	37,436	(16.0)	33,734	(6.8)	65,167	71,340	(8.7)
EBITDA	11,265	14,746	(23.6)	13,532	(16.8)	25,538	28,830	(11.4)
EBITDA margin (%)	35.8	39.4	-	40.1	-	39.2	40.4	-
Adj. PAT	6,931	8,620	(19.6)	6,248	10.9	13,920	15,652	(11.1)
<b>Adj. EPS (Rs)</b>	<b>6.4</b>	<b>7.6</b>	<b>(15.9)</b>	<b>5.8</b>	<b>10.9</b>	<b>12.8</b>	<b>13.8</b>	<b>(6.9)</b>

Source: BOBCAPS Research

FIG 17 – PRODUCTION AND SALES TREND

	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
<b>Production</b>								
Oil (mmt)	0.80	0.86	(6.1)	0.81	(1.1)	1.62	1.70	(4.9)
Gas (bcm)	0.72	0.73	(1.5)	0.71	1.5	1.43	1.43	0.3
<b>Total (mmtoe)</b>	<b>1.53</b>	<b>1.59</b>	<b>(4.0)</b>	<b>1.53</b>	<b>0.1</b>	<b>3.05</b>	<b>3.13</b>	<b>(3.5)</b>
<b>Sales</b>								
Oil (mmt)	0.80	0.83	(3.8)	0.80	0.2	1.59	1.64	(2.9)
Gas (bcm)	0.61	0.65	(5.0)	0.61	-	1.23	1.24	(1.3)
<b>Total (mmtoe)</b>	<b>1.41</b>	<b>1.48</b>	<b>(4.3)</b>	<b>1.41</b>	<b>0.1</b>	<b>2.82</b>	<b>2.88</b>	<b>(2.2)</b>

Source: BOBCAPS Research

## GAIL

### Q2FY20E highlights

- Gas transmission/trading volumes forecast at 112mmscmd/103mmscmd (+6.6% QoQ/+6.7% QoQ)
- Expect decline in LPG earnings due to 28% QoQ drop in realisations
- Petchem losses to shrink to Rs 296mn (-75% QoQ) led by normalised production at 200ktpa (from 136ktpa)

- EBITDA projected to improve 6% QoQ on gains from trading and transmission businesses

### What to watch for

- Hive-off of gas pipeline assets

**FIG 18 – GAIL: Q2FY20 PREVIEW**

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	1,97,255	1,91,423	3.0	1,83,106	7.7	3,80,361	3,65,739	4.0
EBITDA	23,981	27,946	(14.2)	22,590	6.2	46,570	51,975	(10.4)
EBITDA margin (%)	12.2	14.6	-	12.3	-	12.2	14.2	-
PAT (adjusted)	17,758	18,300	(3.0)	12,875	37.9	30,633	32,222	(4.9)
<b>Adjusted EPS (Rs)</b>	<b>3.9</b>	<b>8.1</b>	<b>(51.5)</b>	<b>2.9</b>	<b>37.9</b>	<b>6.8</b>	<b>14.3</b>	<b>(52.5)</b>

Source: Company, BOBCAPS Research

**FIG 19 – VOLUME TREND**

	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
<b>Natural Gas transmission</b>								
Volume (mmscmd)	112.4	105.9	6.1	105.4	6.6	109.3	106.5	2.6
Realisation (Rs/scm)	1.5	1.6	(1.8)	1.5	-	1.5	1.5	4.1
<b>LPG transmission</b>								
Volume ('000 MT)	900	1,015	(11.3)	827.0	8.8	1,727.0	1,916.0	(9.9)
Realisation (Rs/MT)	1,627	1,501	8.4	1,627.4	-	1,661.0	1,531.2	8.5
<b>Natural Gas trading</b>								
Volume (mmscmd)	103.0	96.2	7.1	96.6	6.7	98.5	96.7	1.9
Realisation (Rs/scm)	17.5	17.7	(1.0)	17.6	(0.6)	17.0	16.8	1.5
<b>Petrochemicals</b>								
Volume ('000 MT)	200.0	183.0	9.3	136.0	47.1	336.0	349.0	(3.7)
Gross Realisation (US\$/MT)	1,156	1,285	(10.0)	1,176	(1.6)	1,194	1,363	(12.4)
<b>LPG and Liquid HC</b>								
Volume ('000 MT)	300.0	338.0	(11.2)	296.0	1.4	596.0	652.0	(8.6)
Realisation (US\$/MT)	29,600	40,727	(27.3)	38,704	(23.5)	33,208	37,563	(11.6)

Source: Company, BOBCAPS Research

## Petronet LNG (PLNG)

### Q2FY20E highlights

- Volumes estimated to surge to 259tbtu (+19% YoY, +15% QoQ) on new 2.5mmtpa capacity commissioning and scale-up to ~100% utilisation in Q2
- EBITDA forecast at Rs 11.8bn (+34% YoY, +15% QoQ)
- Service volumes projected to rise to 131tbtu (+49% YoY, +16% QoQ) from incremental capacity at Dahej
- Ind-AS 116 impact to be offset by lower tax rate, aiding 38% QoQ rise in PAT

### What to watch for

- Updates on Tellurian LNG deal
- Updates on commissioning of Kochi-Mangalore gas pipeline

#### FIG 20 – PLNG: Q2FY20 PREVIEW

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20E	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	87,413	1,07,453	(18.7)	86,134	1.5	1,73,547	1,99,145	(12.9)
EBITDA	11,802	8,837	33.5	10,239	15.3	22,041	18,181	21.2
EBITDA margin (%)	13.5	8.2	-	11.9	-	12.7	9.1	-
<b>EBITDA margin (Rs/mmbtu)</b>	<b>45.6</b>	<b>40.7</b>	<b>11.9</b>	<b>45.3</b>	<b>0.6</b>	<b>45.4</b>	<b>41.6</b>	<b>9.3</b>
Blended margin (Rs/mmbtu)	52.5	48.4	8.5	52.9	(0.7)	52.7	48.8	7.9
<b>Adj. PAT</b>	<b>7,724</b>	<b>5,629</b>	<b>37.2</b>	<b>5,603</b>	<b>37.9</b>	<b>13,327</b>	<b>11,499</b>	<b>15.9</b>
<b>Adj. EPS (Rs)</b>	<b>5.1</b>	<b>3.8</b>	<b>37.2</b>	<b>3.7</b>	<b>37.9</b>	<b>8.9</b>	<b>7.7</b>	<b>15.9</b>

Source: Company, BOBCAPS Research

#### FIG 21 – VOLUME TRENDS

Volumes (tbtu)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20E	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Long-term contract	117.0	122.0	(4.1)	107.0	9.3	224.0	240.0	(6.7)
Spot	11.0	7.0	56.7	6.0	83.3	17.0	12.2	39.1
Regasification services	131.0	88.0	48.9	113.0	15.9	244.0	185.0	31.9
<b>Total volumes</b>	<b>259.0</b>	<b>217.0</b>	<b>19.3</b>	<b>226.0</b>	<b>14.6</b>	<b>485.0</b>	<b>437.2</b>	<b>10.9</b>

Source: Company, BOBCAPS Research

## Indraprastha Gas (IGL)

### Q2FY20E highlights

- Earnings expected to climb to Rs 2.9bn (+53% YoY, +31% QoQ)
- Volume growth traction likely to continue (600mmscm; +10.8% YoY, +5.5% QoQ). CNG volumes estimated to improve by 11% YoY and PNG by 12.5%
- Per unit EBITDA to decline QoQ at Rs 6.2/scm (+8.5% YoY, -2.1% QoQ)

### What to watch for

- Outlook on volumes from new areas

#### FIG 22 – IGL: Q2FY20 PREVIEW

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	16,975	14,215	19.4	15,761	7.7	32,675	27,089	20.6
EBITDA	3,701	3,080	20.2	3,585	3.3	7,225	6,031	19.8
EBITDA (Rs/scm)	6.2	5.7	8.5	6.3	(2.1)	6.4	5.8	10.7
EBITDA margin (%)	21.8	21.7	-	22.7	-	22.1	22.3	-
Adj. PAT	2,863	1,873	52.9	2,184	31.1	4,986	3,632	37.3
<b>Adj. EPS (Rs)</b>	<b>20.5</b>	<b>2.7</b>	<b>664.4</b>	<b>3.1</b>	<b>555.6</b>	<b>35.6</b>	<b>5.2</b>	<b>586.5</b>

Source: Company, BOBCAPS Research

**FIG 23 – VOLUME TREND**

	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
CNG Volumes (mn kg)	322	290	11.0	305	5.5	627	563	11.3
PNG Volume (mmscm)	153	136	12.5	145	5.5	298	265	12.4
Industrial/Commercial	75	64	17.0	68	10.1	143	122	17.1
Domestic	31	27	15.0	31	0.2	62	54	14.9
Natural Gas	47	45	4.5	46	2.2	93	89	4.5
<b>Total Volume (mmscm)</b>	<b>600</b>	<b>542</b>	<b>10.8</b>	<b>569</b>	<b>5.5</b>	<b>1,133</b>	<b>1,047</b>	<b>8.2</b>
<b>Total Volume (mmscmd)</b>	<b>6.53</b>	<b>5.89</b>	<b>10.8</b>	<b>6.25</b>	<b>4.4</b>	<b>6.19</b>	<b>5.72</b>	<b>8.2</b>

Source: Company, BOBCAPS Research

## Mahanagar Gas (MAHGL)

### Q2FY20E highlights

- Volume growth to be muted at 3.1% YoY and 4% QoQ, coming in at 281mmscm. CNG volumes estimated at 204mmscm (+2% YoY, +3.8% QoQ) and PNG at 76mmscm (+6.3% YoY, +4.5% QoQ)
- Gross spreads set to decline on account of lower realisations for industrial/commercial PNG that offsets higher CNG price
- Per unit EBITDA estimated at Rs 10.8/scm (+33% YoY, +5% QoQ) backed by higher CNG realisation

### What to watch for

- Outlook on expansion in new geographical areas

**FIG 24 – MAHGL: Q2FY20 PREVIEW**

(Rs. mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	7,436	6,965	6.8	7,575	(1.8)	15,011	13,288	13.0
EBITDA	3,027	2,215	36.7	2,768	9.3	5,994	4,453	34.6
EBITDA margin (%)	40.7	31.8	-	36.5	-	39.9	33.5	-
EBITDA (Rs/scm)	10.8	8.1	32.5	10.3	5.1	10.9	8.3	30.4
Adj. PAT	2,301	1,363	68.8	1,702	35.1	4,202	2,776	51.4
<b>Adj. EPS (Rs)</b>	<b>23.3</b>	<b>13.8</b>	<b>68.8</b>	<b>17.2</b>	<b>35.1</b>	<b>42.4</b>	<b>28.1</b>	<b>51.0</b>

Source: Company, BOBCAPS Research

**FIG 25 – VOLUME TREND**

	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
CNG Volume (mmscm)	204	200	2.0	197	3.8	401	394	2.0
PNG Volume (mmscm)	76	72	6.3	73	4.5	149	140	6.6
Industrial/Commercial	40	38	4.0	37	8.6	77	73	4.3
Domestic	37	34	9.0	36	0.3	73	67	9.2
<b>Total Volume (mmscm)</b>	<b>281</b>	<b>272</b>	<b>3.1</b>	<b>270</b>	<b>4.0</b>	<b>551</b>	<b>534</b>	<b>3.2</b>
<b>Total Volume (mmscmd)</b>	<b>3.05</b>	<b>2.96</b>	<b>3.1</b>	<b>2.97</b>	<b>2.9</b>	<b>3.01</b>	<b>2.92</b>	<b>3.2</b>

Source: Company, BOBCAPS Research

## Gujarat State Petronet (GUJS)

### Q2FY20E highlights

- Volumes likely to be muted QoQ at 39mmscmd (+2.1% QoQ) as lower LNG offtake by RIL on start-up of its petcoke gasifiers negates increased offtake from the power segment in the wake of low spot LNG prices
- Earnings forecast to rise to Rs 2.65bn (+29% QoQ) owing to tax cut benefits, but operating margins likely to be flat at Rs 1.1/scm

### What to watch for

- Outlook on volumes post commissioning of RIL's petcoke gasification project

**FIG 26 – GUJS: Q2FY20 PREVIEW**

Y/E March (Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	5,221	5,983	(12.7)	5,126	1.9	10,338	9,896	4.5
EBITDA	4,062	5,163	(21.3)	4,020	1.0	8,073	8,601	(6.1)
EBITDA margin (%)	77.8	86.3	-	78.4	-	78.1	86.9	-
PAT (adjusted)	2,649	3,233	(18.1)	2,061	28.5	4,702	4,678	0.5
<b>EPS (Rs)</b>	<b>4.70</b>	<b>5.73</b>	<b>(18.1)</b>	<b>3.66</b>	<b>28.5</b>	<b>8.34</b>	<b>8.30</b>	<b>0.5</b>
<b>Volumes (mmscm)</b>	<b>3,588</b>	<b>3,220</b>	<b>11.4</b>	<b>3,514</b>	<b>2.1</b>	<b>6,256</b>	<b>6,538</b>	<b>(4.3)</b>
<b>Volumes (mmscmd)</b>	<b>39.0</b>	<b>35.0</b>	<b>11.4</b>	<b>38.2</b>	<b>2.1</b>	<b>34.0</b>	<b>35.7</b>	<b>(4.8)</b>
Tariffs (Rs/scm)*	1.42	1.76	(19.4)	1.42	-	1.44	1.42	1.5

Source: Company, BOBCAPS Research | \*Tariffs not comparable YoY as revision of tariffs in Q2FY19 carries adjustments for Q1FY19 as well

## Gujarat Gas (GUJGA)

### Q2FY20E highlights

- EBITDA/scm expected to be under pressure (at Rs 5/scm, -11% QoQ) mainly due to reduction in industrial PNG prices, driven by decline in cost of alternate fuel propane (mostly for ceramic units in Morbi)
- Volumes to remain subdued QoQ at 9mmscmd (9.2mmscmd in Q1FY20) as we build in some decline in Morbi volumes

### What to watch for

- Outlook on expansion into new geographical areas and capex allocation
- Outlook on industrial PNG volumes and pricing

**FIG 27 – GUJGA: Q2FY20 PREVIEW**

(Rs mn)	Q2FY20E	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20E	H1FY19	YoY (%)
Net sales	25,420	19,643	29.4	26,146	(2.8)	51,566	37,295	38.3
EBITDA	4,120	1,607	156.3	4,665	(11.7)	8,785	4,093	114.6
EBITDA (Rs/scm)	5.0	2.6	92.6	5.6	(11.1)	6.3	3.4	87.3
EBITDA margin (%)	16.2	8.2	-	17.8	-	17.0	11.0	-
Adj. PAT (Rs)	2,639	411	542.4	2,337	12.9	4,975	1,625	206.3
<b>Adj. EPS (Rs)</b>	<b>3.8</b>	<b>0.6</b>	<b>542.4</b>	<b>3.4</b>	<b>12.9</b>	<b>7.2</b>	<b>2.4</b>	<b>206.3</b>
<b>Volumes (mmscmd)</b>	<b>9.0</b>	<b>6.8</b>	<b>33.1</b>	<b>9.2</b>	<b>(1.7)</b>	<b>7.6</b>	<b>6.6</b>	<b>14.6</b>

Source: Company, BOBCAPS Research

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