kotak Institutional Equities

UPDATE

Oil, Gas & Consumable Fuels

India

Sector View: **Neutral** NIFTY-50: **24,302** **July 04, 2024**

1QFY25 preview: Weak for most names

We expect 1QFY25 to be weak for most oil & gas names, except GAIL and PLNG. For RIL, O2C segment weakness would offset modest growth in R-Jio/retail for 8% qoq EBITDA decline. For OMCs, EBITDA could decline ~35-43% on weaker GRM and also qoq lower auto-fuel marketing margins. GAIL and PLNG should benefit from higher gas consumption, while sharp tariff cut would offset higher volumes for GSPL. Rising APM shortfall and full impact of price cuts would impact gross margins for CGDs, while volume growth remains tepid.

RIL: Sequentially weaker on lower GRM and muted growth in R-Jio/retail

We expect consolidated EBITDA to decline ~8% qoq (+3% yoy), due to weaker O2C performance. We expect standalone EBITDA to decline ~15% qoq on weaker GRM. For R-Jio, we expect ~2% qoq EBITDA growth, driven by ~9.4 mn overall net adds (versus ~11 mn qoq) and stable ARPU at Rs182/month. In retail, we expect modest ~2% qoq EBITDA growth on increased store footprint and operating leverage. We assume ~4% qoq moderation in E&P EBITDA.

Upstream: Higher windfall cess to offset the benefits of higher Brent prices

With both oil and gas prices capped, we expect the benefits of ~2% qoq higher Brent prices to be offset by an increase in windfall tax. ONGC's EBITDA would likely decline ~6% qoq on lower net oil realization and also lower oil production.

OMCs: Sharp qoq decline likely on weaker GRM and lower auto fuel margins

With sharp qoq decline in key product cracks (SG complex: US$3.5/bbl, US$7.3/bbl qoq) and lower Russian discounts, we expect reported GRM to further moderate for OMCs. Further, with the full impact of Rs2/liter price cut in March and higher Brent prices, marketing margins on auto fuels were also weaker qoq. We expect ~35-43% qoq decline in EBITDA for the three OMCs.

Gas: Likely good for GAIL, PLNG; not so good for CGDs and GSPL

- **GAIL:** We expect 6% qoq higher EBITDA on higher transmission volume and higher marketing earnings. We expect qoq EBIT improvement in transmission and marketing, while Petchem and LPG would be impacted by shutdowns in 1Q.
- **PLNG:** We expect adjusted EBITDA to rise 20% qoq (+17% yoy) on 7% higher volume (106% Dahej utilization versus 98% qoq), and 5% tariff increase at Kochi.
- **GSPL:** We expect sharp ~19% qoq EBITDA decline as part impact of ~47% tariff cut would be offset by higher transmission volume (37 mmscmd, +11% qoq).
- **CGDs**: We expect flat to marginal 1% qoq volume growth for IGL/MGL. For MGL, due to low base (2.3% yoy decline in 1QFY24), CNG volume will look optically strong. We expect MGL's unit EBITDA to decline further to Rs10.5/scm (from Rs11.5/scm qoq). Gross margin should decline sequentially for IGL as well. However, with normalization in opex (was elevated in 4QFY24), unit EBITDA would likely be flat qoq at Rs6.6/scm (versus Rs8.6/scm yoy).

Related Research

→ The curious case of rising capex among
→ 4QFY24 to be better for most companies
→ OMCs: The GRM puzzle

Full sector coverage on KINSITE

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We expect a weak quarter for most names except GAIL and PLNG

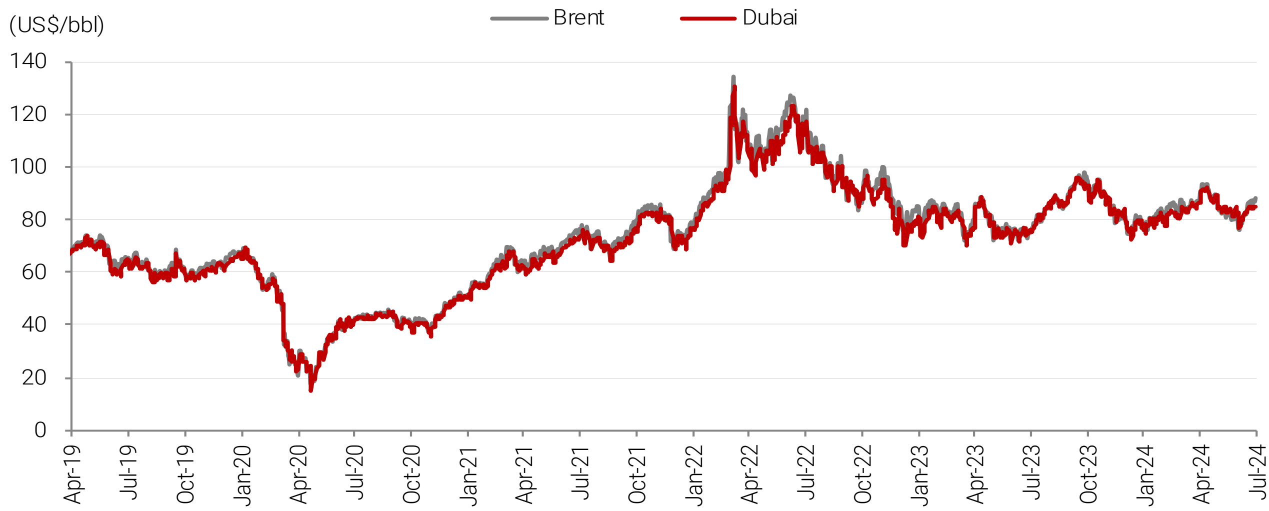
Exhibit 1: 4QFY24E earnings summary, March fiscal year-ends (Rs mn, %)

	EBITDA	Change (%) qoq	Change (%) yoy	Net income	Change (%) qoq	Change (%) yoy
Oil, gas & consumable fuels						
RIL	393,128	(7.5)	3	160,223	(15.5)	0.1
BPCL	52,530	(43)	(67)	26,036	(38)	(75)
HPCL	31,385	(35)	(67)	10,074	(65)	(84)
IOCL	66,219	(36.5)	(70.1)	13,455	(72)	(90)
ONGC	164,528	(5.5)	(15.4)	60,130	(39)	(40)
OIL	25,349	(0.4)	8.8	59,408	(18.3)	2.7
Gas utilities						
GAIL	37,872	6.4	56	23,925	9.9	69
GSPL	3,074	(18.7)	(9)	2,084	(20.2)	(9)
Petronet LNG	13,780	20.4	17	8,669	18	10
IGL	5,258	0.6	(18.1)	3,709	(3.1)	(15)
MGL	3,638	(7.6)	(30.2)	2,504	(5.5)	(32.0)

Source: Company, Kotak Institutional Equities estimates

Average Brent and Dubai crude price rose by 2-4% qoq in 1QFY25, while 4QFY24 closing Brent prices was broadly stable qoq

Exhibit 2: Brent and Dubai crude oil prices, April 2019 onwards (US$/bbl)

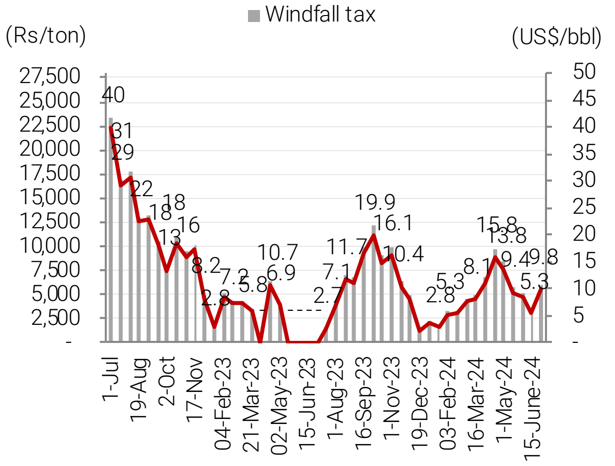


	Brent crude price (US$/bbl)					Dubai crude price (US$/bbl)				
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021	FY2022	FY2023	FY2024	FY2025
1Q	31.6	68.6	112.9	78.1	84.9	31.7	66.3	109.0	77.5	85.1
2Q	42.7	73.0	99.5	86.6		42.5	71.4	98.3	86.6	
3Q	44.5	79.2	88.3	84.3		43.9	77.8	84.6	83.8	
4Q	60.6	99.3	81.4	83.1		59.4	96.3	79.6	81.7	
Average	**44.8**	**80.0**	**95.6**	**83.0**		**44.4**	**77.9**	**92.9**	**82.4**	

Source: Bloomberg, Kotak Institutional Equities estimates

Windfall tax raised with the recent increase in crude oil prices

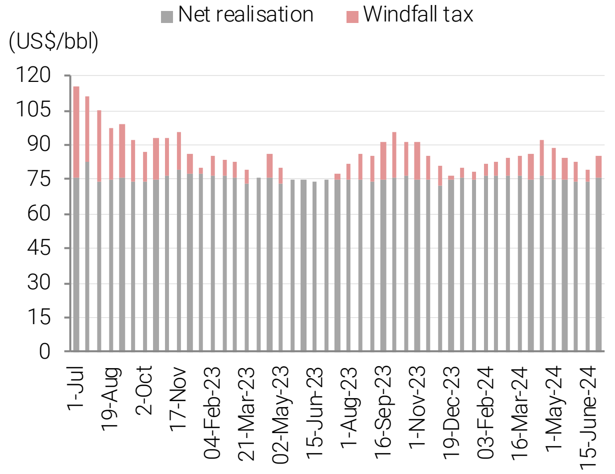
Exhibit 3: Windfall tax rates; from July 2022 (Rs/ton, US$/bbl)



Source: Ministry of Finance, Kotak Institutional Equities estimates

Post-windfall tax upstream's realization capped at ~US$75/bbl

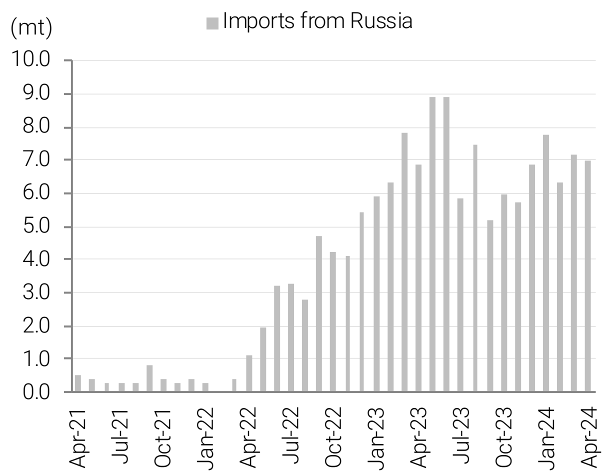
Exhibit 4: Windfall tax and net realization; from July 2022 (US$/bbl)



Source: Ministry of Finance, Kotak Institutional Equities estimates

Russian oil imports continue to account for ~33% of overall oil imports

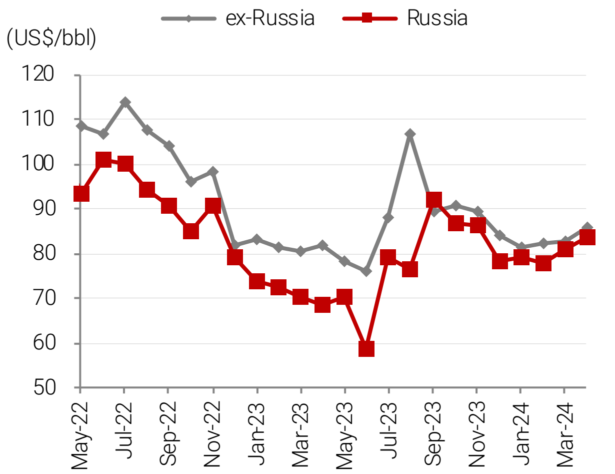
Exhibit 5: Monthly petroleum crude imports from Russia, April 2021 onward (mn ton)



Source: Commerce Ministry, Kotak Institutional Equities

Discounts on Russian crude imports have declined further to ~US$2/bbl recently

Exhibit 6: Price of Russian/ ex-Russian oil imports, from May-2022 (US$/bbl)



Source: Commerce Ministry, Kotak Institutional Equities

Since Apr 2022, Russia accounted for ~29% of India's oil imports, with avg. discount of ~US$12/bbl for US$12 bn savings

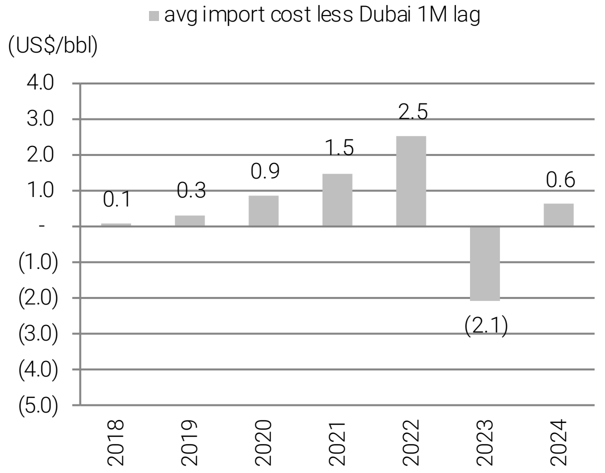
Exhibit 7: Russia's share of oil imports, since April 2022

	mn ton	US$ bn	US$/bbl
Break-up of imports			
Russia	141	82	80
Ex-Russia	349	233	92
Total	490	315	88
Russia share %	**28.7**	**25.9**	
Savings from Russian imports			
Disount US$/bbl			12.0
Potential savings US$ bn		12.3	

Source: Commerce Ministry, Kotak Institutional Equities

With lower Russian discounts, India's average crude imports were again at premium to Dubai in FY2024

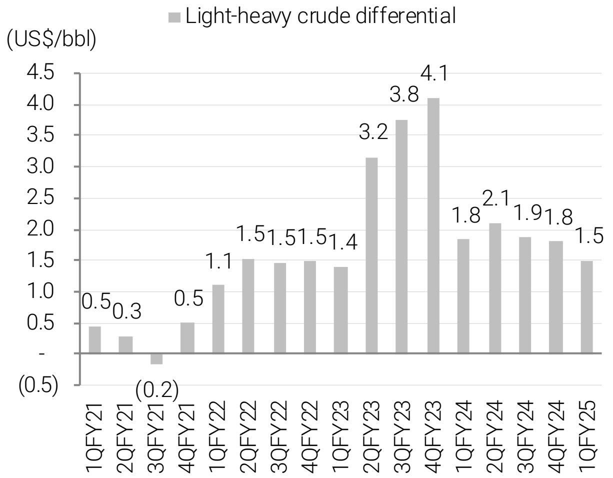
Exhibit 8: India's avg. crude import cost less Dubai crude (1M lag), March fiscal year-ends, US$/bbl



Source: Commerce Ministry, Kotak Institutional Equities

Arab Light-Heavy differential further declined in 1QFY25

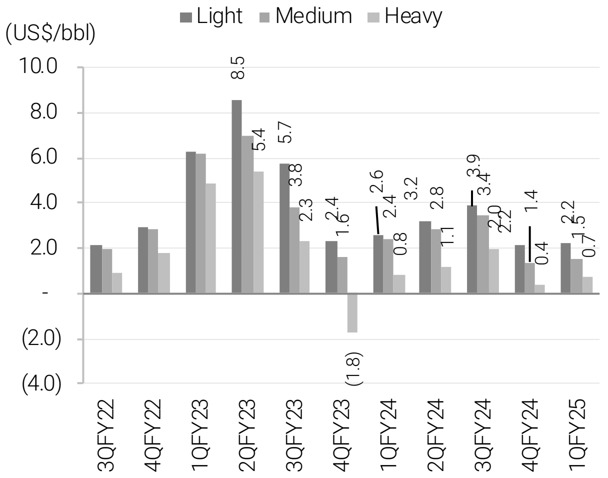
Exhibit 9: Arab Light-heavy crude differentials, 1QFY21 onwards



Source: Reuters, Kotak Institutional Equities

Saudi Aramco's OSP premiums were stable qoq in 1QFY25

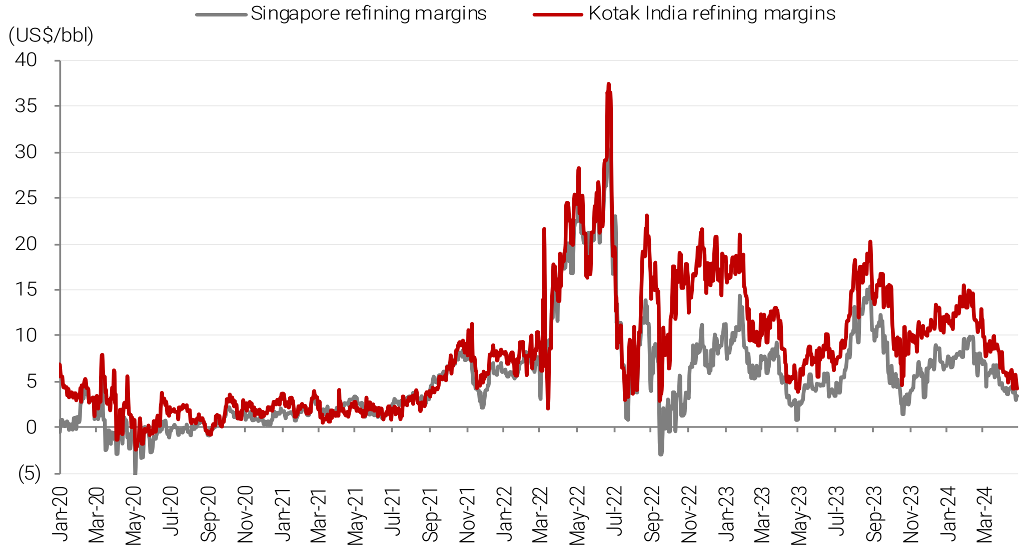
Exhibit 10: Saudi Aramco's OSP differential for Asia, 2QFY22 onwards (US$/bbl)



Source: Reuters, Kotak Institutional Equities

Both SG complex and Kotak India refining margins declined sharply qoq in 1QFY25 on weaker cracks for key products

Exhibit 11: Refining margins, March fiscal year-ends, January 2020 onwards (US$/bbl)



	Kotak India refining margins (a) (US$/bbl)					Singapore refining margins (US$/bbl)				
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021	FY2022	FY2023	FY2024	FY2025
1Q	0.8	1.9	23.2	7.3	**5.4**	(1.0)	2.1	21.5	4.1	**3.5**
2Q	1.1	3.4	11.4	14.2		0.0	3.8	7.1	9.6	
3Q	2.3	7.5	16.6	10.3		1.2	6.1	6.3	5.4	
4Q	2.1	9.0	13.6	11.3		1.8	8.0	8.3	7.3	
Average	**1.6**	**5.5**	**16.2**	**10.7**	**5.4**	**0.5**	**5.0**	**10.8**	**6.6**	**3.5**

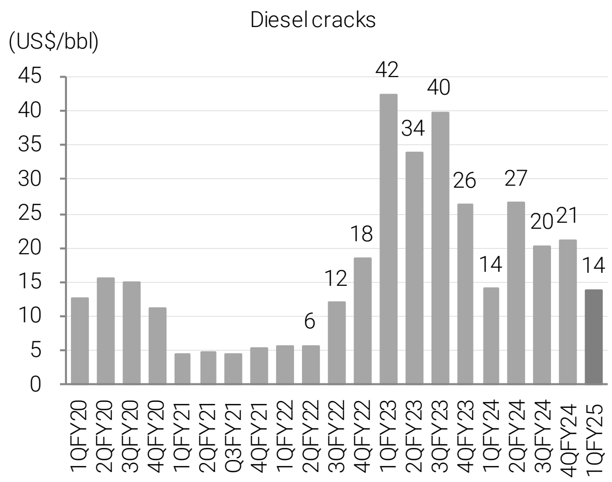
Notes:

(a) adjusted for export tax on diesel/petrol from July 1, 2022.

Source: Reuters, Kotak Institutional Equities estimates

Diesel crack were sharply lower qoq in 1QFY25

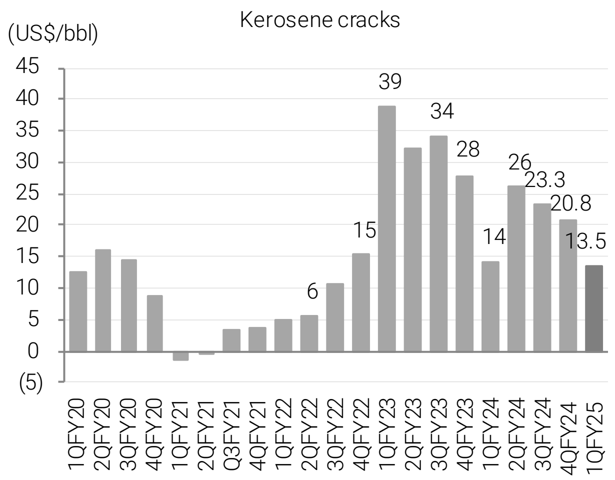
Exhibit 12: Diesel crack spreads, 1QFY20 onwards (US$/bbl)



Source: Reuters, Kotak Institutional Equities estimates

Kerosene/ATF cracks also declined sharply qoq in 1QFY25

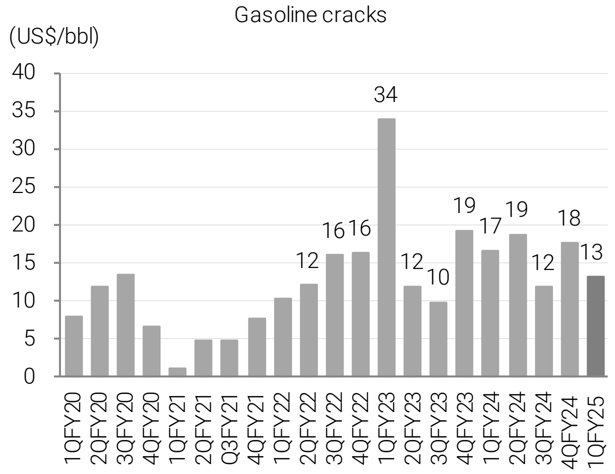
Exhibit 13: Jet-kero crack spreads, 1QFY20 onwards (US$/bbl)



Source: Reuters, Kotak Institutional Equities estimates

Gasoline cracks were also sequentially weaker in 1QFY25

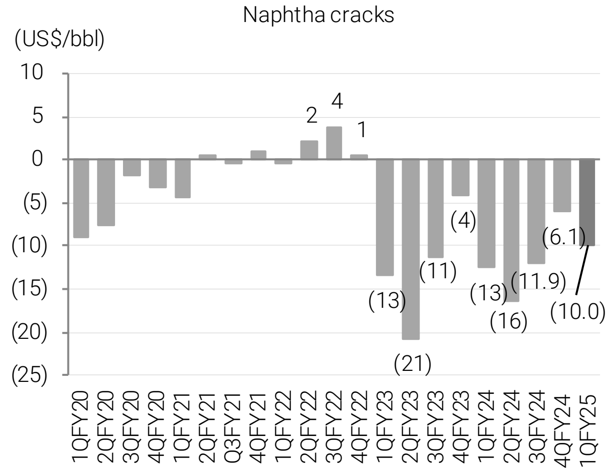
Exhibit 14: Gasoline crack spreads, 1QFY20 onwards (US$/bbl)



Source: Reuters, Kotak Institutional Equities estimates

Naphtha cracks were also weaker qoq in 1QFY25

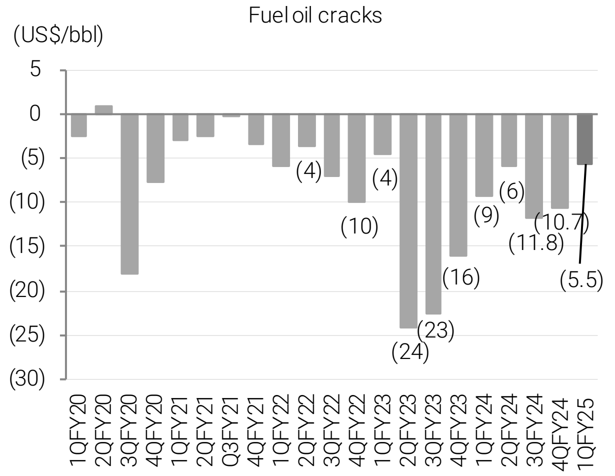
Exhibit 15: Naphtha crack spreads, 1QFY20 onwards (US$/bbl



Source: Reuters, Kotak Institutional Equities estimates

FO cracks further improved qoq in 1QFY25

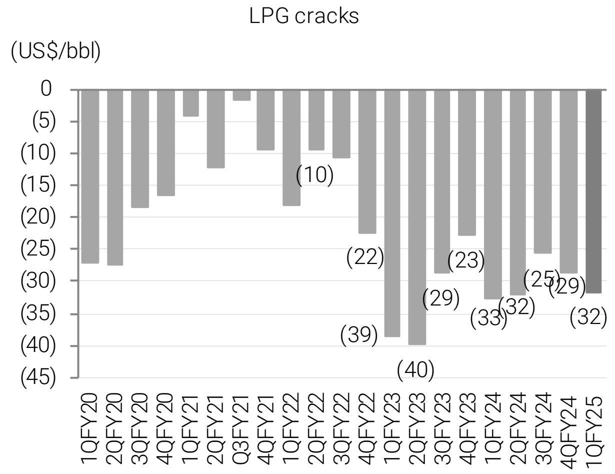
Exhibit 16: Fuel oil crack spreads, 1QFY20 onwards (US$/bbl)



Source: Reuters, Kotak Institutional Equities estimates

LPG cracks declined further qoq in 1QFY25

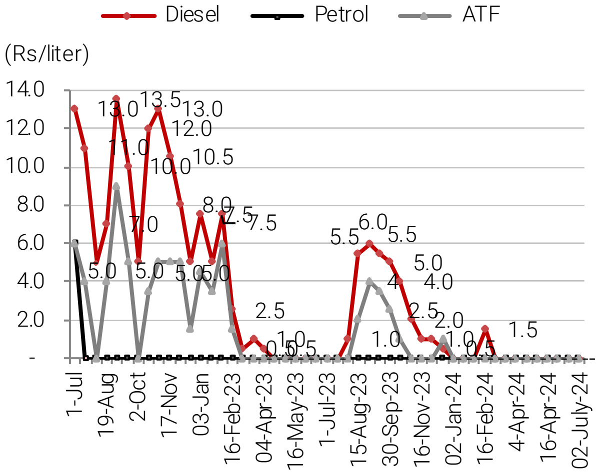
Exhibit 17: LPG crack spreads, 1QFY20 onwards (US$/bbl



Source: Reuters, Kotak Institutional Equities estimates

With lower product cracks, export tax remained nil

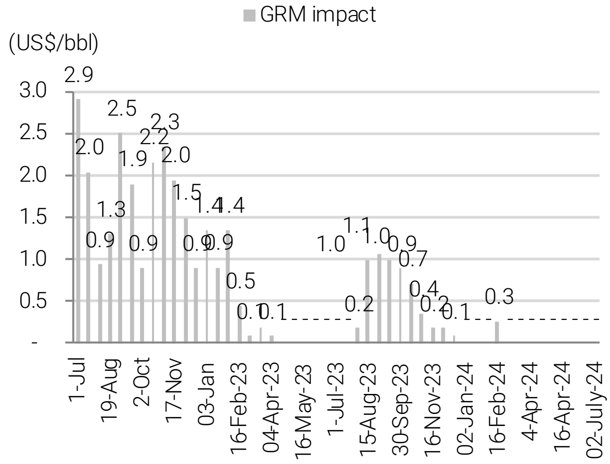
Exhibit 18: Export tax on diesel, petrol and ATF, from July 1, 2022 (Rs/liter)



Source: Ministry of Finance, Kotak Institutional Equities estimates

No impact on GRM as export taxes remained nil in 1QFY25

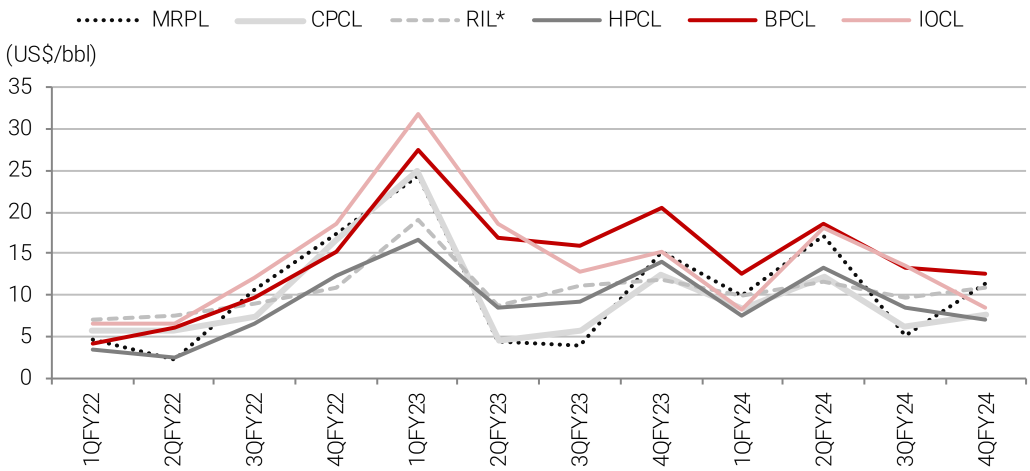
Exhibit 19: GRM impact of export tax based on trade parity pricing, from July 1, 2022 (US$/bbl)



Source: Ministry of Finance, Kotak Institutional Equities estimates

Export tax has led to wide variance in reported GRM of Indian refiners; OMCs have benefitted at the expense of independent refiners; 4QFY24 GRMs moderated on lower Russian discounts

Exhibit 20: GRM comparison domestic refiners; March fiscal year-ends, 1QFY23 onwards (US$/bbl)



Notes:

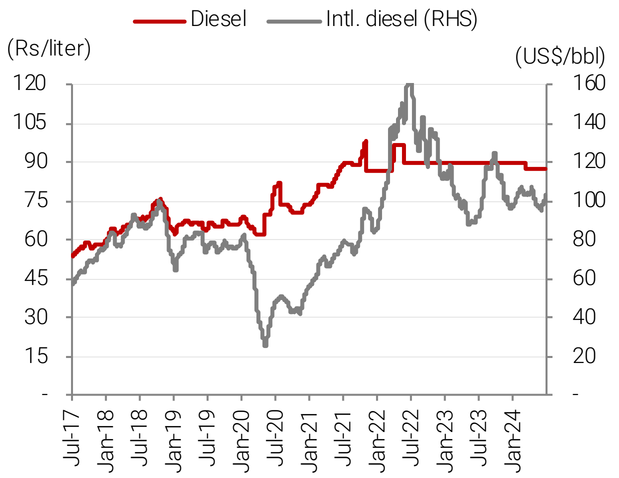
(a) HPCL, BPCL, IOCL reported GRMs since 2QFY23 are before the impact of export tax.

(b) RIL's GRMs are our estimates. The company reported export tax impact of Rs40 bn/Rs19 bn/Rs 7 bn/Rs 6 bn (~US$4/bbl, ~US$2/bbl, US$0.9/bbl, US$0.6/bbl) in 2QFY23, 3QFY23, 4QFY23 and 2QFY24, respectively.

Source: Companies, Kotak Institutional Equities estimates

Diesel: retail prices remain frozen (except for Rs2/l cut) despite high volatility in oil prices and refined product cracks

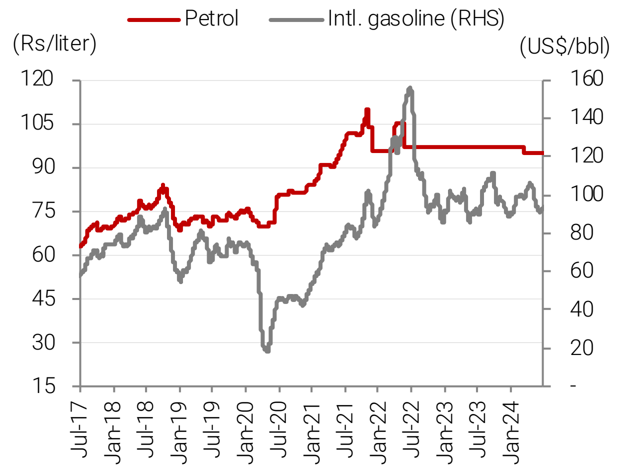
Exhibit 21: Diesel retail versus international price, since June-2020 (Rs/liter, US$/bbl)



Source: PPAC, Reuters, Kotak Institutional Equities estimates

Petrol: OMCs marketing margin decline qoq post the Rs2/l price cut in March 2024

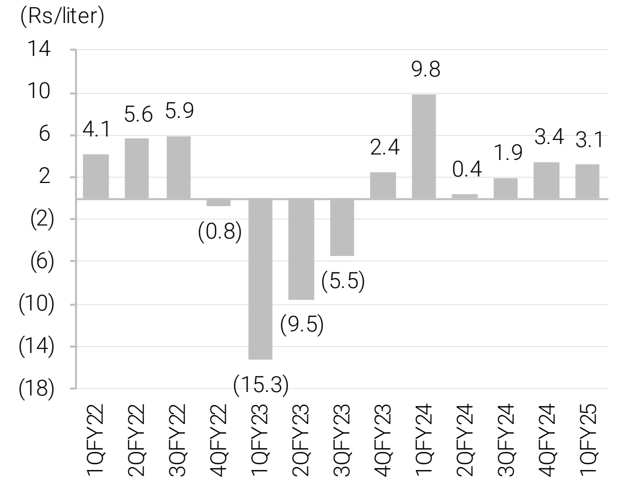
Exhibit 22: Petrol retail versus international price, since June-2020 (Rs/liter, US$/bbl)



Source: PPAC, Reuters, Kotak Institutional Equities estimates

OMCs' marketing margins on diesel were slightly weaker qoq

Exhibit 23: Gross marketing margins on diesel, 1QFY22 onwards (Rs/liter)



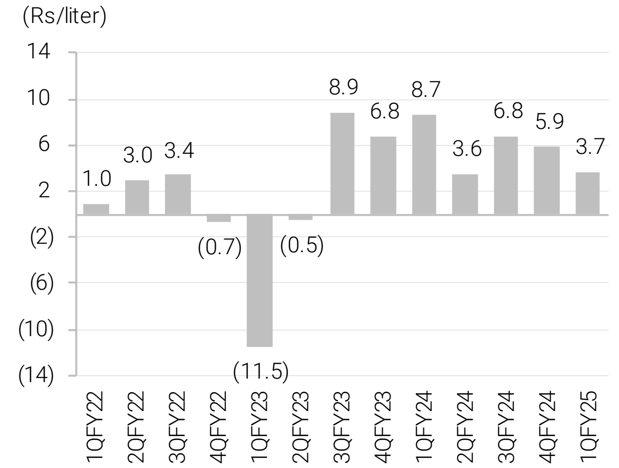
Notes:

(a) from 2QFY23 margins are including impact of export tax.

Source: PPAC, Reuters, Kotak Institutional Equities estimates

Marketing margins on gasoline sharply declined qoq, but OMCs still had over-recoveries in 1QFY25

Exhibit 24: Gross marketing margins on gasoline, 1QFY22 onwards (Rs/liter)



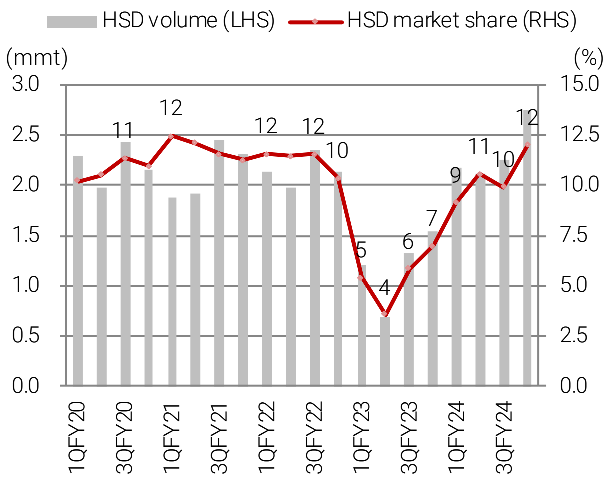
Notes:

(a) from 2QFY23 margins are including impact of export tax.

Source: PPAC, Reuters, Kotak Institutional Equities estimates

Private oil marketers share has recovered to ~12% on reduction in diesel under-recoveries

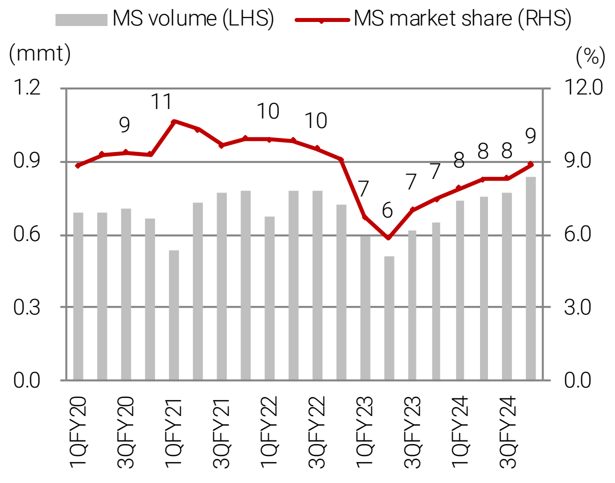
Exhibit 25: Diesel sales by private players, 1QFY20 onwards (mmt, % market share)



Source: PPAC, Companies, Kotak Institutional Equities estimates

With over-recoveries on petrol, private oil marketers had also ramped up retail petrol sales

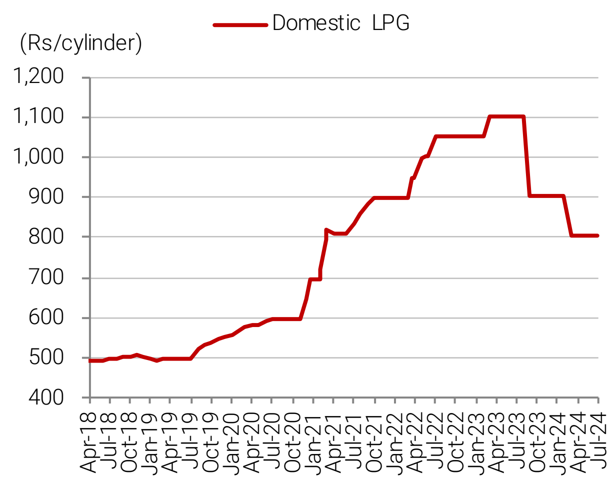
Exhibit 26: Petrol sales by private players, 1QFY20 onwards (mmt, % market share)



Source: PPAC, Companies, Kotak Institutional Equities estimates

Domestic LPG prices remain unchanged in 1QFY25, after Rs100/cylinder cut in March 2024

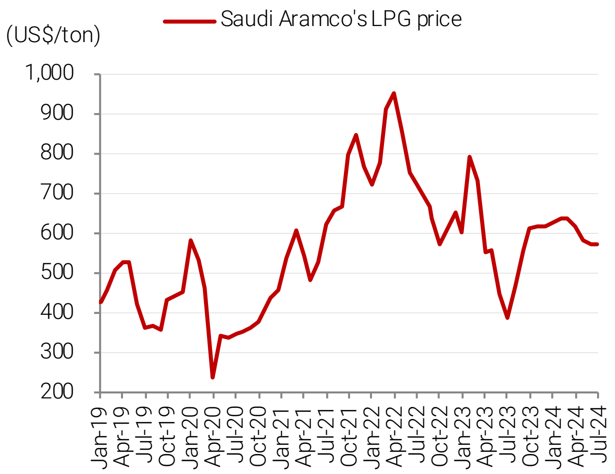
Exhibit 27: Domestic LPG price in Delhi, April 2018 onwards (Rs/cylinder)



Source: Reuters, Kotak Institutional Equities estimates

Saudi LPG prices declined by ~7% qoq in 1QFY25

Exhibit 28: Saudi Aramco's average LPG prices, from January 2019 (US$/ton)



Source: Reuters, Kotak Institutional Equities estimates

India's petroleum product demand was up ~2% yoy, with robust ~6% yoy growth in MS, but weaker ~2% yoy growth in HSD

Exhibit 29: Petroleum consumption volumes and growth, 1QFY21 onward

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Consumption (mn tons)													
MS	6.8	7.9	8.2	7.9	8.8	8.6	8.8	8.7	9.4	9.1	9.3	9.4	9.9
HSD	18.4	17.3	20.4	20.6	22.2	19.2	22.5	22.0	23.9	20.0	22.8	22.9	24.4
LPG	6.5	7.1	7.3	7.4	6.5	7.2	7.4	7.3	6.7	7.4	7.6	7.9	7.0
ATF	0.9	1.1	1.5	1.4	1.7	1.8	1.9	2.0	2.0	2.0	2.1	2.2	2.2
FO & LSHS	1.5	1.5	1.6	1.7	1.6	1.8	1.8	1.8	1.7	1.6	1.6	1.6	1.5
Others	13.2	13.1	14.8	16.5	14.5	13.4	14.7	15.8	15.2	15.2	14.8	16.8	15.1
Domestic consumption	**47.3**	**47.9**	**53.9**	**55.6**	**55.3**	**52.1**	**57.2**	**57.5**	**58.9**	**55.4**	**58.2**	**60.9**	**60.1**
Growth (%)													
MS	35.0	11.7	2.3	1.4	29.4	9.1	7.7	9.8	6.8	5.7	4.7	8.5	6.0
HSD	22.3	9.0	(3.8)	(0.0)	20.4	11.4	10.3	6.7	8.0	4.3	1.0	4.2	1.9
LPG	0.8	4.1	0.2	6.1	0.2	2.5	1.6	(1.8)	3.0	2.3	2.5	8.2	4.4
ATF	142.1	37.5	32.0	6.5	85.5	59.4	23.3	38.0	13.4	13.5	11.0	10.2	11.3
FO & LSHS	19.1	11.8	10.1	11.5	11.7	15.4	9.1	5.4	4.7	(9.6)	(10.3)	(8.6)	(11.4)
Others	4.0	(1.1)	(8.8)	12.7	10.0	2.9	(0.4)	(4.5)	4.5	13.2	0.8	6.7	(0.7)
Domestic consumption	**15.8**	**6.3**	**(2.7)**	**5.0**	**17.0**	**8.6**	**6.1**	**3.4**	**6.4**	**6.4**	**1.7**	**5.9**	**2.1**

Source: PPAC, Kotak Institutional Equities estimates

Key petchem prices were moderately higher qoq on 1m lag basis, but key petchem spreads versus Naphtha further declined qoq

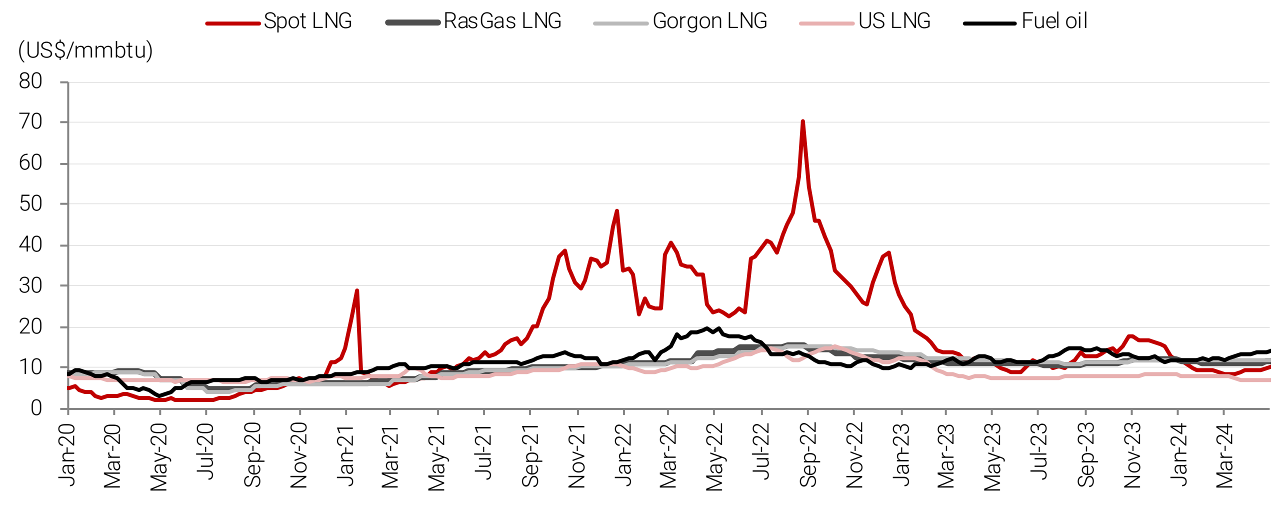
Exhibit 30: Asia petchem margins and prices, 1QFY21 onward (US$/ton)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Change (%) yoy	Change (%) qoq
Global margins															
HDPE – naphtha	531	371	379	378	322	318	309	320	375	388	337	316	303	(19.1)	(4.1)
LLDPE – naphtha	544	400	449	416	311	301	301	332	358	365	304	299	286	(20.1)	(4.3)
PP – naphtha	614	440	448	367	290	285	294	286	300	283	262	244	240	(20.1)	(1.7)
PVC – naphtha	530	436	493	324	501	454	379	424	365	380	359	254	303	(17)	19
PSF – naphtha	493	444	466	496	435	524	523	563	575	558	377	323	311	(46.0)	(3.6)
PFY – naphtha	731	683	646	665	628	776	690	703	727	744	625	557	562	(22.6)	1.0
PSF – 0.85 x PTA – 0.34 x MEG	260	256	319	370	323	325	304	382	339	297	195	146	148	(56.4)	1.6
PFY – 0.85 x PTA – 0.34 x MEG	498	495	498	539	516	577	471	521	491	484	443	380	399	(18.6)	5.2
PX – naphtha	238	229	151	176	283	372	346	310	399	437	372	334	329	(17)	(2)
Global prices															
HDPE	1,119	1,034	1,117	1,149	1,246	1,075	976	987	1,011	965	991	983	992	(1.9)	1.0
LLDPE	1,131	1,063	1,187	1,187	1,235	1,058	968	999	995	943	958	966	976	(1.9)	1.0
PP	1,202	1,103	1,186	1,138	1,214	1,042	961	953	937	860	917	911	929	(0.8)	2.0
PVC	1,403	1,278	1,541	1,367	1,429	1,101	846	879	862	827	820	776	801	(7.1)	3.2
PSF	1,081	1,107	1,204	1,267	1,359	1,281	1,190	1,231	1,212	1,135	1,032	989	1,000	(17.5)	1.1
PFY	1,319	1,346	1,383	1,436	1,552	1,533	1,357	1,370	1,363	1,321	1,279	1,223	1,252	(8.2)	2.3
PX	826	892	889	947	1,207	1,129	1,013	978	1,036	1,014	1,027	1,001	1,019	(1.6)	1.8

Source: Platts, Kotak Institutional Equities estimates

Spot LNG prices firmed up ~14% qoq, RasGas LNG rose by lower ~4% qoq, while US LNG prices corrected by ~11% qoq

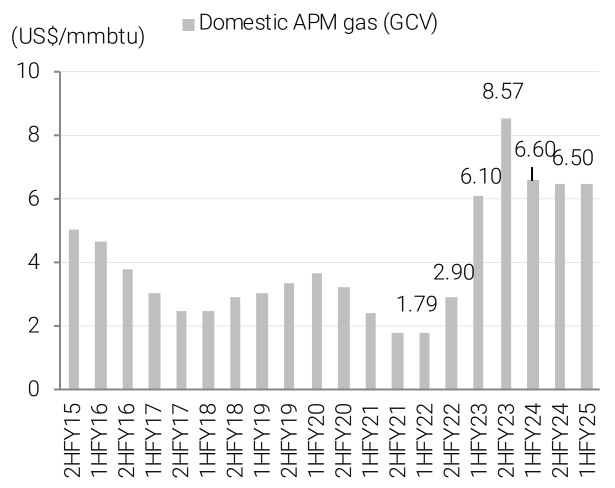
Exhibit 31: Comparative price of LNG contracts, spot LNG and fuel oil, January 2020 onwards (US$/mmbtu)



Source: Bloomberg, ICIS, Reuters, Kotak Institutional Equities estimates

APM gas ceiling price remains unchanged at US$6.5/mmbtu

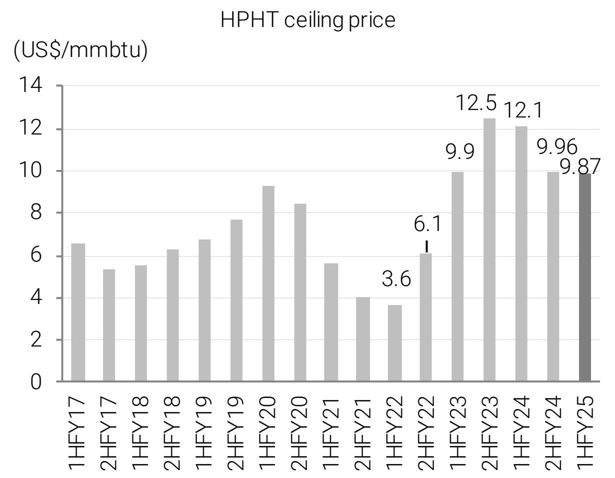
Exhibit 32: Domestic gas price trend, March fiscal year-ends, 2HFY15 onwards (US$/mmbtu)



Source: Reuters, Kotak Institutional Equities estimates

HPHT ceiling price marginally cut to US$9.9/mmbtu for 1HFY25

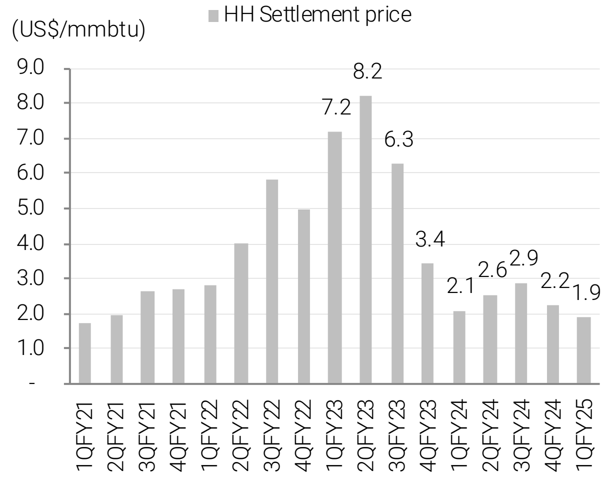
Exhibit 33: HPHT ceiling price trend, March fiscal year-ends, 1HFY17 onwards (US$/mmbtu)



Source: Reuters, Kotak Institutional Equities estimates

HH settlement prices declined further qoq to US$1.9/mmbtu

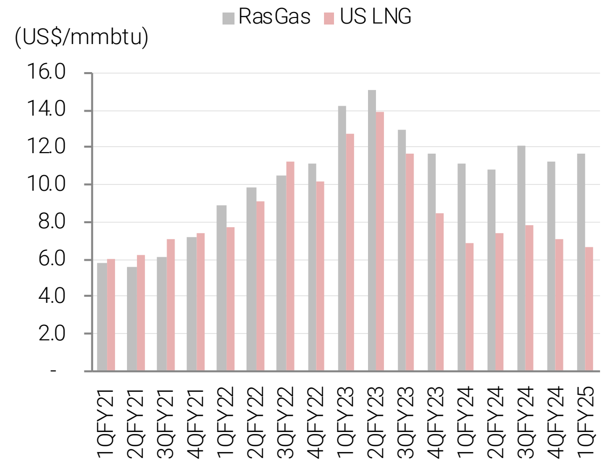
Exhibit 34: Henry Hub settlement prices, from 1QFY21 (US$/mmbtu)



Source: Reuters, Kotak Institutional Equities estimates

US LNG prices declined by ~6% qoq, while RasGas LNG prices increased by ~4% qoq

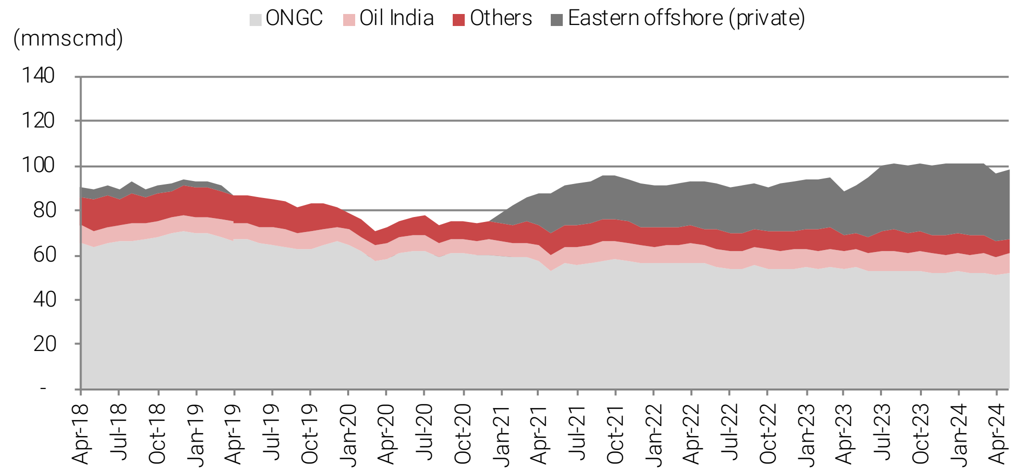
Exhibit 35: RasGas and US LNG prices into India, (US$/mmbtu)



Source: Reuters, Kotak Institutional Equities estimates

We expect Oil India's gas production to rise 3% qoq, ONGC's to decline ~1% qoq and KG-D6 production likely marginally lower qoq

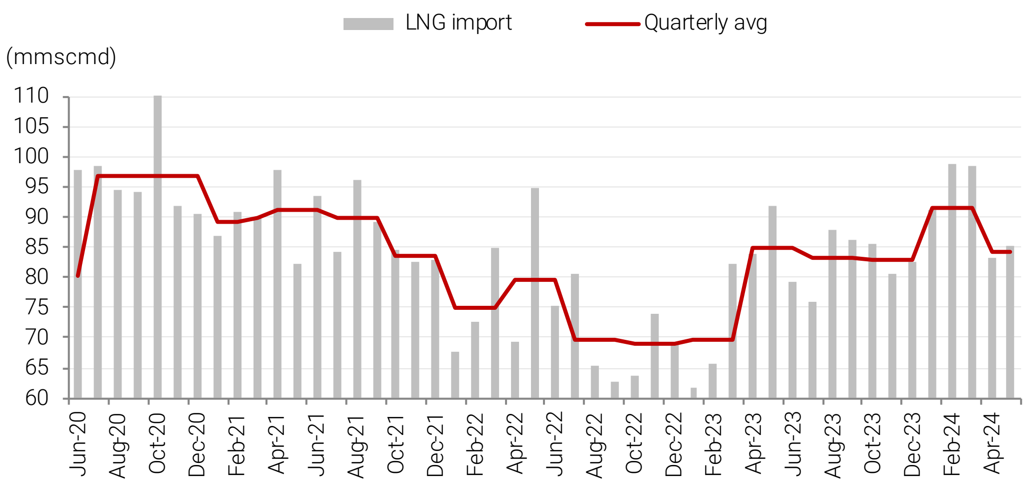
Exhibit 36: India's gas production trend, April 2018 onward (mmscmd)



Source: MoPNG, Kotak Institutional Equities

India's LNG imports as per PPAC were ~8% lower qoq in Apr-May 2024 (versus 4QFY24), we believe LNG imports were higher on strong offtake from power sector and PPAC would likely revise the data upwards

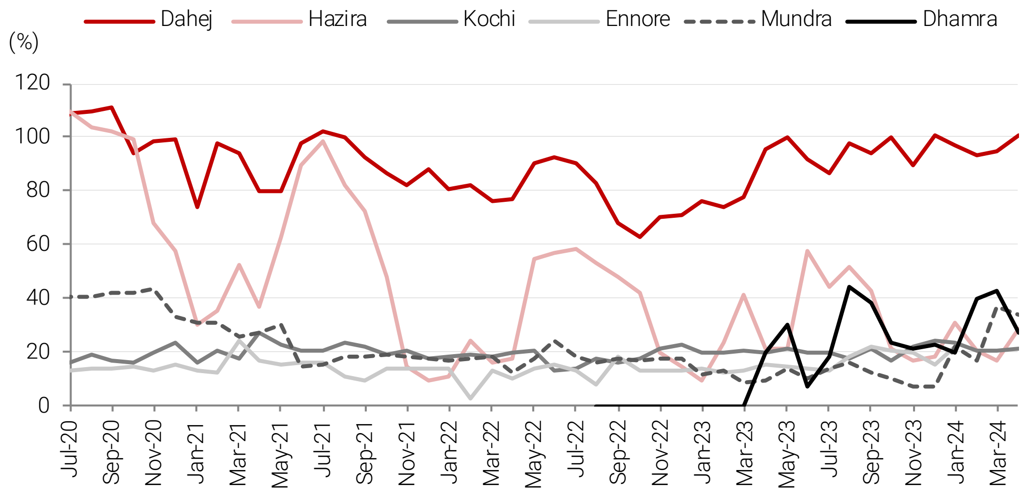
Exhibit 37: LNG imports in India, July 2020 onward (mmscmd)



Source: PPAC, Kotak Institutional Equities

PLNG's Dahej terminal utilization further inched up to 100%+ in Apr 2024 (versus ~98% in 4QFY24)

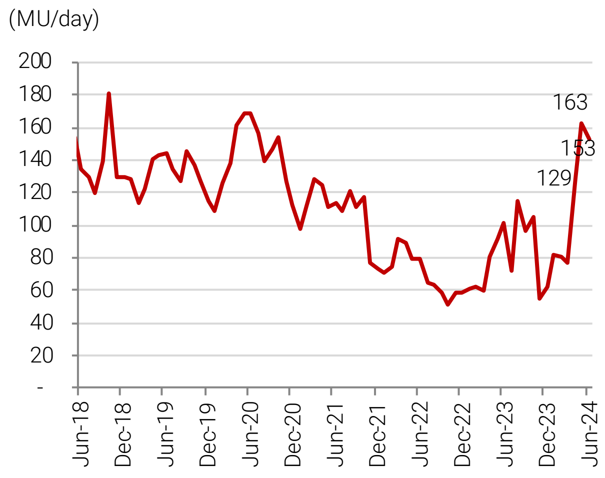
Exhibit 38: Year-to-date cumulative utilization of Dahej terminal, July 2020 onward (%)



Source: MoPNG, Kotak Institutional Equities estimates

Gas based power generation significantly higher qoq in 1QFY25

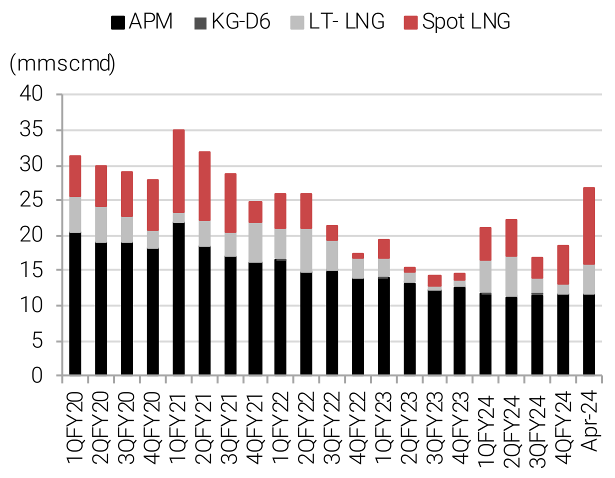
Exhibit 39: Daily average gas-based power generation, April 2019 onwards (million units/day)



Source: National Power Portal, Kotak Institutional Equities

Gas offtake by power sector significantly higher in Apr 2024

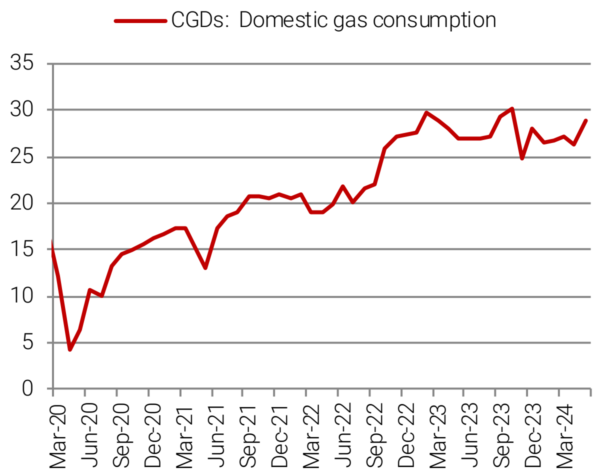
Exhibit 40: Quarterly break-up of gas usage in power sector (mmscmd)



Source: Central Electricity Authority, Kotak Institutional Equities

CGD's domestic gas consumption likely further improved in 1QFY25

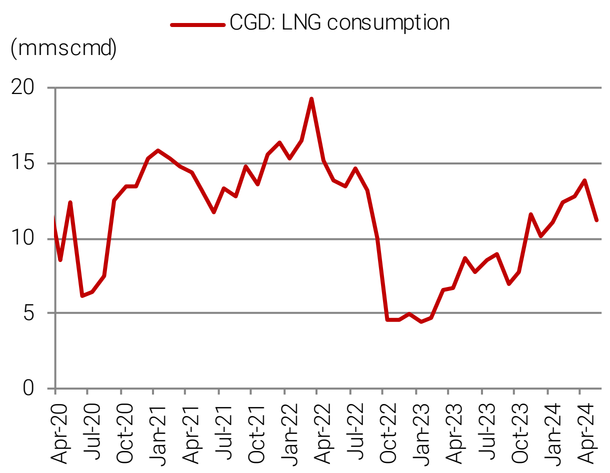
Exhibit 41: CGD's domestic gas consumption, from May-2020 (mmscmd)



Source: PPAC, Kotak Institutional Equities

After strong growth in Apr 2024, LNG consumption by CGDs likely moderated in May 2024

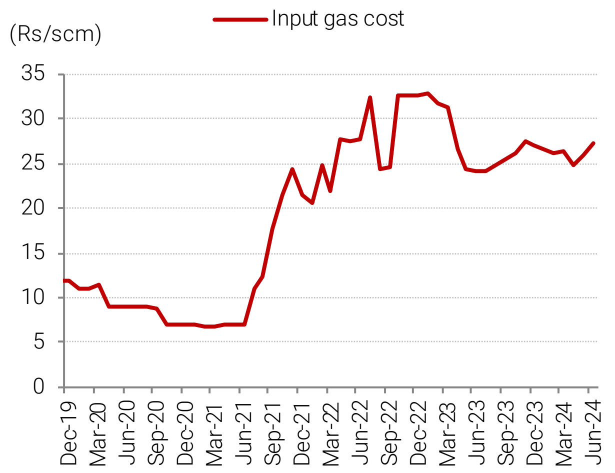
Exhibit 42: CGD's LNG consumption, from May-2020 (mmscmd)



Source: PPAC, Kotak Institutional Equities

CGD's input gas cost likely to remain elevated on rising APM short-fall

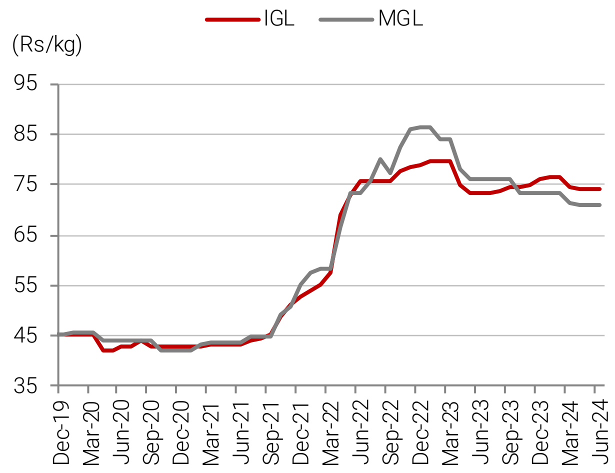
Exhibit 43: CGD's input gas cost, from December 2019 (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

Both MGL and IGL cut CNG prices by Rs2.5/kg in March 2024, while IGL has increased prices recently, MGL prices unchanged

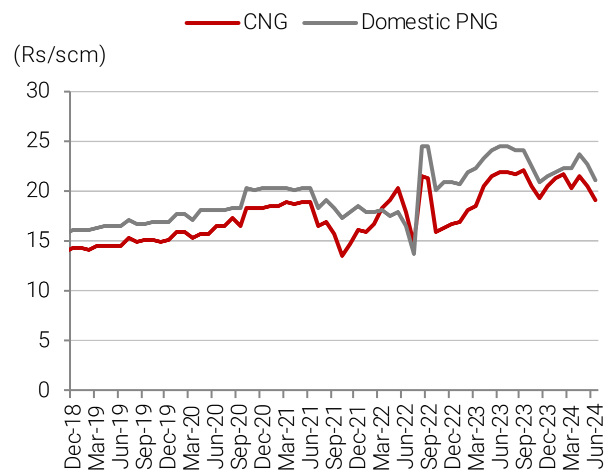
Exhibit 44: IGL and MGL's retail CNG prices (ex-VAT), from December 2019 (Rs/kg)



Source: Company, Kotak Institutional Equities estimates

We expect qoq decline in IGL's gross margins in 1QFY25E

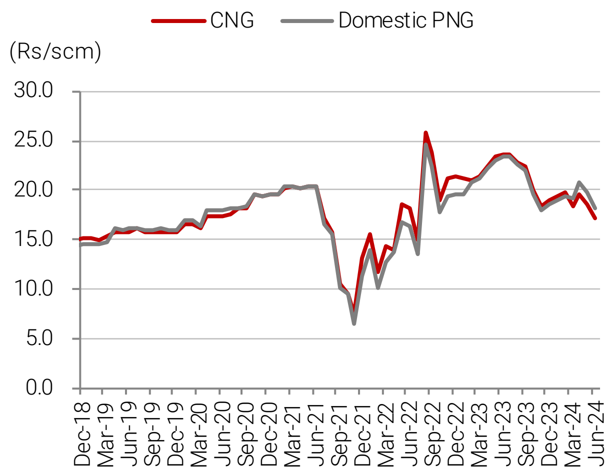
Exhibit 45: IGL's gross margins on CNG/domestic PNG from Dec 2018 (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

MGL's margins likely to decline further qoq in 1QFY25E

Exhibit 46: MGL's gross margins on CNG/domestic PNG from Dec 2018 (Rs/scm)



Source: Company, Kotak Institutional Equities estimates

Oil price were up ~2% qoq on average, but was broadly stable at period ends. SG complex margins declined sharply qoq; while auto fuel margins (especially petrol) were weaker qoq; spot LNG prices also firmed up qoq

Exhibit 47: Key energy prices/margins quarterly trends, from 1QFY22

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	Change qoq value	%
Crude price (US$/bbl)															
Brent	68.6	73.0	79.3	99.3	112.9	99.5	88.3	81.4	78.1	86.6	84.3	83.1	84.9	1.8	2.1
Inventory movement															
Last 45 days	71.5	73.0	75.0	110.6	118.6	93.0	82.6	79.6	75.3	90.9	79.2	85.3	82.1	(3.2)	(3.7)
Last 30 days	73.4	75.0	74.5	116.2	120.1	90.3	81.0	78.3	75.0	93.8	78.1	85.5	82.6	(2.9)	(3.3)
Last 15 days	74.8	76.9	75.7	113.9	116.6	88.3	81.7	75.0	74.9	95.5	79.6	85.9	85.9	0.0	0.0
Exchange rate (Rs/US$)															
USD / INR	73.8	74.1	75.0	75.2	77.2	80.0	82.1	82.2	82.1	82.7	83.2	83.0	83.4	0.4	0.5
Refining margins (US$/bbl)															
Kotak India	1.9	3.4	7.5	8.8	22.6	13.6	18.4	14.4	7.3	14.4	10.3	11.0	5.4	(5.6)	(51)
Export tax adjusted		3.4	7.5	8.8	22.6	11.4	16.7	13.7	7.3	13.9	9.8	11.0	5.4	(5.5)	(50)
Reuters Singapore complex	2.1	3.7	6.1	7.5	21.2	7.1	6.3	8.2	4.1	9.6	5.4	7.3	3.5	(3.9)	(53)
Light-heavy differential	1.1	1.5	1.5	1.5	1.4	3.2	3.8	4.1	1.9	2.1	2.1	1.8	1.5	(0.3)	(16)
Marketing margin (Rs/liter)															
Diesel	4.1	5.6	5.9	(0.8)	(14.9)	(9.3)	(5.5)	2.4	9.7	(0.2)	1.5	3.4	3.1	(0.3)	(10)
Gasoline	1.0	3.0	3.4	(0.7)	(11.2)	(0.1)	8.9	6.8	8.5	3.6	6.8	6.0	3.9	(2.0)	(34)
Gas price (US$/mmbtu)															
APM /Ceiling GCV	1.8	1.8	2.9	2.9	6.1	6.1	8.6	8.6	6.7	6.5	6.5	6.5	6.5	—	—
HPHT Ceiling GCV	3.6	3.6	6.1	6.1	9.9	9.9	12.6	12.6	12.1	12.1	10.0	10.0	9.9	(0.1)	(1)
RasGas	9.0	9.9	10.6	11.1	14.2	15.1	12.9	11.6	11.0	10.8	12.1	11.2	11.6	0.4	4.0
US LNG	7.8	9.1	11.2	10.2	12.7	13.9	11.7	10.1	7.4	7.7	8.1	7.7	6.9	(0.9)	(11.0)
Spot LNG	10.3	18.9	36.3	31.7	28.4	47.9	26.9	16.6	10.5	11.9	15.4	9.4	10.8	1.4	14
LPG (US$/ton)	517	647	804	802	853	713	607	680	612	431	594	626	612	(13.7)	(2.2)

Source: Bloomberg, Reuters, PPAC, Kotak Institutional Equities estimates

RIL's consolidated EBITDA to decline ~8% qoq largely on weaker standalone performance (on sharply lower refining margins qoq)

Exhibit 48: 1QFY25E preview for RIL (Rs mn)

	1QFY24	4QFY24	1QFY25E	Change (%) yoy	Change (%) qoq	Comments
RIL : Consolidated						
Net sales	2,075,590	2,365,330	2,301,021	10.9	(2.7)	We expect RIL's consolidated EBITDA to decline by ~8% qoq driven by weak O2C performance muted growth in Digital services and Organized retail.
EBITDA	**380,930**	**425,160**	**393,128**	**3.2**	**(7.5)**	
EBIT	263,180	289,470	256,161	(2.7)	(11.5)	
PBT	242,940	277,200	245,383	1.0	(11.5)	
Reported PAT	160,110	189,510	160,223	0.1	(15.5)	
EPS (Rs/share)	**23.7**	**28.0**	**23.7**	**0.1**	**(15.5)**	
Consolidated segment EBITDA						
O2C	152,710	167,770	134,626	(12)	(20)	We expect a sharp qoq decline in O2C (on weaker GRM), ~3% qoq weaker E&P to offset modest ~2% qoq growth for digital services and organized retail.
Oil & gas	40,150	56,060	54,313	35	(3.1)	
Organized retail	51,510	58,290	59,478	15	2.0	
Digital services	137,210	146,440	149,612	9.0	2.2	
RIL : Standalone						
Net sales	1,171,360	1,468,320	1,388,937	18.6	(5.4)	We expect RIL's standalone EBITDA to decline ~15% qoq on sequentially weaker refining margins part offset by modest improvement in petchem spreads. In E&P, we expect ~4% qoq decline in EBIT on marginally lower realization and production.
EBITDA	163,610	200,230	169,334	3.5	(15.4)	
Reported PAT	97,260	112,830	91,367	(6)	(19)	
EPS (Rs/share)	14.4	16.7	13.5	(6)	(19)	
R-Jio						
Net sales	240,420	259,590	265,311	10.4	2.2	We expect EBITDA for R-Jio to increase ~2% qoq driven by ~9.4 mn overall net subscriber adds (versus ~11 mn qoq) and qoq stable blended ARPU at Rs182.
EBITDA	125,780	136,120	139,112	10.6	2.2	
EBITDA margin (%)	52.3	52.4	52.4	0 bps	(0)bps	
EBIT	74,190	80,460	81,226	9.5	1.0	
PBT	65,330	71,640	72,336	10.7	1.0	
Reported PAT	48,630	53,370	53,890	10.8	1.0	
Adjusted PAT	48,630	53,370	53,890	10.8	1.0	
Attributable EPS (Rs/share)	4.8	5.2	5.3	10.8	1.0	
Retail						
Net sales	699,480	766,270	777,141	11	1.4	We expect retail EBITDA to increase by modest ~2% qoq driven by increased store footprint and operating leverage benefits
EBITDA	48,960	56,320	57,508	17	2.1	
EBITDA margin (%)	7.0	7.3	7.4	40 bps	5 bps	
Key Assumptions						
O2C						
Exchange rate (Rs/US$)	82.1	83.0	83.4	1.6	0.5	
Refining throughput (mn tons)	17.2	17.5	17.5	1.7	(0.0)	
Refining GRM (US$/bbl)	10.0	11.2	8.2	(18)	(26)	
E&P						
KG-D6 volumes (mmscmd)	23.4	34.1	33.4	43	(2.0)	
Gas Price	10.5	10.1	10.1	(3)	(0.2)	
R-Jio						
End-period subscriber base (# mn)	448.5	481.8	491.2	9.5	2.0	
Average subscriber base (# mn)	443.9	476.4	486.5	9.6	2.1	
ARPU (Rs/month)	180.5	181.7	181.8	0.7	0.1	

Notes:

(a) Refining throughput and GRMs for past periods are our assumptions.

Source: Company, Kotak Institutional Equities estimates

Sharp 35-43% qoq decline in EBITDA on sequentially weaker GRM and also lower auto-fuel marketing margins

Exhibit 49: 1QFY25E preview for oil marketing companies (OMCs) (Rs mn)

	1QFY24	4QFY24	1QFY25E	Change (%) yoy	Change (%) qoq	Comments
BPCL						We expect BPCL to report sharp ~43% qoq (-67% yoy on high base) decline in EBITDA due to 1) sharp qoq decline in refining margins, and 2) sequentially lower auto-fuel marketing margins (especially on petrol). We assume: (1) reported GRM of US$6.5/bbl (versus US$12.5/bbl qoq), (2) crude throughput largely flat qoq at 10.5 mmt, (3) likely auto fuel over-recovery of nearly Rs4 bn (versus ~Rs14 bn over-recoveries qoq), (4) negligible adventitious gains (versus our estimate of Rs1 bn loss in 4QFY24).
Net sales	1,129,782	1,165,551	1,139,979	0.9	(2.2)	
EBITDA	158,098	92,131	52,530	(67)	(43)	
EBIT	142,004	74,965	35,193	(75)	(53)	
PBT	140,131	74,414	34,794	(75)	(53)	
Adjusted PAT	105,509	55,700	26,036	(75)	(53)	
EPS (Rs/share)	49.5	26.2	12.2	(75)	(53)	
Assumptions						
Crude throughput (mn tons)	10.4	10.4	10.5	1.4	1.4	
Domestic sales (mn tons)	12.8	13.2	13.3	4.4	1.0	
Reported refining margin (US$/bbl)	12.6	12.5	6.5	(49)	(47.9)	
Auto fuel Over/(under)-recovery (Rs mn)	71,011	13,706	4,208	(94)	(69)	
HPCL						We expect HPCL to report sharp ~35% qoq (-67% yoy on high base) decline in EBITDA due to 1) sharp qoq decline in refining margins, and 2) sequentially lower auto-fuel marketing margins (especially on petrol). We assume: (1) reported GRM of US$5/bbl (versus US$7/bbl qoq), (2) crude throughput up 7% yoy to 5.8mmt, (3) likely auto fuel over-recovery of nearly Rs4 bn (versus ~Rs12 bn over-recoveries qoq), (4) adventitious loss of nearly Rs2 bn (versus our estimate of ~Rs2.5 bn loss in 4QFY24), with ~US$0.6/bbl impact on GRM.
Net sales	1,119,606	1,145,569	1,154,247	3.1	0.8	
EBITDA	96,548	48,038	31,385	(67)	(35)	
EBIT	82,911	31,924	14,950	(82.0)	(53)	
PBT	83,306	33,121	13,463	(84)	(59)	
Adjusted PAT	62,039	28,427	10,074	(84)	(65)	
EPS (Rs/share)	44.2	20.0	7.1	(84)	(65)	
Assumptions						
Crude throughput (mn tons)	5.4	5.8	5.8	7	(1)	
Domestic sales (mn tons)	11.4	11.8	11.8	3.5	0.3	
Reported refining margin (US$/bbl)	7.4	7.0	5.0	(33)	(28)	
Auto fuel Over/(under)-recovery (Rs mn)	63,646	12,394	3,864		(69)	
IOCL						We expect IOC to report sharp ~37% qoq (-70% yoy on high base) decline in EBITDA due to 1) sharp qoq decline in refining margins, and 2) sequentially lower auto-fuel marketing margins (especially on petrol). We assume: (1) reported GRM of US$5/bbl (versus US$8.4/bbl qoq), (2) crude throughput largely flat qoq at 18.2 mmt, (3) likely auto fuel over-recovery of nearly Rs6 bn (versus ~Rs21 bn over-recoveries qoq), (4) adventitious loss of nearly Rs11 bn (versus our estimate of ~Rs15 bn loss in 4QFY24) with ~US$1/bbl impact on GRM.
Net sales	1,975,266	1,979,782	1,930,514	(2.3)	(2.5)	
EBITDA	221,639	104,352	66,219	(70.1)	(36.5)	
EBIT	190,117	66,987	28,481	(85.0)	(57.5)	
PBT	180,738	63,323	17,981	(90.1)	(71.6)	
Adjusted PAT	137,504	48,377	13,455	(90.2)	(72.2)	
EPS (Rs/share)	10.0	3.5	1.0	(90.2)	(72.2)	
Assumptions						
Crude throughput (mn tons)	18.8	18.3	18.2	(2.9)	(0.4)	
Domestic sales (mn tons)	23.3	23.7	22.0	(5.6)	(7.3)	
Reported refining margin (US$/bbl)	8.3	8.4	5.0	(40)	(40)	
Auto fuel Over/(under)-recovery (Rs mn)	113,471	21,389	6,367	(94)	(70)	

Source: Companies, Kotak Institutional Equities estimates

Strong power sector gas demand to boost volumes for gas utilities; GSPL impacted by part impact of sharp tariff cut

Exhibit 50: 1QFY25E preview for GAIL, GSPL and PLNG (Rs mn)

	1QFY24	4QFY24	1QFY25E	Change (%) yoy	Change (%) qoq	Comments
GAIL (India)						
Net sales	322,121	323,177	359,261	12	11	
EBITDA	24,327	35,578	37,872	56	6.4	We expect GAIL's EBITDA to increase 6% qoq (56% yoy) on higher volumes, higher marketing earnings and low base.
EBIT	17,969	23,973	28,872	61	20.4	
PBT	18,887	28,418	31,972	69	12.5	
Reported PAT	14,120	21,770	23,925	69	9.9	
EPS (Rs/share)	2.1	3.3	3.6	69	9.9	
Segment EBIT						
Transmission - Natural Gas	10,246	9,798	11,920	16	21.7	
Tranmsission - LPG	802	756	800	(0)	5.8	We expect qoq EBIT improvement for transmission (higher volume, 4Q impacted by higher one-off depreciation) and higher marketing earnings. Petchem and LPG will be impacted due to shut-down in 1Q.
Marketing	10,136	13,887	16,000	58	15.2	
Petchem	(3,009)	2,623	360	NM	(86)	
LPG-LHC	2,021	3,266	2,392	18	(27)	
Assumptions						
Transmission volumes (mmscmd)	116.3	123.7	128.0	10	3.5	We assume: (1) ~3.5% qoq increase in gas transmission volumes to 128 mmscmd and 1% lower gas transmission tariff at Rs62.3/mmbtu, (2) petchem production declining 32% qoq on account of shutdown, but realization to further improve ~4% qoq, (3) LPG sales volume lower by 16% qoq and realizations lower by 1%
Gas sales volumes (mmscmd/d)	98.8	99.9	105.0	6.2	5.1	
Transmission tariff (Rs/scm)	2.45	2.37	2.35	(4)	(0.8)	
Transmission tariff (Rs/mmbtu)	65.0	62.9	62.3	(4)	(0.8)	
Polymers sales ('000 tons)	162	242	180	11	(26)	
PE realisation (Rs/kg)	105	93	97	(8)	4	
LPG volumes ('000 tons)	247	261	220	(11)	(16)	
LPG-LHC realisation (Rs/kg)	53.4	54.6	54.0	1	(1)	
GSPL						
Net sales	4,412	5,068	4,905	11	(3.2)	
EBITDA	3,364	3,780	3,074	(9)	(18.7)	We expect EBITDA to decline 19% qoq (-9% yoy) due to sharp 47% tariff cut from 1-May part offset by higher volumes.
EBIT	2,896	3,294	2,574	(11)	(21.8)	
PBT	3,066	3,571	2,785	(9)	(22.0)	
Reported PAT	2,293	2,611	2,084	(9)	(20.2)	We assume: (1) 11% qoq higher gas transmission volume at 37 mmscmd on higher consumption by power and CGD segments, (2) ~28% qoq lower realized tariff at Rs28.4/mmbtu on part impact of tariff cut
EPS (Rs/share)	4.1	4.6	3.7	(9)	(20.2)	
Assumptions						
Volumes (mcm/d)	29.4	33.4	37.0	26	10.9	
Transmission tariff (Rs/scm)	1.44	1.48	1.07	(25.4)	(27.6)	
Transmission tariff (Rs/mmbtu)	38.1	39.2	28.4	(25.4)	(27.6)	
Petronet LNG						
Net sales	116,561	137,932	135,065	15.9	(2.1)	
Use or pay gains	-	-	-			
Adjusted EBITDA	11,818	11,443	13,780	16.6	20.4	We expect ~20% qoq increase in adjusted EBITDA (+17% yoy) on 7% higher volumes (strong gas offtake from power), reversal of adventitious losses of 4Q, and 5% increase in Kochi tariff.
Use or pay provisions	-	(403)	(1,106)			
Reported EBITDA	11,818	11,040	12,674	7.2	14.8	
EBIT	9,899	9,096	10,710	8.2	17.7	
PBT	10,621	9,957	11,585	9.1	16.4	We assume ~Rs1.1 bn provision on past period use-or-pay charges (versus Rs403 mn qoq), and reported EBITDA will likely rise 15% qoq (7% yoy).
Reported PAT	7,899	7,376	8,669	9.8	17.5	
EPS (Rs/share)	5.27	4.92	5.78	9.8	17.5	
Assumptions						
Total volumes (tn BTUs)	230	234	250	9	6.8	
Dahej (tn BTUs)	217	219	235	8	7.3	We assume 7% qoq higher volume at 250 tbtu (+9% yoy).
Kochi (tn BTUs)	13	15	15	15	0	
Dahej utilisation %	98	98	106	8.3	7.4	We expect Dahej utilization to further rise to ~106% (versus 98% qoq and yoy) due to higher offtake from power sector.
Kochi utilisation %	20	24	24	3.2	0.0	
Blended gross margin (Rs/mmbtu)	58.9	57.9	63.1	7.1	9.0	
EBITDA margins (Rs/mmbtu)	51.4	48.9	55.1	7	12.7	

Source: Company, Kotak Institutional Equities estimates

Volume growth muted; rising APM shortfall and full impact of Mar 2024 CNG price cuts to impact gross margin

Exhibit 51: 1QFY25E preview for CGDs (Rs mn)

	1QFY24	4QFY24	1QFY25E	Change (%) yoy	Change (%) qoq	Comments
Indraprastha Gas						
Net sales	34,070	35,968	36,059	5.8	0.3	We expect IGL's EBITDA to be flat qoq. While gross margins are likely to decline 6% qoq (-14% yoy) on further rise in gas costs (higher APM short-fall), and realization decline (full impact of March-2024 price cut). But, EBITDA margins likely to be flat qoq as opex moderates qoq.
EBITDA	6,424	5,226	5,258	(18.1)	0.6	
EBIT	5,435	4,118	4,133	(23.9)	0.4	
PBT	5,867	5,187	4,958	(15.5)	(4.4)	
Reported PAT	4,384	3,828	3,709	(15.4)	(3.1)	
EPS (Rs/share)	6.3	5.5	5.3	(15.4)	(3.1)	
Assumptions						
Volumes (mmscmd)	**8.2**	**8.7**	**8.7**	**6.7**	**0.3**	We assume: (1) overall volumes to increase to 8.75 mmscmd (flat qoq, +7% yoy on low base), (2) unit EBITDA margin at Rs6.6/scm (stable qoq, Rs8.6/scm yoy).
CNG sales (mn kgs.)	394	407	411	4.3	1.0	
CNG (mmscmd)	6.2	6.4	6.4	4.3	1.0	
PNG sales (mscm)	185	214	211	13.9	(1.8)	
PNG sales (mmscmd)	2.0	2.4	2.3	13.9	(1.8)	
Gross margin (Rs/scm)	14.4	13.1	12.3	(14.3)	(6.3)	
EBITDA margin (Rs/scm)	**8.6**	**6.6**	**6.6**	**(23.3)**	**0.4**	
Mahanagar Gas						
Net sales	15,378	15,671	15,624	1.6	(0.3)	We expect MGL's EBITDA to decline 8% (and 30% yoy) as gas cost rise (higher APM short-fall and higher LNG prices), while realization decline (full impact of March-2024 price cut).
EBITDA	5,213	3,938	3,638	(30.2)	(7.6)	
EBIT	4,592	3,163	2,878	(37.3)	(9.0)	
PBT	4,957	3,570	3,348	(32.5)	(6.2)	
Reported PAT	3,684	2,650	2,504	(32.0)	(5.5)	
EPS (Rs/share)	37.3	26.8	25.4	(32.0)	(5.5)	
Assumptions						
Volumes (mcm/d)	**3.41**	**3.78**	**3.80**	**11.5**	**0.6**	We assume: (1) overall volume of 3.8 mmscmd (+ 0.6% qoq and 11.5% yoy on low base), with CNG volumes up 1.2% qoq (11.5% yoy on low base, in 1QFY24 CNG volume had declined 2.3% yoy), (2) unit EBITDA to further decline qoq to Rs10.5/scm (from Rs11.5/scm qoq) on rising APM shortfall and full impact of CNG price cuts.
CNG sales (mscm)	226	243	245	8.7	1.2	
CNG (mmscmd)	2.48	2.67	2.70	8.7	1.2	
PNG sales (mscm)	85	101	101	18.8	(0.8)	
PNG sales (mmscmd)	0.93	1.11	1.11	18.8	(0.8)	
Gross margin (Rs/scm)	22.3	17.9	16.3	(27.1)	(8.9)	
EBITDA margin (Rs/scm)	**16.8**	**11.5**	**10.5**	**(37.4)**	**(8.2)**	

Source: Company, Kotak Institutional Equities estimates

EBITDA likely to decline sequentially as higher Brent prices would likely be offset by increase in windfall taxes

Exhibit 52: 1QFY25E preview for upstream companies (Rs mn)

	1QFY24	4QFY24	1QFY25E	Change (%) yoy	Change (%) qoq	Comments
ONGC						
Net sales	338,143	346,367	348,967	3.2	0.8	
EBITDA	194,534	174,066	164,528	(15.4)	(5.5)	We expect EBITDA to decline ~6% qoq (-15% yoy) largely driven by lower net oil realization and lower oil production.
EBIT	127,564	102,153	80,808	(36.7)	(20.9)	
PBT	133,606	128,604	80,356	(39.9)	(37.5)	
Reported PAT	100,150	98,694	60,130	(40)	(39.1)	
Extraordinaries	-	-	-			
Adjusted PAT	100,150	98,694	60,130	(40)	(39.1)	We model: (1) overall crude oil sales volumes of 4.6mmt (-2% qoq and -3% yoy), (2) natural gas sales volumes at 3.8 bcm (-0.5% qoq -7% yoy), (3) Gross crude price realization of US$82.8/bbl (+2% qoq) and net oil price realization (post royalty, windfall tax, and cess) of US$51/bbl (-2% qoq) as higher Brent prices would be offset by increase in windfall taxes.
EPS (Rs/share)	8.0	7.8	4.8	(40)	(39.1)	
Assumptions						
Total crude sales (mn tons)	4.7	4.7	4.6	(3.1)	(2.3)	
Total gas sales (bcm)	4.1	3.8	3.8	(6.9)	(0.5)	
Gross crude realisation (US$/bbl)	76.4	80.8	82.8	8.4	2.4	
Net crude realization (US$/bbl)	**53.7**	**52.3**	**51.1**	**(4.8)**	**(2.1)**	
Windfall tax, royalty and cess (US$/bbl)	22.7	28.6	31.7	39.6	10.8	
Gas price realization (US$/mmbtu)	6.7	6.5	6.5	(3)	0.0	
Oil India						
Net sales	46,447	57,567	59,408	27.9	3.2	We expect EBITDA to remain largely flat qoq as higher oil prices would likely be offset by higher windfall cess.
EBITDA	23,289	25,442	25,349	8.8	(0.4)	
EBIT	19,315	18,806	20,099	4.1	6.9	
PBT	20,997	25,244	22,149	5.5	(12.3)	
Reported PAT	16,134	20,288	16,574	2.7	(18.3)	We model: (1) overall crude oil sales volumes of 860kt (+2% qoq and +15% yoy on low base), (2) natural gas sales volumes at 670 mmscm (+3% qoq and +23% yoy, 1QFY24 impacted by NRL shutdown), (3) Gross crude price realization of US$84.9/bbl (+2% qoq) and net oil price realization (post royalty, windfall tax, and cess) of US$50/bbl (-5.5% qoq) as higher Brent prices would be offset by increase in windfall taxes.
EPS (Rs/share)	14.9	18.7	15.3	2.7	(18.3)	
Assumptions						
Total crude sales ('000 tons)	747	840	860	15.1	2.4	
Total gas sales (mcm)	544	650	670	23.2	3.1	
Gross crude realisation (US$/bbl)	76.9	83.4	84.9	10.5	1.8	
Net crude realization (US$/bbl)	**48.7**	**52.5**	**49.6**	**1.9**	**(5.5)**	
Windfall tax, royalty and cess (US$/bbl)	28.2	30.9	35.3	25.2	14.2	
Gas price realization (US$/mmbtu)	6.5	6.5	6.5	0	0.0	

Source: Company, Kotak Institutional Equities estimates

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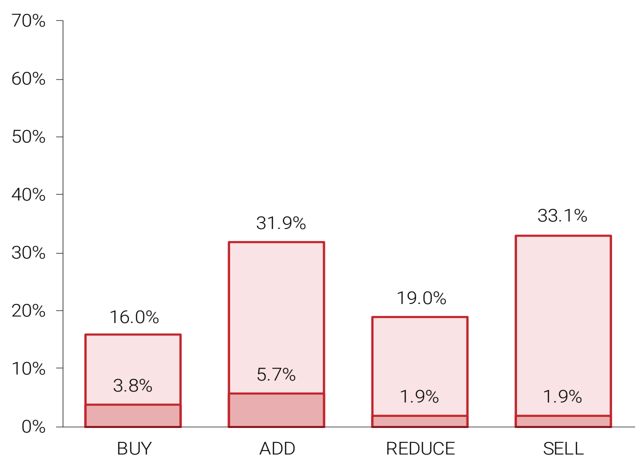

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Head of Customer Care	Mr. Tabrez Anwar		022-42858208	ks.servicehead@kotak.com
Compliance Officer	Mr. Hiren Thakkar		022-42858484	ks.compliance@kotak.com
CEO	Mr. Shripal Shah		022-42858301	ceo.ks@kotak.com

In absence of response/complaint not addressed to your satisfaction, you may lodge a complaint with SEBI at SEBI, NSE, BSE, Investor Service Center | NCDEX, MCX. Please quote your Service Ticket/Complaint Ref No. while raising your complaint at SEBI SCORES/Exchange portal at https://scores.sebi.gov.in. Kindly refer https://www.kotaksecurities.com/contact-us/ and for online dispute Resolution platform - Smart ODR