

# Oil and Gas



## Robust quarter for oil companies; steady quarter for gas companies

In 2QFY24, we expect RIL's EBITDA to grow 5% QoQ due to strong GRMs, higher gas output and steady growth in Digital & Retail business. ONGC/Oil India's 2QFY24 EBITDA may rise 1-6% QoQ on higher crude and gas sales volumes; however, net crude and gas realisation will be largely steady QoQ. OMCs' earnings are likely to moderate from the record high in 1QFY24 due to the hit on marketing earnings but are likely to still be robust aided by strong GRM and inventory gains. IGL's volume growth is expected to be muted due to the Delhi flood impact while MGL should see some moderation in margins from the record high in 1QFY24. GGas's earnings are likely to recover QoQ on a low base due to normalisation of margins; however, volume could see a slight decline.

We maintain BUY on RIL as we believe net debt concerns are overdone, and also because RIL has industry leading capabilities across businesses to drive robust 14-15% EPS CAGR over the next 3-5 years. We reiterate BUY on IGL due to robust pricing power and the steady volume growth story. We reiterate BUY on ONGC/Oil India given strong dividend play and also because CMP is discounting only ~USD 55/bbl net crude realisation. However, Brent crude > USD 80/bbl amidst an election-heavy period is a concern for OMCs though valuations at 0.8x P/B provide comfort.

- **RIL's 2QFY24 EBITDA likely to grow 5% QoQ due to strong GRMs and higher gas output:** RIL's 2QFY24 EBITDA is likely to grow ~5% QoQ to INR 399bn aided by strong GRMs (offsetting weakness in petchem margins), strong growth in E&P earnings aided by rise in gas output, and steady growth in Digital & Retail business. Assumed: **a)** O2C EBITDA to grow 3.0% QoQ to INR 157bn in 2QFY24 due to strong GRM of ~USD 12.5/bbl (vs. implied GRM of ~USD 11/bbl in 1QFY24) driven by sharp jump in diesel cracks; this was partly offset by moderation in Russian crude discount, lower refining throughput due to maintenance shut-down and further weakness in petchem margin; **b)** E&P EBITDA could rise 20% QoQ to INR 48bn due to rise in KG D6 gas output (to ~27mmcmd in 2QFY24 vs. ~23mmcmd in 1QFY24) while ceiling price for HPHT gas is at USD 12.12/mmbtu for 1HFY24; **c)** Digital EBITDA is expected to rise by 3.0% QoQ to INR 141bn due to rise in ARPU to INR 183 (from INR 181 in 1QFY24) and increase in net subs by ~9mn QoQ; and **d)** Retail EBITDA is likely to grow by 6.7% QoQ to INR 55bn likely driven by rising store count and increase in footfalls.
- **ONGC/Oil India's 2QFY24 EBITDA to rise 1-6% QoQ on higher crude and gas sales volume; net crude and gas realisation to be largely steady QoQ:** ONGC's 2QFY24 EBITDA is expected to rise 1% QoQ as we expect overall crude sales volume to rise 1.8% QoQ (though we expect overall gas sales volume to be down 0.1% QoQ). Oil India's 2QFY24 EBITDA is expected to rise 6% QoQ as we expect overall crude and gas sales volumes to rise 7.7% and 11.8% QoQ, respectively, aided by low base on account of NRL refinery shut-down in 1QFY24. ONGC and Oil India's net crude realisation adjusted for windfall tax will continue to be capped at USD 73-74/bbl with higher gross crude realisation (as Brent crude price averaged USD 86.7/bbl in 2QFY24 vs. USD 78.4/bbl in 1QFY24 — **Exhibit 3**) being offset by rise in windfall tax (~USD 11/bbl in 2QFY24 vs. USD 2.5/bbl in 1QFY24). ONGC and Oil India's gas realisations are also expected to be steady QoQ with domestic APM gas realisation being capped at USD 6.5/mmbtu — **Exhibit 11**.
- **OMCs' earnings to moderate from record high in 1QFY24 due to hit on marketing earnings, but likely to still be robust aided by strong GRM and inventory gains:** OMCs' 2QFY24 earnings is expected to moderate from the record high in 1QFY24 due to the sharp impact on marketing segment earnings on account of higher crude price/product cracks; however, 2QFY24 earnings is still expected to be robust aided by strong GRMs and significant inventory gains. OMCs' weighted average auto-fuel gross marketing margin has moderated to INR 3.3/ltr in 2QFY24 from the record high of +INR 8.8/ltr in 1QFY24 (vs. normalised margin of +INR 3.5/ltr) — **Exhibit 7**. However, OMCs' reported GRM (including inventory gains) is likely to rise sharply to USD 14-19/bbl (HPCL USD 14.7/bbl, IOCL USD 18.6/bbl and BPCL USD 16.2/bbl) due to sharp increase in diesel cracks (partly offset by some moderation in Russia crude discount); this is after adding crude inventory gain of USD 3.0/bbl for HPCL and BPCL and USD 6.0/bbl for IOCL given USD 19.1/bbl QoQ rise in Brent crude price in Sep'23 vs. Jun'23.

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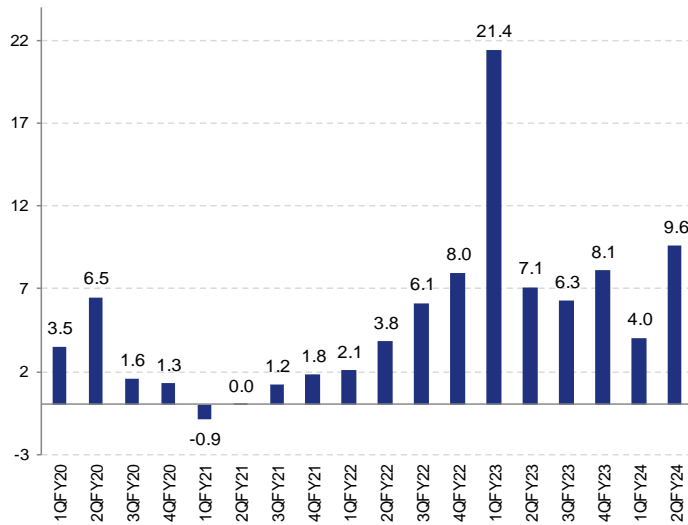
- **Strong gas demand from power sector to aid volume growth for GAIL/GSPL/PLNG:** Asian spot LNG price has risen marginally to USD 12.2/mmbtu in 2QFY24 (vs. USD 11.1/mmbtu in 1QFY24) due to risk of potential LNG supply disruption from Australia. However, continued strong gas demand from the power sector (to address peak power deficit) is likely to result in 3-4% QoQ growth in India's gas demand, aiding volume growth for GAIL, GSPL and PLNG — **Exhibit 10.** GSPL could see 5.5% QoQ growth in 2QFY24 transmission volume to 31mmscmd; however, we expect transmission EBITDA margin to be steady QoQ at ~INR 1,220/tcm. Hence, we expect GSPL's EBITDA to rise 4.9% QoQ to INR 3.5bn. We expect GAIL's 2QFY24 EBITDA to be largely flattish QoQ at INR 24.1bn assuming: **a)** 17% QoQ rise in gas transmission EBITDA driven by steady integrated pipeline tariff, normalisation of high gas cost in 1QFY24 and 1.4% QoQ rise in gas transmission volume to 118mmscmd; **b)** 12% QoQ decline in gas trading EBITDA volume driven by normalisation of margin to INR 1,050/tcm (vs. INR 1,226/tcm in 1QFY24) while volume to rise 1.2% QoQ at 100mmscmd; **c)** continued petchem losses due to weak petchem margins despite improvement in plant utilisation; and **d)** further fall in LPG earnings following decline in global LPG prices to USD 473/tn in 2QFY24 (vs. USD 520/tn in 1QFY24). PLNG's 2QFY24 PAT is expected to grow marginally to INR 8.0bn assuming Dahej regas volume improves slightly to 221 TBTU (vs. 217 TBTU reported in 1QFY24); Kochi volume has been assumed to be flattish QoQ at 13 TBTU. Further, Dahej and Kochi regas margin will be flat QoQ as per the agreement.
- **Steady quarter for IGL due to muted volume growth; MGL's earnings to decline QoQ from a high base; GGas's earnings to recover QoQ on a low base:** We expect IGL's 2QFY24 EBITDA to be flat QoQ due to volume being largely flattish QoQ on account of the impact of floods in Delhi; we expect EBITDA margin to be fall slightly to INR 8.3/scm (vs. INR 8.6/scm in 1QFY24). MGL's PAT is likely to decline 14% QoQ on a high base due to normalisation of EBITDA margin (to INR 14.0/scm from high INR 16.8/scm in 1QFY24); however, volume growth is expected to be muted at 3.5mmscmd (up 2.6% YoY and up 4.0% QoQ). For Gujarat Gas (GGas), we expect PAT to rise by 36% QoQ on a low base due to normalisation in EBITDA margin to INR 6/scm (from INR 4.6/scm in 1QFY24) on account of price hikes taken in the industrial segment; however, we expect volume to decline 3.5% QoQ at 8.9mmscmd.
- **Change in estimates and TP:** We have made the following changes to our estimates/TP: **a)** raised TP for ONGC to INR 220 (from INR 205) and for Oil India to INR 345 (from INR 315) due to 1-5% increase in FY24-25 PAT and increase in our FY25 PE multiple to 6.0x for ONGC (from 5.5x) and to 5.5x for Oil India (from 5.0x) due to improved visibility of crude being supported above US\$ 75/bbl on account of OPEC+ strong pricing power; **b)** cut PLNG's FY24 EBITDA by 7% due to delay in volume recovery on account of volatile spot LNG price and moderation in spot marketing margin; however, our DCF-based TP of INR 235 is largely unchanged; **c)** reduction in GGas TP to INR 550 (from INR 570) on account of 7% cut in our FY24 EBITDA on account of delay in recovery of volume; **d)** increase in GSPL FY24-25 PAT by 2-3%; however, TP is unchanged at INR 345 due to reduction in value of its stake in GGas (which is valued at CMP less 40% holding company discount).
- **Prefer RIL, IGL and ONGC/Oil India:** We **maintain BUY on RIL (TP of INR 2,900)** as we believe net debt concerns are overdone, and also because RIL has industry leading capabilities across businesses to drive robust 14-15% EPS CAGR over the next 3-5 years with Jio's ARPU expected to rise at 10% CAGR over FY23-28, and continued strong momentum in Retail. Further, with APM gas price being capped at USD 6.5/mmbtu and moderation in spot LNG prices, we **reiterate BUY on IGL (TP of INR 570) and MGL (INR 1,300)** due to: **a)** robust pricing power, and **b)** steady volume growth story due to the government's target to increase share of gas in India's energy mix to 15% by 2030 (vs. 6.7% currently). We **reiterate BUY on ONGC (TP INR 220) and Oil India (TP INR 345)** given strong 6-8% dividend potential and also because CMP is discounting only ~USD 55/bbl net crude realisation while our TP is based on USD 65/bbl net crude realisation — **Exhibit 15.** However, Brent crude > USD 80/bbl amidst an election-heavy period is a concern for OMCs, though valuations at 0.8x P/B provide comfort.

## Exhibit 1: Detailed 2QFY24 estimates of RIL, OMCs and upstream PSUs

	2QFY24E	2QFY23	1QFY24	YoY (%)	QoQ (%)	Comment
<b>RIL (Consolidated)</b>						
Sales (INR mn)	2,234,746	2,300,550	2,075,590	-2.9	7.7	Assumed a) O2C EBITDA to improve 3% QoQ to INR 157bn due to strong GRM of ~USD 12.5/bbl (vs implied GRM of ~USD 11/bbl in 1QFY24 ) driven by sharp jump in diesel cracks in 2QFY24; this was partly offset by moderation in Russian crude discount, lower refining throughput due to maintenance shut down and further weakness in petchem margin; b) E&P EBITDA to rise 20% QoQ to INR 48bn due to rise in KG D6 gas output (to ~27mmscmd in 2QFY24 vs. ~23mmscmd in 1QFY24) while ceiling price for HPHT gas is at USD 12.12/mmbtu for 1HFY24; c) Digital EBITDA is expected to rise by 3.0% QoQ to INR 141bn due to rise in ARPU to INR 183 (from INR 181 in 1QFY24) and increase in net subs by ~9mn QoQ; and d) Retail EBITDA is likely to grow by 6.7% QoQ to INR 55bn likely driven by rising store count and increase in footfalls.
EBITDA (INR mn)	399,045	312,240	380,930	27.8	4.8	
EBITDA margin (%)	17.9	13.6	18.4	428 bps	-50 bps	
PBT (INR mn)	259,626	203,790	243,700	27.4	6.5	
PAT after minority (INR mn)	171,730	136,560	160,110	25.8	7.3	
<b>IOCL (Standalone)</b>						
Sales (INR mn)	2,648,367	2,283,594	2,211,454	16.0	19.8	Assumed a) reported GRM at USD 18.6/bbl (vs. USD 8.3/bbl in 1QFY24) based on core GRM of USD 12.6/bbl and crude inventory gain of USD 6.0/bbl; b) crude throughput at 18.4mmt (down 1.9% QoQ) and marketing sales volume at 21.0mmt (down 6.5% QoQ); c) decline in auto fuel gross marketing margin to +INR 3.3/ltr in 2QFY24 (vs INR 8.8/ltr in 1QFY24); however will be partly offset by product inventory gain of USD 1.0/bbl.
EBITDA (INR mn)	199,796	19,604	221,639	919.2	-9.9	
EBITDA margin (%)	7.5	0.9	10.0	669 bps	-248 bps	
PBT (INR mn)	163,796	-2,442	180,738	-6806.6	-9.4	
PAT (INR mn)	121,209	-2,724	137,504	-4550.5	-11.9	
<b>BPCL (Standalone)</b>						
Sales (INR mn)	1,079,422	1,283,327	1,282,567	-15.9	-15.8	Assumed a) reported GRM at USD 16.2/bbl (vs. USD 12.6/bbl in 1QFY24) based on core GRM of USD 13.2/bbl and crude inventory gain of USD 3.0/bbl; b) crude throughput at 9mmt (down 12.9% QoQ) and marketing sales volume at 12.4mmt (down 5.4% QoQ); c) decline in auto fuel gross marketing margin to +INR 3.3/ltr in 2QFY24 (vs INR 8.8/ltr in 1QFY24); however will be partly offset by product inventory gain of USD 1.0/bbl.
EBITDA (INR mn)	89,135	14,340	158,098	521.6	-43.6	
EBITDA margin (%)	8.3	1.1	12.3	714 bps	-407 bps	
PBT (INR mn)	70,385	-3,758	140,131	-1973.1	-49.8	
PAT (INR mn)	52,085	-3,042	105,509	-1812.4	-50.6	
<b>HPCL (Standalone)</b>						
Sales (INR mn)	1,804,916	1,141,723	1,190,437	58.1	51.6	Assumed a) reported GRM at USD 14.7/bbl (vs. USD 7.4/bbl in 1QFY24) based on core GRM of USD 11.7/bbl and crude inventory gain of USD 3.0/bbl; b) crude throughput at 5.8mmt (up 7% QoQ) and marketing sales volume at 11.1mmt (down 6.6% QoQ); c) decline in auto fuel gross marketing margin to +INR 3.3/ltr in 2QFY24 (vs INR 8.8/ltr in 1QFY24); however will be partly offset by product inventory gain of USD 1.0/bbl.
EBITDA (INR mn)	61,408	-14,979	96,548	-510.0	-36.4	
EBITDA margin (%)	3.4	-1.3	8.1	471 bps	-471 bps	
PBT (INR mn)	45,108	-28,932	83,306	-255.9	-45.9	
PAT (INR mn)	33,380	-21,722	62,039	-253.7	-46.2	
<b>ONGC (Standalone)</b>						
Sales (INR mn)	369,051	383,208	338,143	-3.7	9.1	Assumed a) net crude realisation at USD74/bbl (vs USD 73.6/bbl in 1QFY24) in line with Brent price less windfall tax of USD 11/bbl on domestic crude output; b) domestic APM gas realisations to remain flat at USD 6.5/mmbtu; c) overall crude sales volume up 1.8% QoQ; and d) overall gas sales volume down 0.1% QoQ.
EBITDA (INR mn)	196,714	188,116	194,534	4.6	1.1	
EBITDA margin (%)	53.3	49.1	57.5	421 bps	-423 bps	
PBT (INR mn)	158,614	163,595	133,606	-3.0	18.7	
PAT (INR mn)	118,961	128,260	100,150	-7.3	18.8	
<b>Oil India (Standalone)</b>						
Sales (INR mn)	55,745	57,760	46,447	-3.5	20.0	Assumed a) net crude realisation at USD 73.4/bbl (vs USD 71.9/bbl in 1QFY24) in line with Brent price less windfall tax of USD 11.5/bbl on domestic crude output; b) domestic APM gas realisations to remain flat at USD 6.5/mmbtu; c) overall crude sales volume up 7.7% QoQ; and d) overall gas sales volume up 11.8% QoQ.
EBITDA (INR mn)	24,654	18,482	23,289	33.4	5.9	
EBITDA margin (%)	44.2	32.0	50.1	1223 bps	-592 bps	
PBT (INR mn)	26,704	21,081	20,997	26.7	27.2	
PAT (INR mn)	19,761	17,205	16,134	14.9	22.5	

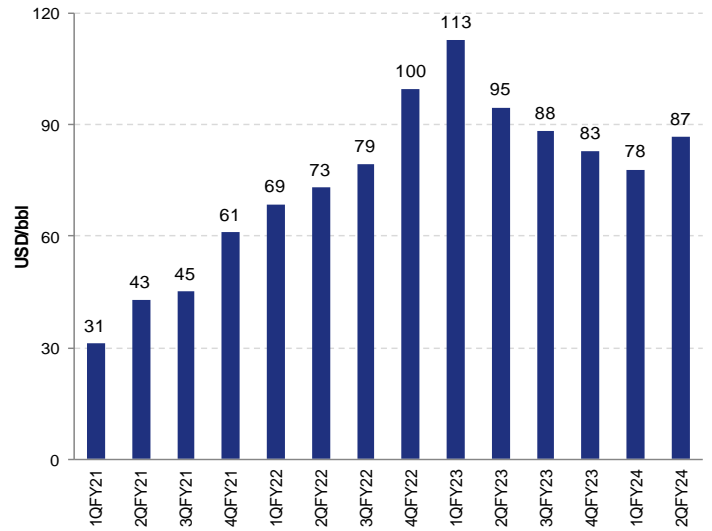
Source: Company, JM Financial

**Exhibit 2: S'pore Dubai GRM at ~USD 9.6/bbl in 2QFY24**



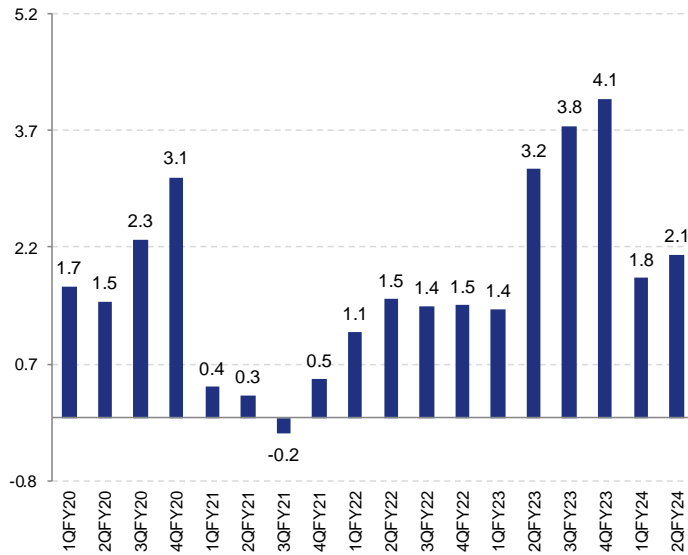
Source: Reuters, Company, JM Financial

**Exhibit 3: Brent crude rose to ~USD 87/bbl in 2QFY24**



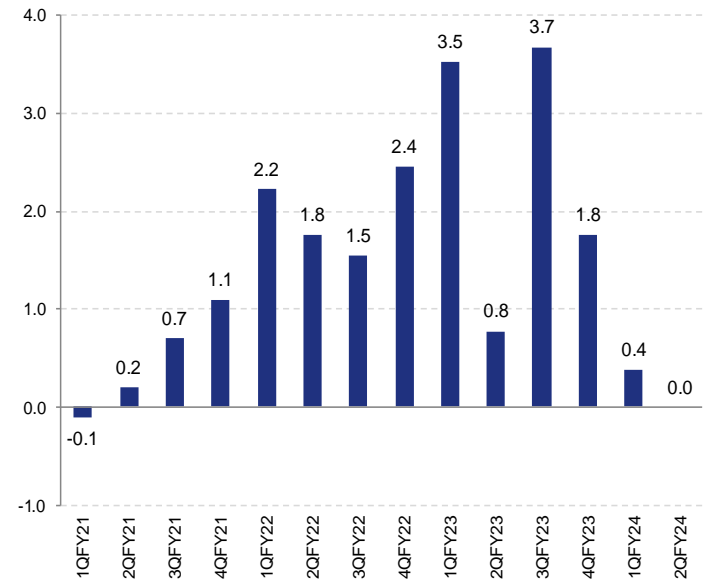
Source: Bloomberg, JM Financial

**Exhibit 4: Arab light-Arab heavy crude spread at USD 2.1/bbl in 2QFY24 (USD/bbl)**



Source: Bloomberg, JM Financial

**Exhibit 5: Brent Dubai crude spread at NIL in 2QFY24 (USD/bbl)**



Source: Bloomberg, JM Financial

**Exhibit 6: Refining margin and product crack trend (USD/bbl)**

	Sep-23	Aug-23	Jul-23	2QFY24	1QFY24	4QFY23	3QFY23	2QFY23	1QFY23	2HFY23	FY23
<b>S'pore GRM (USD/bbl)</b>	9.4	12.6	6.6	9.6	4.0	8.1	6.3	7.1	21.4	7.2	10.8
<b>Product cracks (USD/bbl)</b>											
Diesel	28.7	30.1	20.5	26.5	13.9	25.2	39.6	35.1	43.0	32.4	35.7
Petrol	17.1	21.3	17.7	18.8	16.5	18.5	9.6	13.4	34.9	14.1	19.1
Naptha	-16.9	-15.2	-17.4	-16.4	-12.8	-4.8	-11.5	-19.4	-12.7	-8.2	-12.1
LPG	-31.8	-30.9	-33.6	-32.1	-32.7	-27.4	-32.8	-42.6	-42.4	-30.1	-36.3
Jet Fuel	28.7	30.1	20.5	26.5	13.9	25.0	33.9	33.5	39.4	29.4	32.9
Fuel Oil	-9.8	-2.1	-6.1	-5.9	-9.2	-18.2	-24.4	-24.7	-6.3	-21.3	-18.4
<b>Crude spreads (USD/bbl)</b>											
Arab heavy-Dubai spread	1.5	1.0	0.9	1.1	0.7	-1.3	2.2	4.8	4.6	0.5	2.6
Arab Light-Arab Heavy spread	1.9	2.2	2.2	2.1	1.8	4.1	3.8	3.2	1.4	3.9	3.1
Brent-Dubai crude spread	1.0	-0.5	-0.4	0.0	0.4	1.8	3.7	0.8	3.5	2.7	2.4

Source: Company, JM Financial

## Exhibit 7: OMCs' auto-fuel gross margins moderated in 2QFY24, driven by rise in diesel cracks and higher crude price

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
<b>OMCs gross marketing margin (GMM, INR/ltr)</b>										
Diesel GMM (INR/ltr)	4.0	5.9	5.8	-1.3	-12.8	-7.5	-6.5	0.6	9.5	2.8
Petrol GMM (INR/ltr)	0.2	2.4	2.2	-2.0	-11.0	-3.7	7.2	5.0	7.4	4.3
<b>Wt Avg GMM for Diesel &amp; Petrol (INR/ltr)</b>	<b>2.7</b>	<b>4.8</b>	<b>4.6</b>	<b>-1.5</b>	<b>-12.2</b>	<b>-6.2</b>	<b>-2.0</b>	<b>2.1</b>	<b>8.8</b>	<b>3.3</b>
Historical average GMM (INR/ltr)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
<b>OMCs diesel/petrol refining product crack trend (USD/bbl)</b>										
Diesel refining product crack (USD/bbl)	5.3	5.4	11.6	19.5	43.0	35.1	39.6	25.2	13.8	26.5
Petrol refining product crack (USD/bbl)	9.9	11.8	15.8	17.3	34.9	13.4	9.6	18.5	16.5	18.8
Historical average diesel/petrol product crack (USD/bbl)	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
<b>OMCs diesel/petrol refining product crack trend (INR/ltr)</b>										
Diesel refining product crack (INR/ltr)	2.5	2.5	5.5	9.2	20.9	17.6	20.5	13.0	7.1	13.8
Petrol refining product crack (INR/ltr)	4.6	5.5	7.4	8.2	17.0	6.7	5.0	9.6	8.5	9.8
Historical average diesel/petrol product crack (INR/ltr)	7.0	7.0	7.1	7.1	7.3	7.5	7.8	7.8	7.8	7.8
<b>OMCs integrated gross refining and marketing margin (INR/ltr) — assuming 1:1 marketing vs refining volume</b>										
Diesel integrated gross margin (INR/ltr)	6.4	8.4	11.2	7.9	8.1	10.2	14.0	13.6	16.6	16.6
Petrol integrated gross margin (INR/ltr)	4.8	7.9	9.6	6.2	6.0	3.1	12.1	14.6	16.0	14.1
<b>Wt Avg integrated gross margin for Diesel &amp; Petrol (INR/ltr)*</b>	<b>5.9</b>	<b>8.3</b>	<b>10.7</b>	<b>7.4</b>	<b>7.4</b>	<b>7.8</b>	<b>13.4</b>	<b>14.0</b>	<b>16.4</b>	<b>15.8</b>
Historical average integrated gross margin for Diesel & Petrol (INR/ltr)	10.5	10.5	10.6	10.6	10.8	11.0	11.3	11.3	11.3	11.3
<b>HPCL integrated gross refining and marketing margin (INR/ltr) — assuming 1.7:1 marketing vs refining volume</b>										
Diesel integrated gross margin (INR/ltr)	5.4	7.4	9.0	4.1	-0.5	2.9	5.6	8.3	13.7	10.9
Petrol integrated gross margin (INR/ltr)	2.9	5.7	6.5	2.9	-1.0	0.3	10.1	10.7	12.5	10.1
<b>Wt Avg integrated gross margin for Diesel &amp; Petrol (INR/ltr)*</b>	<b>4.6</b>	<b>6.8</b>	<b>8.2</b>	<b>3.7</b>	<b>-0.7</b>	<b>2.0</b>	<b>7.1</b>	<b>9.1</b>	<b>13.3</b>	<b>10.7</b>
HPCL historical average integrated gross margin for Diesel & Petrol (INR/ltr)	7.6	7.6	7.7	7.7	7.8	7.9	8.1	8.1	8.1	8.1
<b>BPCL integrated gross refining and marketing margin (INR/ltr) — assuming 1.3:1 marketing vs refining volume</b>										
Diesel integrated gross margin (INR/ltr)	5.9	7.8	10.0	5.8	3.3	6.1	9.3	10.6	15.0	13.4
Petrol integrated gross margin (INR/ltr)	3.7	6.7	7.9	4.3	2.0	1.5	11.0	12.4	14.0	11.9
<b>Wt Avg integrated gross margin for Diesel &amp; Petrol (INR/ltr)*</b>	<b>5.1</b>	<b>7.4</b>	<b>9.3</b>	<b>5.3</b>	<b>2.9</b>	<b>4.6</b>	<b>9.8</b>	<b>11.2</b>	<b>14.7</b>	<b>12.9</b>
BPCL historical average integrated gross margin for Diesel & Petrol (INR/ltr)	8.9	8.9	8.9	9.0	9.1	9.3	9.5	9.5	9.5	9.5
<b>IOCL integrated gross refining and marketing margin (INR/ltr) — assuming 1.2:1 marketing vs refining volume</b>										
Diesel integrated gross margin (INR/ltr)	6.0	8.0	10.3	6.4	4.6	7.2	10.6	11.5	15.4	14.3
Petrol integrated gross margin (INR/ltr)	4.0	7.0	8.4	4.9	3.1	1.9	11.3	13.0	14.5	12.5
<b>Wt Avg integrated gross margin for Diesel &amp; Petrol (INR/ltr)*</b>	<b>5.4</b>	<b>7.7</b>	<b>9.7</b>	<b>5.9</b>	<b>4.1</b>	<b>5.5</b>	<b>10.8</b>	<b>12.0</b>	<b>15.1</b>	<b>13.7</b>
IOCL historical average integrated gross margin for Diesel & Petrol (INR/ltr)	9.3	9.3	9.4	9.4	9.6	9.8	10.0	10.0	10.0	10.0

Source: Company, JM Financial

## Exhibit 8: India's Aug'23 oil demand is up 6.5% YoY with a) diesel demand up 5.2% YoY, b) gasoline demand up 2.9% YoY; however, 4-year demand CAGR continues to be weak at 2.0% in Aug'23

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	
<b>Volume (mmt)</b>														
Diesel	6.34	6.25	6.99	7.76	7.79	7.18	7.00	7.79	7.82	8.21	7.91	6.89	6.67	
Gasoline	3.01	2.83	3.00	2.86	2.98	2.83	2.78	3.11	2.88	3.35	3.15	2.98	3.09	
LPG	2.4	2.4	2.4	2.5	2.6	2.5	2.4	2.4	2.2	2.3	2.2	2.4	2.5	
Kerosene	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	
ATF	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.6	0.7	0.7	
Others	5.1	4.8	5.6	5.4	5.5	5.3	5.8	7.2	5.2	6.1	5.5	5.1	5.6	
Naphtha	1.1	1.0	0.9	0.9	1.0	1.1	1.1	1.1	1.1	1.2	1.1	1.1	1.1	
FO & LSHS	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.5	
Petroleum coke	1.2	1.4	1.7	1.5	1.4	1.4	1.6	2.0	1.4	1.8	1.6	1.6	1.5	
Others	2.1	1.8	2.4	2.3	2.4	2.2	2.6	3.5	2.1	2.5	2.3	1.9	2.4	
<b>Total</b>	<b>17.4</b>	<b>16.9</b>	<b>18.6</b>	<b>19.1</b>	<b>19.5</b>	<b>18.5</b>	<b>18.6</b>	<b>21.2</b>	<b>18.7</b>	<b>20.7</b>	<b>19.5</b>	<b>18.1</b>	<b>18.6</b>	
<b>YoY growth (%)</b>														
Diesel	13.2	13.4	5.6	19.3	6.6	12.8	7.6	1.2	8.6	12.7	3.0	3.9	5.2	Aug'23 (4-Year CAGR %)
Gasoline	11.6	8.8	8.9	8.2	6.0	14.3	8.9	6.8	2.9	11.0	6.2	6.2	2.9	2.2
LPG	3.1	3.6	(3.5)	5.4	4.1	(2.2)	(0.1)	(2.7)	(0.2)	8.7	0.3	(0.6)	3.0	4.7
Kerosene	(75.5)	(68.9)	(73.0)	(68.8)	(66.7)	(73.6)	(71.6)	(73.5)	(58.0)	(38.7)	12.9	135.2	85.6	0.6
ATF	56.0	43.8	28.6	22.6	19.4	46.5	43.2	26.9	18.7	12.6	9.2	14.6	14.3	2.2
Others	24.1	3.5	8.3	16.4	(2.6)	(8.1)	5.9	24.3	(8.9)	15.5	9.5	(3.2)	10.4	4.7
Naphtha	18.4	(0.7)	(27.1)	(12.6)	(5.4)	(5.3)	(3.0)	(0.3)	14.3	39.5	11.5	(6.5)	3.5	(4.7)
FO & LSHS	19.3	11.3	6.0	15.8	9.9	9.6	8.6	0.1	12.1	9.1	(7.0)	1.0	(14.5)	2.3
Petroleum coke	32.6	55.1	43.3	63.5	(15.7)	(22.4)	3.2	42.8	(20.1)	23.1	23.0	(4.9)	22.5	(4.0)
Others	24.0	(18.0)	8.8	10.6	5.4	(2.5)	11.2	30.5	(14.7)	4.1	4.7	(1.0)	14.2	12.8
<b>Total</b>	<b>14.6</b>	<b>8.3</b>	<b>5.7</b>	<b>14.3</b>	<b>3.4</b>	<b>4.3</b>	<b>6.5</b>	<b>8.6</b>	<b>1.4</b>	<b>12.6</b>	<b>5.2</b>	<b>2.1</b>	<b>6.5</b>	<b>2.0</b>

Source: PPAC, JM Financial

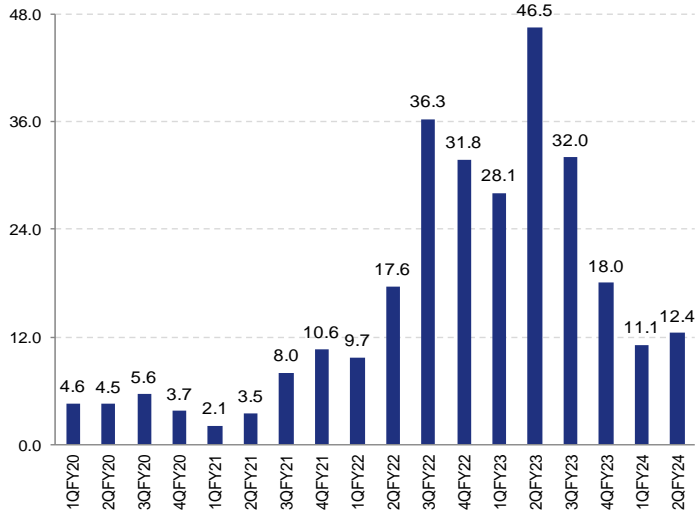
## Exhibit 9: Detailed 2QFY24 estimates of gas utilities

	2QFY24E	2QFY23	1QFY24	YoY (%)	QoQ (%)	Comment
<b>IGL (Standalone)</b>						
Sales (INR mn)	34,291	35,540	34,070	-3.5	0.6	Assumed a) CNG volume of 561mmscm (flat QoQ while up 0.2% YoY), PNG volume of 190mmscm (up 2.8% QoQ and 3.2% YoY) implying overall volume of 751mmscm or 8.2 mmcmd (down 0.4% QoQ while up 1.0% YoY) due to impact of floods in Delhi; and b) margins (EBITDA/scm) to moderate slightly to INR 8.3/scm (from INR 8.6/scm in 1QFY24).
EBITDA (INR mn)	6,390	5,275	6,424	21.1	-0.5	
EBITDA margin (%)	18.6	14.8	18.9	379 bps	-22 bps	
PBT (INR mn)	6,370	5,430	5,867	17.3	8.6	
PAT (INR mn)	4,714	4,162	4,384	13.3	7.5	
<b>GGas (Standalone)</b>						
Sales (INR mn)	38,136	39,765	37,815	-4.1	0.8	Assumed a) Industrial volume of 508mmscm (down 5% QoQ but up 23.6% YoY); overall volume of 819mmscm or 8.9mmcmd (down 3.5% QoQ but up 16.8% YoY); and b) margin (EBITDA/scm) to recover QoQ to INR 6/scm (from INR 4.6/scm in 1QFY24) due to price hikes taken in the industrial segment on account of rise in spot LNG price and as alternative fuel (propane) prices started rising during the quarter.
EBITDA (INR mn)	4,941	6,427	3,880	-23.1	27.3	
EBITDA margin (%)	13.0	16.2	10.3	-321 bps	270 bps	
PBT (INR mn)	3,951	5,418	2,894	-27.1	36.5	
PAT (INR mn)	2,924	4,039	2,151	-27.6	35.9	
<b>MGL (Standalone)</b>						
Sales (INR mn)	15,811	15,627	15,378	1.2	2.8	Assumed a) CNG volume of 239mmscm (up 6% QoQ and 2.4% YoY), PNG volume at 87mmscm (up 2.9% QoQ and 3.3% YoY) implying overall volume of 327mmscm or 3.5mmcmd (up 4.0% QoQ and 2.6% YoY); and b) margin (EBITDA/scm) to normalise to INR 14.0/scm (from high INR 16.8/scm reported in 1QFY24).
EBITDA (INR mn)	4,572	2,528	5,213	80.8	-12.3	
EBITDA margin (%)	28.9	16.2	33.9	1274 bps	-498 bps	
PBT (INR mn)	4,266	2,213	4,957	92.8	-13.9	
PAT (INR mn)	3,157	1,640	3,684	92.5	-14.3	
<b>PLNG (Standalone)</b>						
Sales (INR mn)	142,769	159,857	116,561	-10.7	22.5	Assumed a) Dahej regas volume to improve to 221TBTU (vs.217TBTU reported in 1QFY24); b) Kochi volume expected to remain flat QoQ to 13TBTU; c) Dahej and Kochi regas margins to remain flat QoQ at INR 59.9/mmbtu and INR 85.1/mmbtu respectively.
EBITDA (INR mn)	12,240	11,730	11,818	4.4	3.6	
EBITDA margin (%)	8.6	7.3	10.1	124 bps	-157 bps	
PBT (INR mn)	10,710	9,939	10,621	7.8	0.8	
PAT (INR mn)	8,011	7,443	7,899	7.6	1.4	
<b>GAIL (Standalone)</b>						
Sales (INR mn)	329,066	384,786	322,121	-14.5	2.2	Assumed a) integrated pipeline tariff to remain flattish QoQ at ~INR 2,240/tcm for GAIL's gas transmission business while opex to decline due to moderation in gas cost; and 1.4% QoQ rise in gas transmission volume to 118mmcmd; b) gas trading volume up 1.2% QoQ at 100mmcmd and gas trading margin at INR 1,050/tcm (vs. INR 1,226/tcm in 1QFY24); c) petchem earnings recover marginally due to improvement in plant utilisation; and d) LPG earnings to decline due to lower global LPG prices.
EBITDA (INR mn)	24,066	17,647	24,327	36.4	-1.1	
EBITDA margin (%)	7.3	4.6	7.6	273 bps	-24 bps	
PBT (INR mn)	24,216	18,759	18,887	29.1	28.2	
PAT (INR mn)	18,113	15,371	14,120	17.8	28.3	
<b>GSPL (Standalone)</b>						
Sales (INR mn)	4,613	4,346	4,412	6.1	4.6	Assumed a) transmission volume at 31mmcmd (up 5.5% QoQ); and b) weighted average transmission EBITDA margin to stay flattish at ~INR 1,220/tcm.
EBITDA (INR mn)	3,529	3,338	3,364	5.7	4.9	
EBITDA margin (%)	76.5	76.8	76.3	-30 bps	25 bps	
PBT (INR mn)	5,540	3,877	3,066	42.9	80.7	
PAT (INR mn)	4,144	3,142	2,293	31.9	80.7	

Source: Company, JM Financial

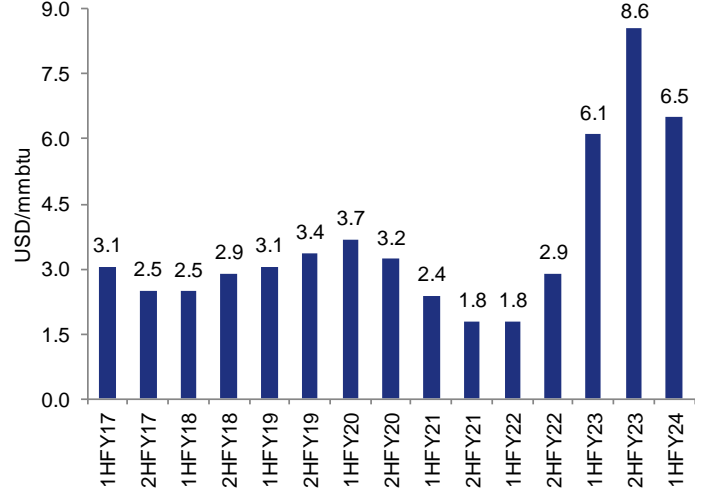


**Exhibit 10: Spot LNG average price rises slightly to ~USD 12/mmbtu in 2QFY24**



Source: Bloomberg, Reuters, JM Financial

**Exhibit 11: Domestic APM gas price capped at USD 6.5/mmbtu for FY24- FY25 (vs. USD 8.6/mmbtu in 2HFY23)**



Source: PPAC, JM Financial

**Exhibit 12: India's sector-wise monthly overall gas demand break-up (mmcmd)**

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
<b>Domestic gas</b>													
Fertiliser	15.0	16.4	14.9	13.3	9.8	9.5	8.6	8.0	7.8	8.1	8.1	8.1	8.2
Power	18.8	17.9	17.8	17.9	18.5	18.9	18.7	17.6	17.4	17.8	18.7	16.4	18.8
City Gas	21.6	22.0	26.2	27.3	27.4	27.5	29.7	28.8	28.0	27.1	27.1	27.1	27.2
Others	34.2	34.0	34.5	32.1	34.5	36.5	33.9	35.4	32.8	37.4	42.0	47.4	49.4
-Refinery	4.7	3.3	5.0	3.5	3.3	3.2	3.3	3.2	2.4	5.5	5.7	6.9	7.7
-Petrochemical	1.5	3.1	2.4	2.2	3.0	2.5	3.6	3.6	3.1	3.7	3.1	4.2	3.5
-Other	27.9	27.6	27.1	26.4	28.1	30.8	27.0	28.6	27.4	28.2	33.2	36.2	38.2
<b>Total domestic gas consumption</b>	<b>89.7</b>	<b>90.4</b>	<b>93.3</b>	<b>90.6</b>	<b>90.2</b>	<b>92.5</b>	<b>90.9</b>	<b>89.8</b>	<b>86.0</b>	<b>90.4</b>	<b>95.8</b>	<b>98.9</b>	<b>103.6</b>
Total domestic gas net production for sale to consuming sectors	76.4	78.2	76.7	77.7	78.4	79.0	78.4	78.5	74.5	76.5	80.0	83.8	85.2
Domestic gas consumption as % of net production for sale	117%	116%	122%	117%	115%	117%	116%	114%	115%	118%	120%	118%	122%
<b>LNG</b>													
Fertiliser	39.2	39.4	41.8	43.3	42.0	44.5	48.8	45.3	45.9	49.3	45.7	45.6	49.0
Power	2.3	2.5	1.7	3.7	3.3	2.3	2.4	3.4	7.0	7.5	8.9	6.9	12.8
City Gas	13.1	10.0	4.2	4.6	4.9	4.4	4.7	6.5	6.7	8.7	7.7	8.5	8.9
Others	15.8	13.4	10.6	15.2	13.4	14.3	14.3	18.6	21.8	20.5	21.3	19.5	23.5
-Refinery	6.8	5.6	3.0	6.5	6.2	6.6	6.6	6.9	8.8	9.7	8.7	9.0	9.0
-Petrochemical	2.5	1.8	0.9	2.2	3.1	3.1	2.0	4.4	5.5	4.3	2.5	2.8	3.8
-Other	6.5	5.9	6.7	6.5	4.1	4.6	5.7	7.3	7.5	6.5	10.1	7.7	10.8
<b>Total</b>	<b>70.5</b>	<b>65.3</b>	<b>58.4</b>	<b>66.7</b>	<b>63.6</b>	<b>65.5</b>	<b>70.1</b>	<b>73.9</b>	<b>81.4</b>	<b>86.0</b>	<b>83.7</b>	<b>80.7</b>	<b>94.3</b>
<b>Total</b>													
Fertiliser	54.3	55.8	56.7	56.5	51.9	54.1	57.4	53.3	53.7	57.4	53.8	53.7	57.3
Power	21.2	20.5	19.5	21.6	21.8	21.2	21.1	21.0	24.4	25.4	27.6	23.3	31.6
City Gas	34.8	32.0	30.5	31.9	32.3	32.0	34.4	35.4	34.7	35.8	34.8	35.6	36.1
Others	50.0	47.4	45.0	47.3	47.8	50.8	48.1	54.0	54.6	57.8	63.3	66.9	73.0
-Refinery	11.5	8.9	7.9	10.0	9.5	9.8	9.9	10.1	11.2	15.3	14.4	15.9	16.7
-Petrochemical	4.0	4.9	3.3	4.4	6.1	5.6	5.5	8.0	8.5	8.0	5.6	7.1	7.3
-Other	34.5	33.6	33.8	32.9	32.2	35.4	32.7	35.9	34.9	34.6	43.3	44.0	49.0
<b>Total</b>	<b>160.2</b>	<b>155.7</b>	<b>151.7</b>	<b>157.3</b>	<b>153.8</b>	<b>158.1</b>	<b>161.0</b>	<b>163.7</b>	<b>167.4</b>	<b>176.4</b>	<b>179.5</b>	<b>179.5</b>	<b>197.9</b>

Source: PPAC, JM Financial

**Exhibit 13: Spot LNG price remained close to alternative liquid fuel price levels, but much higher than LPG price**

	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Spore spot LNG prices (USD/mmbtu)	4.6	4.5	5.6	3.7	2.1	3.5	8.0	10.6	9.7	17.6	36.3	31.8	28.1	46.5	32.0	18.0	11.2	12.4
Fuel oil price (USD/MT)	396	372	265	272	185	248	267	345	372	412	441	538	610	441	369	392	429	494
LPG prices (USD/MT)	490	365	430	500	307	363	418	593	528	648	822	803	847	682	617	700	520	473
Naphtha price (USD/MT)	517	469	508	410	230	379	384	538	584	653	721	850	811	634	619	641	553	606
Brent crude price (USD/bbl)	67.4	61.1	65.5	36.4	39.6	42.7	51.5	65.3	72.3	77.7	84.3	111.5	112.4	91.7	82.3	81.2	78.0	86.7
<b>Converting all product prices into USD/bbl based on energy equivalence</b>																		
Spore spot LNG prices (USD/bbl)	27.6	27.0	33.5	22.3	12.8	21.0	47.8	63.7	58.3	105.6	217.9	190.6	168.6	278.7	192.2	107.7	67.2	74.5
Fuel oil price (USD/bbl)	59.5	55.8	39.8	40.9	27.8	37.3	40.0	51.8	55.8	61.8	66.3	80.7	91.6	66.2	55.4	58.8	64.4	74.2
LPG prices (USD/bbl)	42.2	31.5	37.1	43.1	26.4	31.3	36.1	51.1	45.5	55.9	70.8	69.3	73.0	58.8	53.2	60.3	44.8	40.8
Naphtha price (USD/MT)	60.8	55.2	59.8	48.3	27.1	44.6	45.2	63.3	68.7	76.8	84.8	100.0	95.4	74.5	72.9	75.4	65.1	71.3
Brent crude price (USD/bbl)	67.4	61.1	65.5	36.4	39.6	42.7	51.5	65.3	72.3	77.7	84.3	111.5	112.4	91.7	82.3	81.2	78.0	86.7
Spot LNG price as % of Fuel oil	46%	48%	84%	55%	46%	56%	119%	123%	104%	171%	329%	236%	184%	421%	347%	183%	104%	100%
Spot LNG price as % of LPG	65%	86%	90%	52%	48%	67%	133%	124%	128%	189%	308%	275%	231%	474%	361%	178%	150%	183%
Spot LNG price as % of Naphtha	45%	49%	56%	46%	47%	47%	106%	101%	85%	137%	257%	191%	177%	374%	264%	143%	103%	105%
Spot LNG price as % of Brent	41%	44%	51%	61%	32%	49%	93%	98%	81%	136%	259%	171%	150%	304%	234%	133%	86%	86%

Source: JM Financial, Bloomberg

## Changes in Estimates and TP

Exhibit 14: Change in estimates and TP

	Revenue (INR mn)		EBITDA (INR mn)		PAT (INR mn)		TP (INR)
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	
<b>RIL</b>							
New	9,387,215	9,888,874	1,577,538	1,853,850	686,825	883,468	2,900
Old	9,387,215	9,888,874	1,577,538	1,853,850	686,825	883,468	2,900
Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
<b>IOCL</b>							
New	7,715,056	7,164,763	542,356	426,517	323,101	209,082	85
Old	7,715,056	7,164,763	542,356	426,517	323,101	209,082	85
Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
<b>BPCL</b>							
New	3,900,135	3,482,197	304,859	225,096	172,580	109,629	400
Old	3,900,135	3,482,197	304,859	225,096	172,744	109,461	400
Change	0%	0%	0%	0%	0%	0%	0%
<b>HPCL</b>							
New	3,670,323	3,373,321	188,708	160,419	119,699	94,017	275
Old	3,670,323	3,373,321	188,708	160,419	119,699	94,017	275
Change	0%	0%	0%	0%	0%	0%	0%
<b>ONGC</b>							
New	6,174,037	5,671,169	1,089,542	986,444	494,239	443,905	220
Old	6,190,432	5,671,976	1,060,772	979,046	472,513	429,220	205
Change	0%	0%	3%	1%	5%	3%	7%
<b>Oil India</b>							
New	263,436	254,193	116,694	111,132	63,293	60,512	345
Old	278,025	253,342	117,448	111,499	62,825	60,075	315
Change	-5%	0%	-1%	0%	1%	1%	9%
<b>Gujarat Gas</b>							
New	131,929	154,380	18,853	24,279	11,346	15,217	550
Old	136,415	156,121	20,186	24,290	12,352	15,227	570
Change	-3%	-1%	-7%	0%	-8%	0%	-3%
<b>IGL</b>							
New	144,078	150,331	24,034	27,076	16,786	18,880	570
Old	144,078	150,331	24,034	27,076	16,786	18,880	570
Change	0%	0%	0%	0%	0%	0%	0%
<b>MGL</b>							
New	53,645	58,543	14,473	15,949	9,894	10,855	1300
Old	53,645	58,543	14,473	15,949	9,892	10,853	1300
Change	0%	0%	0%	0%	0%	0%	0%
<b>PLNG</b>							
New	477,929	452,396	51,082	55,673	34,328	37,381	235
Old	486,586	463,729	54,824	55,906	37,652	38,200	235
Change	-2%	-2%	-7%	0%	-9%	-2%	0%
<b>GAIL</b>							
New	1,581,100	1,683,993	106,367	117,734	71,458	78,152	135
Old	1,581,100	1,683,993	106,367	117,734	71,458	78,152	135
Change	0%	0%	0%	0%	0%	0%	0%
<b>GSPL</b>							
New	17,777	18,647	12,963	13,691	9,435	10,010	345
Old	17,777	18,646	12,612	13,388	9,176	9,789	345
Change	0.0%	0.0%	2.8%	2.3%	2.8%	2.3%	0%

Source: JM Financial

Exhibit 15: Valuation snapshot

Company	Rating	TP (INR)	Upside/ (downside)	P/E (x)			P/B (x)			EV/EBITDA (x)			ROE (%)		
				FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
RIL	BUY	2,900	25%	23.0	17.8	15.6	2.0	1.9	1.7	11.6	10.0	8.7	9.2	10.9	11.3
IOCL	HOLD	85	-6%	3.8	5.9	7.5	0.8	0.8	0.7	5.0	6.5	7.1	22.0	13.1	9.8
BPCL	BUY	400	15%	4.3	6.7	6.7	1.1	1.0	0.9	3.9	5.3	5.3	29.0	15.8	14.3
HPCL	BUY	275	7%	3.0	3.9	3.9	0.9	0.7	0.6	5.3	6.2	5.9	32.0	20.3	17.4
Oil India	BUY	345	17%	5.0	5.3	5.1	0.7	0.7	0.6	4.5	5.2	5.3	15.4	13.0	12.2
ONGC	BUY	220	21%	4.6	5.1	5.0	0.7	0.7	0.6	3.1	3.4	3.3	16.8	13.8	13.2
Gujarat Gas	BUY	550	30%	25.8	19.2	16.6	3.7	3.3	2.9	15.0	11.3	9.6	15.3	18.2	18.6
IGL	BUY	570	24%	19.3	17.1	15.8	3.8	3.3	2.8	13.0	11.2	9.9	21.6	20.6	19.0
MGL	BUY	1,300	17%	11.1	10.1	9.6	2.3	2.0	1.7	6.3	5.5	4.9	22.2	21.0	19.4
PLNG	HOLD	235	2%	10.1	9.2	0.0	2.1	1.9	0.0	5.1	4.6	0.0	22.0	21.9	0.0
GAIL	BUY	135	9%	11.3	10.3	9.9	1.4	1.3	1.2	8.1	7.5	7.0	12.4	12.7	12.4
GSPL	BUY	345	21%	16.9	15.9	15.0	1.6	1.5	1.4	7.2	6.2	5.3	9.8	9.7	9.6

Source: JM Financial



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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